



COMMISSION'S ORDER

ON

ANNUAL REVENUE REPORT OF UHBVNL

FOR DISTRIBUTION AND RETAIL SUPPLY BUSINESS

FOR FY 2005-06

November 9, 2005

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

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CASE No. : HERC / PRO – 3 of 2005

Date of Order : November 9, 2005

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

PRESENT

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

On behalf of UHBVNL

Shri Mohinder Singh, Director (Finance)
Shri V.B.S.Chauhan, Director (Operations)
Shri Deepak Chopra, S.E. (R.A.)

On behalf of the Staff of HERC

Shri Ashwani Kumar, Secretary
Shri Balbir Singh, Director (Tech.)
Smt. Saroj Deswal, Director (Tariff)
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 Parshadamal
Mukandilal Rice Sheller

Shri Parmesh Bindal

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 Uttar 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The Electricity Act 2003, enacted in June 2003, repealed the Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948 and the Electricity Regulatory Commissions Act, 1998.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 there under 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 Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL), for North

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

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

“(a) Each year not later than 30th November the Licensee shall prepare and submit to the Commission a report of its expected aggregate 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, UHBVNL was required to file the ARR application for FY 2005-06 by 30th November 2004 as per the license conditions. However, UHBVNL filed application for extension of time up to 31.12.2004 for filing of ARR for D&RS business for FY 2005-06 vide its office Memo No. Ch-36SE/RA/N/F-25/Vol.VII, dated 7.12.2004 because the ARR

was under preparation. The Commission allowed extension of time up to 31.12.2004 vide office Memo. No. 1975/HERC/UH/2004, dated 21.12.2004.

UHBVNL vide its office Memo No. Ch-54/SE/RA/N/F-25/Vol.VII, dated 29.12.2004 further requested the Commission to grant the extension of time up to 31.1.2005 for filing of ARR for D&RS business for FY 2005-06 as their ARR was still under preparation and likely to be completed by 31.1.2005 for filing with HERC. The Commission vide office Memo 2648/HERC/ARRext/2004, dated 4.1.2005 granted extension of time for filing of ARR.

Subsequently UHBVNL again asked for extension of time up to 28.2.2005 vide office Memo No. Ch-78/SE/RA/N/F-25/Vol.VII, dated 31.1.2005 with the same plea that the preparation of ARR for D&RS business for FY 2005-06 is still under process and is likely to be completed by 28.2.2005. The Commission granted extension up to 28.2.2005 with the direction to the licensee not to approach it (the Commission) for further extension of time for filing of ARR for D&RS business for FY 2005-06.

However, UHBVNL vide its office Memo. No. Ch-92SE/RA/N/F-25/Vol.VII, dated 1.3.2005 again asked for extension of time up to 10.3.2005 for filing of ARR.

UHBVNL, the D&RS Licensee, filed its Annual Revenue Requirement application for FY 2005-06 on 10.3.2005 vide Memo No. Ch-96/SE/RA/F-25/Vol.-VII, dated 9.3.2005. In that ARR application, the licensee has projected total ARR of Rs. 30689.23 million and subsidy of Rs. 8507.70 million. Total expenditure of Rs. 32235.67 million, reasonable return of Rs. 81.62 million and non-tariff income of Rs. 1628.06 million were projected. Expected revenue was projected as Rs.

27470 million for FY 2005-06 and accordingly, a revenue gap of Rs. 3219 million was shown.

Subsequently, the licensee on its own submitted a revised ARR application to the Commission on 12.4.2005 vide Memo No. Ch-02/SE/RA/N/F-25/Vol.VIII, dated 8.4.2005. In the revised ARR the licensee projected total ARR of Rs. 27537.70 million with subsidy of Rs. 8507.70 million. Total expenditure of Rs. 28882.06 million, reasonable return of Rs. 61.42 million and non-tariff income of Rs. 1405.78 million were projected. The expected revenue of Rs. 25509 million and revenue gap of Rs. 2029 million was projected in the revised ARR. UHBVNL mentioned in the filing that a tariff proposal to meet the revenue gap shall be given after the approval of Aggregate Revenue Requirement by the Commission.

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) (c) of the HERC (Tariff) Regulations, 1999, the ARR application should contain a calculation of the licensee's estimated costs of service required by the level of demand indicated in the ARR for each consumer class and 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 under regulation 2(2)(d).

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.

Therefore, the Commission vide office memo No. 156/HERC, dated 20.4.2005 informed UHBVNL that the revised ARR application made

by the licensee does not comply with the provisions of the Electricity Act, 2003 as well the HERC (Tariff) Regulations. The Commission considered the filing incomplete as the licensee did not submit any tariff proposal for treatment of revenue gap. Further, the Commission was of the view that the suggestions and objections sought from the public by the licensee as required under section 64(3) of the Electricity Act, 2003 are not justifiable, as the treatment of revenue gap has not been indicated in the filing made public. This issue has already been dealt in the Commission order dated 9.3.2004 in the case of HERC/PRO-6 of 2003. So the Commission did not take the revised ARR filing of UHBVNL for FY 2005-06 on record. The license was directed to file a tariff application, as requested by the licensee in the revised ARR filing dated 12.4.2005, within 15 days from the Commission's letter dated 20.4.2005.

UHBVNL vide their office Memo No. Ch-45/SE/RA/N/F-25/Vol-VII, dated 9.5.2005 requested the Commission for extension of time up to 20.5.2005 for submission of proposal for treatment of revenue gap for revised ARR on D&RS business for FY 2005-06 since the matter stands referred to the State Government regarding proposal to meet the revenue gap and the decision is awaited. As requested by the licensee, the Commission granted extension vide office Memo No.535/HERC, dated 18.5.2005.

UHBVNL filed its Revised (II) ARR for D&RS business for FY 2005-06 on 23.5.2005 vide office Memo No. Ch-52/SE/RA/N/F-25/Vol.VIII, dated 20.5.2005, which has been discussed in Para 1.4.

It is relevant to add that UHBVNL issued Public Notices in the two newspapers relating to submission of original ARR with HERC on 10.3.2005. The Public Notices were issued in 'The Tribune' and 'Amar Ujala' newspapers on 17.3.2005 and 16.3.2005 respectively. The public objections were invited till 15.4.2005 as per the public notices.

Subsequently, after filing of revised ARR with the Commission on 12.4.2005, UHBVNL again issued public notices in the 'Indian Express' and 'Amar Ujala' newspapers on 20.4.2005. As per these public notices, the public objections were invited till 19.5.2005.

The licensee mentioned salient features of their original and revised ARRs in its Public Notices referred to above. The distribution losses have been targeted as 31% for FY 2005-06 as per public notice. The revenue gap of Rs. 3219 million and Rs. 2029 million were projected in the public notices published by the licensee on dated 16/17.3.2005 and 20.4.2005 respectively. 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 shall give a tariff proposal to meet the revenue gap after the approval of Aggregate Revenue Requirement by the Commission.

The set of documents related to ARR were also made available for public consultation during office hours on any working day at the head office of UHBVNL and offices of 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 UHBVNL could not publish the public notice in time after submission of Revised (II) ARR filing with the Commission on 23.5.2005. UHBVNL issued public notices in the 'Indian express' and 'Amar Ujala' newspapers on 15.9.2005 in respect of the submission of Revised (II) ARR for FY 2005-06 and the supplementary information filed on 8.9.2005. The public objections were invited till 24.9.2005. As per these public notices, the distribution loss at the level of 29% and revenue gap of Rs. 2096 million has been projected for FY 2005-06.

1.4 Salient features of Revised (II) ARR

UHBVNL has projected an Annual Revenue Requirement (ARR) of Rs. 28080.53 million consisting of Rs. 29414.12 million of expenditure and Rs. 72.19 million of reasonable return less Rs. 1405.78 million of non-tariff income. The Licensee has taken into account a subsidy of Rs. 8507.70 million from the State Government and revenue (including subsidy) of Rs. 25509 million on the sale of 7760.02 million units for the Financial Year 2005-06 as per Revised (II) ARR filed on 23.5.2005. As per the Revised (II) Annual Revenue Requirement projections for D&RS Business for Financial Year 2005-06, there was an uncovered revenue gap of Rs.2572 million. The Licensee has mentioned that to meet the revenue gap, the licensee has sent a proposal for tariff increase to the State Government for approval and the same shall be filed with the Commission after its approval is received from the State Government.

The Licensee is required to furnish requisite data to the Commission to enable it to properly analyse and to give its orders on the ARR. In spite of the general guidelines for filing of ARR application and specific directions given in the Commission's orders on ARR filing during previous years, UHBVNL filed its ARR for FY 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 UHBVNL vide the Commission Memo No. 1184/HERC dated 27.7.2005. A reminder letter was also issued vide Memo No. 1433/HERC dated 17.8.2005 when the requisite information was not received within the prescribed time period.

UHBVNL submitted its Supplementary information required for meaningful analysis of Revised (II) ARR for D&RS Business for FY 2005-06 on 18.8.2005 vide office Memo No. Ch-34/SE/RA/N/F-25/Vol-VIII/SpplimentaryInf/05-06, dated 18.8.2005.

Further, UHBVNL suo-motto made changes in its revenue requirement and filed the same to the Commission vide its office Memo No. Ch-51/SE/RA/N/F-25/Vol-VIII/Supplementary Inf/2005-06, dated 7.9.2005 on the following grounds :

- (a) Reduction in projected distribution loss level from 31% to 29%,
- (b) To take care of certain waiver and incentive scheme of the State Government,
- (c) To take care of the applicability of Fringe Benefit Tax,
- (d) To claim interest on meter security.

Consequently, different projections have been given in the Revenue Requirement Forms say in Form 1.1 for Capital Base, Form 1.3 for Expenditure, Form 1.4 for Non-tariff Income and Form 1.6 for Aggregate Revenue Requirement.

UHBVNL has projected total Annual Revenue Requirement (ARR) of Rs. 28357.92 million consisting of Rs. 29539.29 million of expenditure

and Rs. 65.83 million of reasonable return less Rs. 1247.20 million of non-tariff income. The Licensee has taken into account a subsidy of Rs. 8507.70 million from the State Government and revenue (including subsidy) of Rs. 26262 million on the sale of 7984.94 million units for the Financial Year 2005-06 as per Supplementary filing received on 8.9.2005. The licensee has also reduced the revenue requirement by Rs. 95.67 million (Rs. 0.62 million for application of domestic tariff on primary school; Rs. 39.16 million for impact of 10 paise rebate to woman consumers and Rs. 55.89 million for impact of incentive scheme in rural areas) due to latest change in tariff by way of issue of circulars. As per the Supplementary filing dated 7.9.2005 regarding Annual Revenue Requirement projections for D&RS Business for Financial Year 2005-06, there is an uncovered revenue gap of Rs.2096 million. The Licensee mentioned that approval of the State Government to the tariff proposal is still awaited.

Thus, UHBVNL has submitted total four sets of data regarding ARR for FY 2005-06 with the Commission on 10.3.2005, 12.4.2005, 23.5.2005 and 8.9.2005. The issue regarding treatment of revenue gap still remain unresolved. The revenue gap of Rs. 2096 million was projected for FY 2005-06 as per the supplementary information filed by UHBVNL on 8.9.2005. UHBVNL mentioned that the licensee shall send its tariff proposal to the Commission after receipt of its approval from the State Government. The Commission views the late submissions of ARR by the licensee as a virtual derailment of reforms process in Haryana.

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 UHBVNL 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 UHBVNL for FY 2005-06 was scheduled for 30.9.2005 at the Mansarover Hall, National Fertilizers Limited Township, Panipat. However, UHBVNL vide its office Memo No. Ch-22/SE/RA/N/F-25/Vol-IX, dated 16.9.2005 requested the Commission to adjourn the public hearing scheduled for 30.9.2005 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 UHBVNL that the Government has asked the Nigam to seek adjournment of public hearing on the Revised (II) ARR filing of UHBVNL for FY 2005-06 fixed on 30.9.2005, as Government cannot take a stand due to on-going election process. Keeping in view the said request of the licensee, the Commission rescheduled the public hearing to 7.10.2005 at Red Bishop, Panchkula. Separate Public notices in the 'Hindustan Times', 'Amar Ujala' and 'Dainik Jagran' newspapers were again published on 22.9.2005 by the Commission rescheduling the date and place of public hearing on the UHBVNL's ARR for FY 2005-06.

It is relevant to mention here the UHBVNL vide its office Memo No. Ch-37/SE/RA/N/F-25/Vol-IX, dated 3.10.2005, which was received in the office of the Commission on 5.10.2005, once again requested the

Commission to adjourn the public hearing fixed on 7.10.2005 for 15 days on the Revised (II) ARR filing of UHBVNL for FY2005-06 in view of Chief Ministers conclave and the Prime Minister's visit to Chandigarh on 7th and 8th October, 2005 as every body shall be tied down. But in the light of time constraint as specified by the section 64(3) of the Electricity Act, 2003 and in the interest of general public as well as other interested organisations, the Commission was of the view that it was not possible to further postpone the public hearing at this late juncture and decided that the public hearing shall be held as per the schedule on 7.10.2005. The decision of the Commission was conveyed to the licensee vide office Memo No. 1789/HERC, dated 6.10.2005.

The public hearing on Revised (II) D&RS ARR of UHBVNL for FY 2005-06 was held at Red Bishop Tourist Complex at Panchkula, Haryana at 11 A.M. on 7.10.2005. 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 the various Public Notices, only two written objection were received till the last date of filing 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. Mr. Parmesh Bindal on behalf of M/s Parshadamal Mukandilal Rice Sheller and the staff of the Commission presented their views during public hearing. A list of interveners is given in **Annexure – 4**.

(A) Mr. Parmesh Bindal asked certain information / data related to the licensee's working and activities in his written objections, but as a copy of his comments was not received by the licensee before public hearing, UHBVNL could not submit reply to their observations at the time of public hearing.

The information asked for by Mr. Parmesh Bindal and reply of UHBVNL thereon as per its Memo. No. Ch-44/SE/RA/N/F-25/Vol-IX dated 13.10.2005, which was received on 18.10.2005, is given below in regard to the important issues :

- a. Why the various sales circulars have been issued by UHBVNL without the prior permission of the Commission?

Reply of the licensee – The Nigam is to implement the policy directives of the Government. The interaction of the HERC with the State Government is required in the issue of policy directives.

- b. Why the figure in the Profit and Loss Account of the licensee under the head of 'Provision for bad debts' have been increased from Rs.167.72 million to Rs.1000/- million in the FY 2005-06.

Reply of the licensee – The licensee has launched a waiver scheme during the year to find out permanent solution to the issue of pending arrears and current payment default in substantial rural area of the State. The exact amount written off from the Profit and Loss Account will be known only after the scheme is completed.

- c. How the waived amount of Rs.1600/- crores to the agriculture consumers, which have been written off by the Govt. of Haryana, will be compensated/received by the utilities (both) and credited in the Balance Sheet?

Reply of the licensee – It has been proposed to the State Government that 70% of the component of waived amount representing the principle shall be compensated by the State Government and balance 30% amount representing the waived surcharge shall be absorbed by the utility.

- d. What is the net effect of amount of subsidy after 15.8.2004 when the agriculture tariff was reduced?

Reply of the licensee – The total subsidy amount for FY 2004-05 was enhanced by the State Government from Rs.1016 crore to Rs.1102.57 crore after reduction in the tariff of the tube-wells.

- e. Cost of Service data for the last three years have not been provided by the licensee which was required to be filed in the ARR.

Reply of the licensee - No cost of service has been filed by the licensee for the last three years.

- f. Why the recovery efficiency has come down in respect of the current year and overall as shown in 2003-04 and up to 9/2005?

Reply of the licensee - Rural area consumers stopped paying their bills in anticipation of fresh waiver scheme by the State Government but the Government could not undertake measures to increase collection efficiency due to stay from the High Court and Election Code of Conduct.

- g. How the licensee has assessed the sale of power at 7760 MU for FY 2005-06, whereas the licensee could sold 7004 MU FY 2004-05 and 6821 MU in 2003-04 with marginal increase of 0.26%?

Reply of the licensee – The sale has increased for FY 2005-06 because of increase in purchase as well as a reduction in the

losses to 29%. The projected sale for the FY 2005-06 is 7984.94 MU.

Other issues raised by the intervenor related to data which has since been provided by the licensee to the intervenor.

(B) Shri Ranjit Singh, ADIG, GC, CRPF, Pinjore, Distt. Panchkula also submitted their objections vide their office Memo No. L-7-1/2005-06-Group Kendra Bhawan, dated 23.9.2005. It was mentioned that the residential houses situated in their Group Kendra 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.

UHBVNL replied vide Memo. No. Ch-44/SE/RA/N/F-25/Vol-IX dated 13.10.2005 that the electric connection to Addl. DIG CRPF, Pinjore was released on 25.9.1992 as Bulk Supply connection at the connected/sanctioned load of 495.080 KW. The connection was released at a single point on 11 KV and thereafter CRPF is distributing the supply to their residential accommodations through their own arrangements. The consumer was charged on the prevailing bulk supply tariff of Rs.1.56 Paise per Kwh at the time of release of connection.

Further, in compliance to the orders passed by Haryana Electricity Regulatory Commission on 22.12.2000 on retail supply application, the tariff was revised to Rs.4.09 paise per Kwh and the same is still being charged to the above consumers. The anomaly has arisen because of the merger of the various categories of the Bulk Supply Tariff by the HERC in its tariff order dated 22.12.2000.

(C) Taneja Designer Tiles (P) Ltd., Ambala Cantt. also submitted their written comments during the Public Hearing regarding Monthly Minimum Charges (MMC) on industrial connection in rural areas. It was

mentioned that MMC charges on industry in rural area may be waived off till such time the UHBVNL is able to provide uninterrupted power supply to rural area at par with urban area. In reply to this observation, UHBVNL replied vide Memo. No. Ch-44/SE/RA/N/F-25/Vol-IX dated 13.10.2005 that MMC is being levied to recover the fixed cost of the infrastructure provided by the Nigam to the consumers and the MMC could not be linked to 24-hour supply.

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

2.1 Delay of licensee in filing of ARR application

UHBVNL 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 10.3.2005 and then filed a revised ARR on 12.4.2005. An uncovered revenue gap of Rs.2572 million was shown. Thereafter, UHBVNL filed Revised (II) ARR filing for FY 2005-06 on 23.5.2005. The Commission asked Supplementary information from the licensee within 15 days vide letter-dated 27.7.2005, which was provided by UHBVNL on 18.8.2005 and 8.9.2005. In the supplementary information, UHBVNL once again filed a fresh set of Financial Forms of ARR on 8.9.2005.

Thus, not only the different sets of ARR data for FY 2005-06 were submitted by UHBVNL 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 (II) ARR filing (i.e. after 23.5.2005) 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 27.7.2005. But UHBVNL issued public notices only on 15.9.2005 in the newspapers and invited comments from public by 24.9.2005.

2.2 Licensee's proposal for treatment of Revenue Gap

The licensee projected Revenue Gap of Rs. 2572 million as per Revised (II) ARR filing made on 23.5.2005, which has been reduced to Rs. 2096 million as per 8.9.2005 filing.

UHBVNL mentioned that approval of State Government is awaited for tariff proposal. The proposal to bridge un-covered revenue gap shall be furnished to the Commission on receipt of approval of the State Government. This has been the licensee's line of argument for the revenue gap since its original ARR filing dated 10.3.2005, which shows that the licensee could not take any decision about its tariff proposal during the last six months.

2.3 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 charges. Further, no subvention is available to the licensee from the State Government for the changes made in tariff as per Govt. directions.

2.4 Waiver scheme regarding Arrears

The licensee waived the electricity dues for rural domestic and agricultural pump-set consumers, as per the State Government directions. UHBVNL 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 meet all the financial implications.

2.5 Distribution losses

UHBVNL projected distribution losses of 31% for FY 2005-06 in Revised (II) ARR filings, which has been revised to 29% on 8.9.2005.

The distribution losses for last five years is depicted hereunder in table 2.1 :-

Table 2.1 - Distribution loss of UHBVNL

Year	Distribution Loss	Basis of information
FY 2000-01	31.24%	As per annual accounts
FY 2001-02	35.66%	„
FY 2002-03	35.02%	„
FY 2003-04	32.36%	„
FY 2004-05	31.12%	As per FY 2005-06 ARR (projected)
FY 2005-06	29%	„

Besides, the staff notes that there was lack of consistency in the data relating to distribution loss as borne out by table 2.2.

Table 2.2 - Inconsistency in distribution loss data

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

2.6 Excessive increase in Receivables

The receivables of the licensee has been rising continuously from Rs. 532.52 crores as on 31.3.2000 to about Rs. 1400 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 and the staff 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. Based on the supplementary information submitted by the licensee, the position is depicted in table 2.3:

Table 2.3 - Circle wise number of consumers having defaulting amount more than Rs.1 lakh

Name of Circle	No. of consumers
Jind	8599
Sonepat	42
Rohtak	4294
Karnal	152
Y.Nagar	68
Kurukshetra	699
Ambala	35
Total	13889

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.

2.7 Provision for additional Subsidy

UHBVNL and DHBVNL have projected subsidy, which aggregates to an amount more than that provided for by the State Government as brought out hereunder in table 2.4. 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 2.4 - 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

2.8 Defective Meters

Defective meters mean direct loss of revenue to the licensee. The number of defective meters awaiting replacement is nearly 1 lakh. 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.

2.9 Other Relevant Issues

The annual accounts of UHBVNL for FY 2004-05 are not yet available. Besides it, UHBVNL has proposed a provision of Rs. 100 crore for Bad Debts to partly finance the waiver scheme. Any such provision will be unjust to the honest and paying consumers. It was also mentioned that interest on meter security should be adjusted in the consumers' bills.

2.10 Non-compliance of Commission's Directives

In order to streamline the working of the utility, the Commission has issued 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 18.4.2005. 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 Director (Finance) and Director (Operations) of the UHBVNL responded to the various points raised by the Staff. They narrated actions taken by the utility and promised to improve its efficiency and performance. UHBVNL further assured to take prompt action on the outstanding directives issued by the Commission from time to time. The licensee also submitted its reply vide office Memo No. Ch-44/SE/RA/N/F-25/Vol.IX, dated 13.10.2005, which was received on 18.10.2005. The replies of UHBVNL on most of the issues are same as already mentioned in Chapter 1.

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

3 COMMISSION'S ORDER ON ISSUES RAISED BY INTERVENORS

Senior Additional Director General of Police, Group Kendra, Central Reserve Police Force, Pinjore submitted their application vide office Memo No. L-7-1/2005-06-Group Kendra Bhawan, dated 23.9.2005. It was mentioned that there are 700 residential quarters meant for police officers/officials in CRPF, Group Kendra, Pinjore. At the time of establishment of Group Kendra bulk supply connection was provided for the supply of electricity by UHBVNL to the residential quarters of CRPF, Group Kendra, Pinjore. 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 residential quarters. Beyond the injection point of bulk supply, maintenance of distribution system is done by the Police Department. The intervener requested that the resident of Group Kendra, Pinjore should be allowed individual electricity connections in place of the existing bulk supply connection, consequently billing should be done at the domestic tariff rates.

UHBVNL submitted its reply vide office Memo No. Ch-44/SE/RA/N/F-25/Vol-IX, dated 13.10.2005 and mentioned that the electric connection to Addl. DIG, CRPF, Pinjore was released on 25.9.1992 as Bulk supply connection at the connected / sanctioned load of 495.080 KW. The connection was released at a single point on 11 KV and thereafter CRPF is distributing the supply to their residential accommodations through their own arrangement. The anomaly has arisen because of change in Bulk Supply Tariff by the Commission in its order-dated 22.12.2000. In other words, UHBVNL did not refer the issue of

individual connection to domestic consumers residing at CRPF Group Kendra, Pinjore.

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 CRPF, Group Kendra, Pinjore 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 UHBVNL, the licensee is required to file its ARR for the succeeding financial year not later than 30th November each year. Also, as part of its obligations, it is also required to make certain other filings during the year.

UHBVNL filed the ARR for FY 2005-06 for Distribution & Retail Supply business vide memo No. Ch-96/SE/RA/N/F-25/Vol-VII dated 9.3.2005. Subsequently, vide Memo No. Ch-130/SE/RA/N/F-25/Vol-VII dated 31.3.2005, the licensee sought extension in time for filing revised ARR for FY 2005-06 upto 8.4.2005 in view of the HERC order dated 7.3.2005 on the ARR of HVPNL for Transmission and Bulk Supply Business for FY 2004-05. Instead of filing the revised ARR by 8.4.2005, UHBVNL submitted a revised ARR vide Ch-02/SE/RA/N/F-25/Vol-VIII dated 8.4.2005 on 12.4.2005. The licensee in its ARR filing dated 8.4.2005 projected an uncovered revenue gap of Rs. 2029 million. The licensee stated that it shall submit a tariff proposal to meet the revenue gap after the approval of the Aggregate Revenue Requirement by the Commission. The Commission declined to take the ARR filing on record as the treatment of revenue gap was not in accordance with the HERC (Tariff) Regulations 1999. Further, on 23.5.2005, the Licensee suo motto submitted a Revised (II) ARR for FY 2005-06 vide its Memo No. Ch-52/SE/RA/N/F-25/Vol-VIII, dated 20.5.2005, wherein UHBVNL has

projected an Annual Revenue Requirement (ARR) of Rs. 28080.53 million consisting of Rs. 29414.12 million of expenditure and Rs. 72.19 million of reasonable return less Rs. 1405.78 million of non-tariff income. The Licensee has taken into account a subsidy of Rs. 8507.70 million from the State Government and revenue (including subsidy) of Rs. 25509 million on the sale of 7760.02 million units for the Financial Year 2005-06. As per Revised (II) Annual Revenue Requirement projections for D&RS Business for Financial Year 2005-06, there was an uncovered revenue gap of Rs.2572 million. To meet this gap the licensee has stated that it has sent a proposal for tariff increase to the State Government for approval and the same shall be filed with the Commission after the approval is received from the State Government. The licensee requested the Commission to take the Revised (II) ARR for UHBVNL for FY 2005-06 on record. The supplementary information which was required within 15 days by the Commission vide its letter dated 27.7.2005, was provided by UHBVNL only on 18.8.2005.

Subsequently, on 8.9.2005, the licensee, vide its memo No. Ch.51/SE/RA/N/F-25/Vol VIII/Supplementary Inf/2005-06 dated 7.9.2005 again revised its projections. The licensee has stated that this revision has been necessitated due to revision in projected distribution loss level from 31% to 29% and to account for implementation of policy decisions; fringe benefit tax and interest on meter security. Thus, UHBVNL has now projected an Annual Revenue Requirement (ARR) of Rs. 28357.92 million consisting of Rs. 29539.29 million of expenditure and Rs. 65.83 million of reasonable return less Rs. 1247.20 million of non-tariff income. The Licensee has taken into account a subsidy of Rs. 8507.70 million from the State Government and revenue (including subsidy) of Rs. 26262 million on the sale of 7984.94 million units, resulting in an uncovered revenue gap of Rs.2096 millions. To meet this gap the licensee has again stated that it has sent a proposal for tariff increase to the State Government for approval and the same shall be

filed with the Commission after the approval is received from the State Government. The licensee has not been able to get a decision of the State Government on this issue even in 6 months.

It is thus clear that UHBVNL 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 about seven months after its commencement, which, in fact, is an antithesis of regulatory regime. The licensee's track record on account of delays was also unprecedentedly bad during FY 2004-05 too which resulted into passing of relevant orders (by the Commission) on 18th 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 dated 7th October, 2005 on the Revised (II) ARR for Distribution and Retail Supply business of UHBVNL 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, UHBVNL's proposal refers to the Distribution and Retail Supply Business ARR filing made on 23.5.2005 and 8.9.2005, 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 UHBVNL. The members of SAC raised various issues such as erratic power supply, high interruption level in the 33KV and 11KV 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 S.A.C. desired that 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. The 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 practically 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 10251 MUs by the Licensee for FY 2005-06 costing Rs. 21508.93 million. This is comprised of Rs 3528.72 million on account of demand charges and Rs. 17980.21 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. 2710.80 million as against audited cost of Rs.2657.93 million for FY 2003-04. The Commission had approved Rs. 2570.93 million as the

O&M expenses of UHBVNL for its Distribution and retail supply business for FY 2004-05. Table 4.1 provides the details.

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

Particulars	Audited Actual of UHBVNL for FY 2003-04	HERC Order on UHBVNL for FY 2004-05	UHBVNL Proposal for FY 2005-06
Wages, salaries and related costs	2280.91	2181.85	2282.17
R&M expenses	230.18	233.44	263.67
A&G expenses	146.84	155.64	164.96
Total O&M Expenditure	2657.93	2570.93	2710.80

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. 1753.70 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 14.68% of Basic salary as other allowances including electricity allowance, which works out to Rs. 143.04 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. 402.06 million as terminal benefit expenses on actual payment basis, which is being allowed by the Commission.

D. Employees' Cost Capitalised

The amount of employees' cost capitalised should relate to the cost of those employees who are engaged in capital projects. The Commission is allowing capitalisation of employees cost in the same ratio as the 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. 38.20 million; the rate of capitalisation being 2.01% as against Rs. 35.54 million proposed by the licensee.

The employees' cost approved by the Commission is Rs. 2260.60 million, net of the amount capitalised of Rs. 38.20 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	UHBVNL Proposal	HERC Approval
Basic Salary + D.P	1463.44	1461.42
D.A.	278.05	292.28
Other allowances	174.15	143.04
Terminal benefits	402.06	402.06
Total	2317.70	2298.80
Less: Employee cost capitalised	35.54	38.20
Net Employee Cost Expensed	2282.17	2260.60

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 a gap of five years. The filing is highly data intensive and will be analysed separately by the Commission. It is in the interest of the licensee to properly maintain their distribution network as per the normative R&M norms. 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.263.67 million. The Commission approves Rs 263.67 million as R&M expenses for FY 2005-06, as the amount proposed by the licensee is quite close to 2% of average projected GFA for the year (2% of average projected GFA being Rs.267.35 million).

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. 164.96 million net of capitalisation of expenditure of Rs. 8.49 million. The Commission allows capitalisation of A&G expenses on the basis of the audited accounts for FY 2003-04, which comes to 4.89 %.

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. 164.96 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)

	UHBVNL Proposal	HERC Approval
Gross expenses	173.45	173.45
Less : Expenses Capitalised	8.49	8.49
Net A&G expenses	164.96	164.96

4.1.3 Interest On Loans

Table 4.4 shows the trend in the borrowings during the last five years.

Table 4.4 - Borrowing of UHBVNL (Rs. in million)

Particulars	31.3.2000 Audited	31.3.2001 Audited	31.3.2002 Audited	31.3.2003 Audited	31.3.2004 Audited	31.3.2005 Unaudited
Borrowings for :						
Capital exp.	1,731.02	2,508.87	3,274.85	3,274.64	3,363.59	3394.71
Working capital	47.33	780.36	3462.20	5,912.66	6,014.85	5391.80
CC and OD	236.74	146.41	217.31	310.53	129.41	
Total borrowing	2,015.09	3,435.64	6954.36	9,497.83	9,507.86	8786.51
Increasing trend of borrowing (Base 31.3.2000)	100	171	345	471	472	436
Interest & Financial Expenses	148.32	298.01	571.53	851.71	934.04	888.59
Increasing trend of interest cost (Base 31.3.2000)	100	201	385	574	630	599
Balance of cash in hand and at bank	150.54	224.52	433.89	359.19	369.32	256.76

The Commission is constrained to observe that the Licensee has not been able to manage its payables and receivables in an efficient manner as is evident from table 4.4. The Licensee is borrowing to cover the gaps / losses arising due to its poor cost controls and operational inefficiencies despite the fact that Commission has provided for pass through of all legitimate costs in all the previous ARRs. Revenue Gap, if any have been allowed to the Licensee as Regulatory Assets and the

Licensee is allowed to claim interest on the equivalent borrowings. The borrowings of the licensee continue to rise because of its poor collection efficiency resulting in mounting receivables and also due to high distribution losses. The licensee is also maintaining a high level of cash and bank balances contrary to its weak financial position and adding to avoidable costs.

The Commission notes that the licensee has actually drawn Rs. 377.52 million as against projected capital borrowings of Rs.1305.00 million for FY 2004-05. Similarly, its performance on this count during FY 2003-04 too was very unsatisfactory when it actually drew Rs. 641.36 million as against projected amount of Rs.1219.05 million. It clearly and surely shows the licensee's poor financial planning and management of its capital works. In case of working capital borrowings also, the licensee borrowed Rs. 3197.04 million as against a projected borrowing of Rs. 4510.43 million for FY 2004-05, which represents a difference of approximately Rs. 1500 million. This shows that the licensee is unable to project its financials in an accurate manner. In case the tariff is allowed as per their projections, then the consumers will no doubt be unnecessarily burdened by the higher interest costs.

The Licensee has projected a gross interest cost of Rs.366.69 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.366.69 million as gross interest cost for FY 2005-06, as proposed by the licensee. Out of this, an amount of Rs. 101.31 million is reduced on account of capitalisation as against Rs. 102.19 million proposed by the Licensee. The Commission has capitalised interest cost for ongoing capital projects considering the rate of capitalisation of 70:30. Thus, the

net interest on capital borrowings approved by the Commission comes to Rs. 265.38 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.1400 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 UHBVNL amounts to Rs.230.70 million.

The total of these two amounts comes to Rs. 1630.70 million, which is the allowed borrowing for FY 2005-06. The interest cost on this allowed borrowings at the licensee's projected average rate of interest come to Rs.114.47 million.

The licensee has projected interest on consumers' security deposits amounting to Rs. 12.92 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. 12.92 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. 5.46 million as finance charges on account of guarantee fee 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 4.5.

Table 4.5 - Interest Expenses approved for FY 2005-06 (Rs. in million)

Interest on Loans	UHBVNL Proposal	HERC Approval
Gross Interest on Capital Expenditure Loans	366.69	366.69
Less: Interest Capitalised	102.19	101.31
Net Interest on Capital Expenditure Loans	264.50	265.38
Interest on Working Capital Loans	474.16	114.47
Net Interest expenses	738.66	379.85
Interest on consumers' security deposits	12.92	12.92
Finance Charges	5.46	5.46
Total Interest and finance charges	757.04	398.23

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 8.26%. Thus the Commission approves an amount of Rs. 913.62 million as depreciation to be included in the ARR FY 2005-06 as presented in table 4.6.

Table 4.6 - Depreciation charges approved for FY 2005-06 (Rs. in million)

Particulars	UHBVNL Proposal	HERC Approval
Gross Fixed Assets at the beginning of the year *	12265.16	11066.54
Depreciation rate	--	8.26%
Total depreciation Expense	997.54	913.62

* 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 18.04.2005 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. 913.62 million is to be utilised towards meeting the capital loans repayment of Rs. 409.76 million as projected by the licensee. The remaining amount of Rs. 503.86 million has been utilised for completely writing off the regulatory asset outstanding in the books of the licensee amounting to Rs. 230.70 million. The balance amount remaining after the above adjustment amounting to Rs. 273.16 million, shall be available for future adjustments in the next ARR and shall be dealt with by the Commission accordingly.

4.1.5 Provision for bad and doubtful debts.

The licensee has proposed a provision of Rs. 1000 million for bad and doubtful debts. As per explanation provided, this provision has been made to partly underwrite the amount to be written off as a result of the waiver scheme for power dues and the surcharge offered to the Rural domestic and rural agriculture pump set consumers.

The Commission in its order-dated 22.12.2000 had dwelt on length on the provision for bad and doubtful debts. The relevant part is excerpted as hereunder:-

“The Commission believes that it will not be correct to allow further provision for bad and doubtful debts unless:

- All debts are classified into good, bad and doubtful on a realistic basis.*
- Such consumers whose dues are classified as bad and doubtful are permanently disconnected.*
- All avenues for recovery of dues outstanding after adjustment of available security deposits etc. with the Licensee have been explored.”*

In view of the above, the Commission disallows the provision of Rs.1000 million as it does not fulfil the above conditions. The Commission feels that such provisions and write offs are unfair towards the honest consumers of the State who pay their dues regularly.

4.1.6 Contribution To Contingency Reserve

The Commission approves Rs. 35.25 million as contribution towards Contingency Reserve as proposed by the licensee in its filings for FY 2005-06.

The Commission in its order-dated 18.4.2005 has allowed Rs. 31.58 million towards contingency reserve in the ARR. However, the licensee has appropriated only Rs. 30.66 million in its accounts for FY 2004-05 as per the ARR filings. It may be noted that the amount of contingency reserve allowed in the ARR has been collected as part of tariff from the consumers for this very specific purpose and the licensee cannot invest less than what has been appropriated by the Commission. The licensee may note it and ensure that the contingency reserve is invested in line with the orders of the Commission.

It is relevant to add that the licensee was required to provide for Contingencies Reserve from the revenues of each year of account 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 or renewal.
- (c) compensation payable under any law for the time being in force and for which no other provision is made.

4.1.7 Fringe Benefit Tax Provision

The licensee in its filing dated 7.9.2005 has proposed to include Rs. 160 million as provision for fringe benefit tax applicable from FY 2005-06. The Commission allows this expenditure subject to the following conditions:

- a) The licensee will provide proof of payment of the amount of fringe benefit tax along with the next filing;

- b) The provision being allowed in the ARR will be adjusted against actual liability on account of fringe benefit tax on final assessment.

4.1.8 Other Expenditures

The licensee has included Rs 324.95 million in ARR being the amount of regulatory asset written off. The Commission in its order-dated 22.12.2000 had stated, "The regulatory asset shall be liquidated either by amortisation and inclusion in ARR or adjusted through efficiency gains after the licensee attains efficiency". In line with the above approach, the Commission adjusted the 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. The Commission has also allowed borrowings on the remaining amount of Regulatory asset (Rs. 230.70 million) in the ARR for FY 2005-06. Thus, there is no justification for inclusion of instalment of regulatory asset written off in the ARR as the Commission is allowing interest on funds borrowed against this regulatory asset.

The licensee has not proposed any other expenditure in its filing for FY 2005-06.

4.1.9 TOTAL EXPENDITURE

The total expenditure approved by the Commission with respect to the Distribution and retail supply business of UHBVNL for the financial year 2005-06 is Rs.25705.26 million as against Rs. 29539.29 million proposed by the licensee. The details are presented in table 4.7.

Table 4.7 - Total expenditure approved for FY 2005-06 (Rs. in million)

Description	UHBVNL Proposal	HERC Approval
Expenditure:		
Purchase of energy	23553.71	21508.93
Wages, salaries and related costs	2282.17	2260.60
R&M Expenses	263.67	263.67
A&G Expenses	164.96	164.96
Interest cost on borrowings		
- For capital expenditure	264.50	265.38
- For working capital	474.16	114.47
- On Consumer Security Deposit	12.92	12.92
Finance Charges on a/c of guarantee fee	5.46	5.46
Depreciation	997.54	913.62
Bad debts including provisions	1000.00	-
Total Expenditure	29019.09	25510.01
Special Appropriations:		
Income Tax/ fringe benefit tax provisions	160.00	160.00
Instalments of written down amounts (Regulatory Assets written off)	324.95	-
Contribution to Contingency Reserve	35.25	35.25
Total Special Appropriations	520.20	195.25
Total Expenditure (including special appropriation)	29539.29	25705.26

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 amount of borrowings for which the licensee has provided source-wise details. This amount is Rs. 1860.19 million as 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.59.72 million and Rs. 243.10 million as grants. As a result the total additions to CWIP amount to Rs. 2163.01 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 18.4.2005.

The licensee proposes to capitalise new investments in the ratio of 70:30. The Commission, in its order-dated 18.4.2005 directed the licensee to provide project-wise data related to new capital projects undertaken by the licensee 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 submitted some details, but the data does not support licensee's capitalisation ratio. 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. 648.90 million as the closing CWIP for FY 2005-06 as given in table 4.8.

Table 4.8 - Calculation of CWIP for FY 2005-06 (Rs. in million)

Schedule of CWIP	UHBVNL Proposal	HERC Approval
Opening balance	315.53	615.00
Additions during the year	2163.02	2163.01
Transfer to GFA	1836.83	2129.11
Closing balance of CWIP	641.72	648.90
Funding of CAPEX :-		
Equity	-	-
Loan funds	1860.20	1860.19
Government grants	243.10	243.10
Additional borrowings	-	-
Consumer contribution	59.72	59.72
Total Funds	2163.02	2163.01

4.2.2 Gross Fixed Assets (GFA)

The opening balance of GFA was calculated on the basis of the Commission's Order dated 18.4.2005. 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. 14618 million as presented in table 4.9.

Table 4.9 - Gross Fixed Assets approved for FY 2005-06 (Rs. in million)

	UHBVNL proposal	HERC Approval
Opening Balance of gross fixed assets	12265	12489
Add: Additions to GFA	1837	2129
Less: Retirement	0	0
Closing balance	14102	14618

4.2.3 AMOUNT OF WORKING CAPITAL

4.2.3.1 CASH AND BANK BALANCES

The licensee has projected the average cash balance of Rs.256.76 million for FY 2005-06. The cash and bank balance of the licensee on 31.3.2004 as per audited accounts for FY 2003-04 comes to Rs. 369.32 million which is approximately 10 days of revenue. The Commission is

of the opinion that the licensee is not managing its cash & bank balances in an efficient manner. The average cash and bank balance ranges from Rs. 150.24 million to Rs. 369.32 million for the period from October 2003 to September 2004. It is, therefore, evident that there is scope for better management of cash balances as the cost of carrying these large cash and bank balances would be very high and add to the overall cost. The licensee should improve its fund management system.

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 licensee subsequently started bifurcating the stores as asked by the Commission but the allocation is not being done on actual basis as is evident from the data provided in the filing. As is seen from the details provided for inventories on page 114 of the Revised-II ARR filing, the licensee has utilised stores worth Rs. 616.16 millions for Operation and Maintenance during FY 2003-04 whereas, as per the audited balance sheet, the licensee has spent only Rs. 230.18 millions on R&M. The licensee has tried to attribute this difference to returns to stores, which is patently unacceptable to the Commission. **The Commission hereby directs the licensee to establish and maintain a proper system of recording the receipts, issues and returns to stores so that the information made available to the Commission is properly reconciled.** The discrepancies and missing information completely subvert the process of cost determination.

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

The annual R&M expenditure of the licensee is only Rs. 230.18 million for FY 2003-04 and the closing balance of CWIP is only Rs. 302.69 million as on 31.3.2004 as against the closing balance of stores at Rs. 1008.17 million as on 31.3.2004 as per audited accounts. Looking at this, the Commission feels that the licensee is keeping excessively high level of inventory. As per details provided along with the supplementary filing of ARR 2005-06, out of total stores of Rs. 687.83 million as on 31.3.2004, 49.29% of the stock is equivalent to more than 7 months of usage and 35.1% more than 1 year of usage. Apart from the fact that the licensee is carrying stores for unduly long duration, the difference in closing balance of stores as on 31.3.2004 stated above is appalling. **The Commission directs the licensee to reconcile the above difference between the stores as on 31.3.2004 and provide correct position to the Commission within one month of this order.** The Commission would like to point out that the carrying costs of inventory i.e. stores is very high. The Licensee should dispose off the obsolete stores at the earliest.

The licensee should introduce latest techniques of inventory and cash management to reduce its costs. The licensee was directed by the Commission in its order dated 18.4.2005 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. 31.58 million for FY 2004-05, is added to the balance of compulsory investment as on 31.3.2005 amounting to Rs. 117.89 million. This amounts to a contingency reserve investment of Rs. 149.47 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. 65.83 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 that it will earn Rs. 1405.78 million as non-tariff income during FY 2005-06 as part of its ARR filed on 20.5.2005. However, vide its filing dated 7.9.2005, the licensee has reduced the amount of Non-tariff income to Rs. 1247.20 million due to revision in the amount of delayed payment surcharge. The licensee has proposed that it will earn Rs. 51.10 million on account of delayed payment surcharge during FY 2005-06 as against Rs. 1732.93 million earned as per Audited accounts for FY 2003-04. The Commission in its first tariff order dated 22.12.2000 had warned the licensee against projecting unrealistically high delayed payment surcharge. The Commission had taken a conservative approach to the issue and had allowed only 20% of the projected income from Delayed Payment Surcharge for the purpose of calculating the ARR and the Tariff. Since then the Commission has always taken a conservative approach in case of Delayed Payment Surcharge. The methodology adopted by the licensee for the purpose of calculating the income from delayed payment surcharge in the ARR of FY 2005-06 is a departure from the method adopted by the licensee in its earlier ARR filings and is not backed by any data that can validate the basis adopted by the licensee. Therefore

the Commission is unable to accept the projection of the licensee in the calculation of delayed payment surcharge. As per calculations based on the methodology adopted by the Commission in its previous order, the projected income from Delayed payment surcharge comes to Rs.419.37 million as against Rs. 51.10 million proposed by the licensee. This has been calculated by hiking the delayed payment surcharge income for FY 2003-04 by 10% for each year. Only 20% of the resultant amount has been included in the ARR for FY 2005-06 in line with the Commission's earlier orders. As a result the Commission approves Rs.1410.22 million as non-tariff income for FY 2005-06. Further, the Commission has excluded income from rental of staff quarters and Interest on staff loans in line with the earlier orders. The Commission has also excluded interest on delayed payment of subsidy as this is to be recovered from the Government against borrowings made by the licensee to cover the shortfall and, as such, is a matter outside ARR. It also excludes depreciation of assets funded out of Consumers' contribution as the Commission has calculated depreciation on GFA net of Consumers' contribution. The details of non-tariff income approved by the Commission for FY 2005-06 are presented in table 4.10.

Table 4.10 - Non- Tariff Income approved for FY 2005-06 (Rs. in million)

Description	UHBVNL Proposal	HERC Approval
Meter rentals and other apparatus hire	877.80	758.77
Ancillary and incidental income	369.40	651.45
Total of "Non-tariff Income"	1247.20	1410.22

4.5 Aggregate Revenue Requirement

In light of the above analysis, the Commission approves Rs. 24295 million as the aggregate revenue requirement of the Distribution and Retail Supply business of UHBVNL for FY 2005-06.

The Licensee has considered subsidy amount of Rs. 8507.70 million for FY 2005-06 in the ratio of 2:1 of total subsidy divided between UHBVNL and DHBVNL. The subsidy amount as per the Commission's estimation works out to Rs. 8009 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 4.11.

Table 4.11 - Total Aggregate Revenue Requirement approved for FY 2005-06 (Rs. in million)

Description	UHBVNL Proposal	HERC Approval
Reasonable return	65.83	-
Total expenditure	29539.29	25705
<i>Minus:</i> Non-tariff income	1247.20	1410
<i>Minus:</i> Outstanding customer rebates	-	-
Total Aggregate Revenue Requirement	28357.92	24295
<i>Minus:</i> Subsidy from State Government	8507.70	8009
Total Net Aggregate Revenue Requirement	19850.22	16286

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 Government of Haryana's policy decision, the licensee vide its memo No.Ch-Spl.1/SS-461 dated 27.6.2005 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 that financial impact would be known only after 20 months. The matter has been taken up with the State*

Government for compensation. It is expected that the Government will compensate the principal amount of arrears, which is approximately 70%, and the balance 30% constitutes the surcharge, the burden of which will be borne by the licensee for which the requisite provision has been made in the ARR under 'bad debts'.

The Commission has dealt with the provision for Bad & Doubtful Debts in Para 4.1.5 of this order. 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 the 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 Paise per unit

The rebate of 10 paise per unit given to the women consumers 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 issued by the licence vide its memo No. Ch.2/TR-72(90)Tariff/woman/Loose, dated 30.8.2005 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 CH-13/TR-72(90)Tariff/VOL IX/ Loose, dated 1.7.2005 . 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 fact that the amount is 'nominal', 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-Spl.1/SS-461 dated 27.6.2005 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 EA 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 hereby disallows the adverse financial impact of said 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 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 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.

4.6.3 Receivables of Electricity Sales

The Receivables on account of sale of power are continuously increasing and have reached an alarming level. The actual position of power dues as per data submitted by the Licensee is presented in table 4.12.

Table 4.12 - Increasing trend in receivables (Rs in crores)

Position as on :-	31.3.2000	31.3.2001	31.3.2002	31.3.2003	31.3.2004
UHBVNL	532.52	620.77	785.94	877.59	1089.79
Less : Provision for bad debts	202.40	202.40	156.13	79.12	108.9
Net Receivables	330.12	418.37	629.81	798.47	980.89

Total receivables as on 30.9.2004 were Rs. 1300.50 crores as per ARR filing for FY 2004-05. The licensee has failed to up-date the position of receivables in the Revised (II) ARR filing for FY 2005-06.

The consumer category wise position of receivables as on 31.3.204 is presented in table 4.13:

Table 4.13 - Consumer Category wise break-up of receivables as on 31.3.2004 (Rs. in Lacs)

Sr. No.	Consumer Category	Total Receivables	% Share	Due for more than 3 years	% Share
1	Domestic	63800.05	58.54%	12627.83	61.38%
2	Non Domestic	9743.62	8.94%	1794.29	8.72%
3	HT	5433.45	4.99%	1258.48	6.12%
4	LT	6801.44	6.24%	1207.8	5.87%
5	Agriculture Meter/Un-metered	19075.01	17.50%	3404.38	16.55%
6	Lift Irrigation	1933.98	1.77%	14.17	0.07%
7	MITC	157.82	0.14%	32.69	0.16%
8	Bulk Supply	894.95	0.82%	52.36	0.25%
9	Street Light	690.2	0.63%	94.08	0.46%
10	PWW	263.1	0.24%	86.25	0.42%
11	Railway Traction	185.81	0.17%	0	0
	Total	108979.43	100%	20572.33	100%

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

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 directives given by the Commission in its order-dated 20.8.2003. The licensee in its filings for FY 2005-06 has estimated to complete this task within 6 months, 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 his 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 4.14.

Table 4.14- Collection Efficiency

Sl. No.	Position as on	For current arrears	Overall (including old arrears)
1	30.9.2004	69.75 %	77.41 %
2	31.3.2004	75.42 %	87.98 %
3	30.9.2003	72.09 %	83.84 %
4	31.3.2003	76.32 %	94.32 %
5	30.9.2002	72.19 %	95.57 %
6	31.3.2002	69.56 %	89.38 %

Serious efforts are required on the part of the licensee to improve its collection efficiency, as slackness in collection of outstanding dues will result in increase in bad debts.

The licensee has claimed that the receivables are increasing because they were unable to introduce a surcharge waiver scheme. It implies that the consumers are getting used to surcharge waiver schemes and wait for the same before making payments. The schemes therefore tend to modify the payment behaviour of the consumers and the normal operations of the utility are adversely affected due to non-recovery of dues.

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 directs 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 applications / 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.

(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?

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 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. Keeping in view the importance attached to the twin objectives referred to above, the Commission vide its order dated 18.4.2005 directed the licensee to finalise and submit a comprehensive metering plan including the implementation schedule encompassing both the said aspects within three months.

The licensee sought extension in time by one year for preparation of metering plan and achieving 100% metering i.e. up to 9.6.2006 vide its

filing dated 27.7.2005. The Commission vide its memo No. 1700/HERC dated 28.9.2005 has made it clear that preparation / submission of metering plan and achievement of cent—percent metering are distinctly separate acts. The licensee has been asked to submit the metering plan referred to in the preceding paragraph at once before the request for extension of time limit for cent-percent metering is considered by the Commission.

The licensee's filing dated 14.9.2005 on the subject is in fact a progress report of the work so far done in regard to replacement of electronic meters, replacement of defective meters at consumers' premises and the replacement of defective 11 KV / 33 KV feeder meters. The said document can by no means be termed as 'metering plan'. Further, the Commission notes from the above filing that 84266 Nos. single phase defective meters were there on the system (as on 1.3.2005) as against a stock of 1,71,000 Nos single phase meters. **The Commission, therefore, finds no reason as to why all the single-phase defective meters could not be replaced and directs the licensee to formulate a policy for a time-bound replacement of defective meters in its system and provide it to the Commission within three months of this order.**

A large number of meters being defective has raised 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 should also 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 the licensee's filing dated 27.9.2005 on the subject that the Consumer Grievances Redressal Forums would be functional within 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 filing dated 31.8.2005 has submitted the performance level in terms of Schedule III of our regulation HERC/04/2004 obviously compiled on the basis of traditional complaint handling record and other relevant record of the services *stated* therein. However, the Commission believes that the 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 in transparency and lend credence to the data, which is of vital importance for payment of monetary compensation to the aggrieved consumers. **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 Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) for Distribution and Retail Supply of electricity in its area of operation, the latter was directed to establish a computerised State-of-the-Art Area Load Despatch Centre by 30.6.2006 enabling it to effectively carry out operational activities. The licensee in its filing dated 17.8.2005 and reiterated in its supplementary filing (to the ARR) dated 8.9.2005 has *stated* that action for appointing consultants for implementation of the scheme has been initiated and the Area Load Despatch Centre is likely to be established by June, 2007. The Commission has already responded to the licensee's filing vide its memo No. HERC/T-14B/1545-46 dated 6.9.2005. The Timely completion of the project is considered essential keeping in view UHBVNL's obligation to afford "open access" to its consumers having 15 MVA & 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 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 the 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 piecemeal 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 order dated 29.1.2004 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 areas, which for UHBVNL means the following:

- a) Operationalise the Area Load Despatch Centre. If there is delay, the interim arrangements 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 the requisite 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 18.4.2005 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 UHBVNL has been granted separate Distribution and Retail supply licence vide HERC order dated 04.11.2004, the licensee(UHBVNL) was directed (HERC order on ARR for D&RS business For FY 2004-05 dated 18.04.2005) to continue submitting this report. vide memo no. Ch-69/SE/RA/N/F-46/ dated 11.08.2005, the licensee has filed the performance report in respect of the Distribution system for the year 2004-05. The licensee must file such report by 30th June every year.

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:

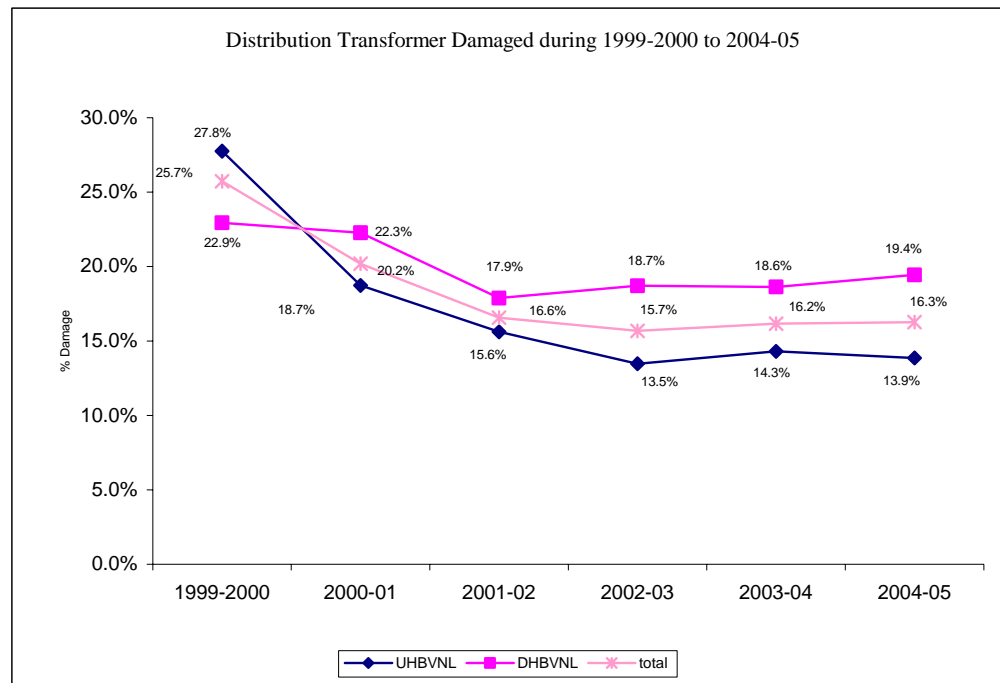
4.7.1 Failure of Distribution Transformers

There had been a consistent reduction in failure rate of distribution transformers from 27.8% in 1999-2000 to 13.5% in 2002-03. Subsequently, the trend has reversed and the failure rate has climbed to 14.3% in 2003-04. Though it has reduced to 13.9% during 2004-05 but still it is higher than that achieved during FY 2002-03. It requires immediate attention by the UHBVNL. The year-wise position of failure of distribution transformers is presented in table 4.15:

Table 4.15– Year-wise failure rate of distribution transformer

S.No.	Year	Failure Rate (%)
1	1999-2000	27.8
2	2000-2001	18.7
3	2001-2002	15.6
4	2002-2003	13.5
5	2003-2004	14.3
6	2004-2005	13.9

The graph below shows the trend of failure rate of distribution transformer from 1999-2000 to 2004-05.



The circle-wise transformer failure rate of the UHBVNL for the last four years, as per data supplied, has been shown in table 4.16:

Table 4.16- Circle-wise Distribution Transformer failure rate

S.No.	Circle	Failure Rate (%)			
		FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05
1	Ambala	11.1%	9.1%	10.4%	10.3%
2	Rohtak	12.6%	11.4%	11.9%	12.7%
3	Karnal	14.5%	12.1%	13.5%	15.5%
4	Yamunanagar	15.0%	13.1%	12.6%	10.7%
5	Sonipat	16.8%	15.7%	16.3%	16.2%
6	Jind	17.3%	15.7%	17.2%	16.6%
7	Kurukshetra	18.5%	15.8%	16.3%	13.7%

The Commission further observes that the failure rate for FY 2004-05 has increased w.r.t. previous year for Karnal and Rohtak circles. The best three circles from the point of view of distribution transformer failure rate are as per table 4.17:

Table 4.17- Circles with low distribution transformer failure rate

S.No.	Circle	Failure Rate (%)		
		FY 2002-2003	FY 2003-2004	FY 2004-2005
1	Ambala	9.1	10.4	10.3
2	Yamuna Nagar	13.1	12.6	10.7
3	Rohtak	11.4	11.9	12.7

Note: In Rohtak circle there is an increase in the trend which should be arrested.

The Commission further observes that the worst circle continues to be Jind with the distribution transformer failure rate of 16.6% though there is a decrease of 0.6% in failure rate for the year 2004-05 over failure rate of previous year. For FY 2003-04, Kurukshetra, Sonapat and Jind circles of UHBVNL have recorded failure rate higher than the average failure rate of 16.2% for whole of Haryana as presented in table 4.18. This negative trend did get reversed in FY 2004-05 but still Jind continues to have failure rate higher than average failure rate of 16.3 % for whole of Haryana.

Table 4.18- Circles with high distribution transformer failure rate

S.No.	Circle	Failure Rate (%)	
		FY 2003-2004	FY 2004-2005
1	Kurukshetra	16.3	13.7
2	Sonepat	16.3	16.2
3	Jind	17.2	16.6

The licensee is directed to ponder over the situation 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.

4.7.2 Distribution Losses (As per performance report)

The yearwise position of the Distribution losses is presented in table 4.19.

Table 4.19- Year wise percentage loss in the distribution system

Year wise percentage loss in the distribution system			
S.N.	Year	% loss	
		Total Haryana	UHBVNL
1	1998-99	26.38	25.77
2	1999-2000	28.03	27.52
3	2000-2001	28.93	28.15
4	2001-2002	30.59	31.74
5	2002-2003	32.65	30.53
6	2003-2004	31.49	32.19
7	2004-2005	30.65	31.12

The Commission observes with great concern that the losses in the distribution system of UHBVNL have consistently been on the increase from 25.77% for FY 1998-99 to 32.19% for FY 2003-04, except for FY 2002-03 when the losses reduced to 30.53% from 31.74% for FY 2001-02 as per the performance report submitted by the licensee. The trend has reversed and the losses have recorded decrease of 1.07% to 31.12% for FY 2004-05 from the increased level of 32.19 % during FY 2003-04 but still it continues to be higher than the reduced level of 30.53% achieved for FY 2002-03. The distribution circles of UHBVNL having more than 30% losses for the last six years are presented in table 4.20.

Table 4.20- Circles with high Distribution Losses

S. No.	Circle	Loss (%)					
		1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
1	Jind	32.86	32.77	41.05	41.06	44.77	43.84
2	Rohtak	37.89	39.82	37.37	42.13	44.18	43.50
3	Sonipat	34.67	36.44	33.87	30.29	36.13	33.24

The distribution losses for FY 2004-05 recorded a reduction in all the three circles as compared to losses for FY 2003-04 but still they continue to be higher than 30%. The lowest distribution losses (23.94 %) have been recorded in Kurukshetra circle.

There is urgent need to reduce the distribution losses, with special attention to Jind, Rohtak and Sonapat circles 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 4.21:

Table 4.21 - Accidents in Distribution System

Year	2002-2003			2003-2004			2004-05		
Category	Fatal	Non Fatal	Total	Fatal	Non Fatal	Total	Fatal	Non Fatal	Total
Licensee Employees	17	67	84	20	60	80	17	45	62
Private persons	21	12	33	38	20	58	23	6	29
Animals	93	0	93	106	0	106	125	0	125
Total	131	79	210	164	80	244	165	51	216

Safety measures taken by the utility do not seem to be adequate. It is a matter of serious concern to the Commission that the numbers of fatal accidents have increased from 131 during FY 2002-03 to 165 during FY 2004-05. The number of fatal accidents of licensee's own employees for FY 2004-05 is also very high. 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 minimise the accidents involving human beings and live stocks.

4.7.4 Demand Side Management

UHBVNL has vide their Memo No. Ch-13/SE/RA/N/F-63/Vol.II dated 21.7.2005 has submitted that the DSM Cell has been established. The report indicating the activities carried out on Demand Side Management during FY 2004-05, as submitted to the Commission, does not seem to be adequate and many more activities need to be undertaken for effective demand side management. Some of the states like Rajasthan has done a lot of work in this regard. UHBVNL should take advantage of their experiences and try to implement them in their area of supply.

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 29 % 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 29% 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 UHBVNL'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 4.22:

Table 4.22 - Comparison of the UHBVNL'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	1406.497	1503.156	6.87
Non Domestic	352.275	376.834	6.97
HT Industry	862.393	932.614	8.14
LT Industry	474.204	492.798	3.92
Agriculture metered	449.905	558.446	24.13
Agriculture unmetered	2791.296	2757.858	-1.2
MITC	1.714	1.791	4.49
Lift Irrigation	41.488	36.743	-11.44
Railway Traction	100.747	102.364	1.61
Bulk Supply	137.019	138.257	0.90
Street lighting	15.453	16.679	7.93
PWW	125.723	136.64	8.68
Total	6758.714	7054.18	4.37

A comparison of the UHBVNL's actual consumption during the year 2004-05 vis-à-vis the estimate for FY 2005-06 is shown in the table 4.23:

Table 4.23 - Comparison of the UHBVNL's actual consumption (MU) during the year 2004-05 vis-à-vis the estimate for FY 2005-06

	Actual Consumption FY 2004-05	UHBVNL Estimate FY 2005-06	% Difference
Domestic	1503.156	1958.1	30.3
Non Domestic	376.834	459.1	21.8
HT Industry	932.614	1024.6	9.9
LT Industry	492.798	565.1	14.7
Agriculture metered	558.446	715.5	28.1
Agriculture unmetered	2757.858	2764.1	0.2
MITC	1.791	2.5	39.6
Lift Irrigation	36.743	37.5	2.0
Railway Traction	102.364	94.3	-7.9
Bulk Supply	138.257	159.0	15.0
Street lighting	16.679	20.5	22.8
PWW	136.64	184.7	35.1
Total	7054.18	7984.9	13.2

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 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 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 the progress is woefully slow. The licensee has miles to go.

The number of unmetered agriculture pump set consumers has reduced from 1,90,962 (as on 30th April, 2001) to 1,85,535 (as on 31st March 2005) but still it constitutes 8.69% of the total number of consumers (The total number of consumers in UHBVNL is 21,34,637 as on 31.03.2005).

As per the licensee's filing during FY 2004-05, the consumption by this category of consumer constitutes 39.1% of the total sales in UHBVNL. 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.

UHBVNL had once again filed the data submitted at the time of consideration of its ARR for FY 2004-05 in support of their contention for higher consumption in unmetered (flat-rate) agriculture pump set consumer category. The Commission had already given its observation on such data in its order dated 18th April 2005 and has categorically *stated* that the data was not credible and could not be considered for projection/assessment of consumption of unmetered agriculture pump-set consumers. The Commission observes that such submissions (by the licensee) are a mere waste of effort and time on its part and be desisted in future.

The licensee must obtain proper data and then only submit it to Commission for consideration.

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 data of consumption for metered agriculture pump-set consumer category submitted by UHBVNL, the average running hours per day works out to be as depicted in table 4.24:

Table 4.24 - Average running hours/day for metered agriculture pump-set consumer

Year	Average No. of hours per day
FY 2000-01	4.50
FY 2001-02	4.39
FY 2002-03	4.46
FY 2003-04	4.93
FY 2004-05	5.07

The licensee has projected the consumption based on 5.5 hours/day for FY 2005-06.

The Commission while analysing the past 5 years' category wise electricity consumption data found certain apparent errors which were leading to even enhanced consumption in agriculture metered category. The licensee has attended to the data discrepancies and re-submitted the relevant information/ document. However, it has definitely raised the 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 5.07 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 6940 MUs. The category-wise details are summarised in the table 4.25:

Table 4.25 - Estimation of approved Sales to Consumers (Million Units)

Consumer Category	UHBVNL Estimate FY 2005-06	HERC approval FY 2005-06
Domestic	1958.1	1641
Non Domestic	459.1	411
HT Industry	1024.6	1038
LT Industry	565.1	525
Agriculture metered	715.5	640
Agriculture unmetered	2764.1	2232
MITC	2.5	2
Lift Irrigation	37.5	36
Railway Traction	94.3	103
Bulk Supply	159.0	149
Street lighting	20.5	18
PWW	184.7	145
Total	7984.9	6940

4.11 Subsidy From State Government

The licensee has considered an amount of Rs. 8507.70 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. 16286 million. This leaves a shortfall of Rs. 8009 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. 1613 million and Rs. 8773 million respectively. The amount of cross subsidy generated by other consumer categories is to the extent of Rs. 2377 million. The revenue gap of Rs. 1613 million in case of domestic category is fully covered from this cross subsidy, leaving an amount of Rs. 764 million to cross subsidise the agriculture pump-set consumers. This cross subsidy adjustment leaves a net revenue gap of Rs. 8009 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 UHBVNL works out as depicted in table 4.26:

Table 4.26 - Subsidy from State Government

S.No.	Particulars	Amount Rs. millions
1	Shortfall in revenue from agriculture pump-set consumers	8773
2	Cross subsidy available after adjusting against domestic consumers	764
3	Balance Gap remaining after adjusting cross subsidy as above (1-2) required to be provided in form of subsidy by the State Government	8009

The deferred subsidy and accrued interest thereon as per the audited accounts of the Licensee as on 31.3.2005 along with the interest may be adjusted against the electricity duty payable during FY 2005-06 (Deferred subsidy as on 31.3.2004 is Rs. 432.74 million and the interest accrued on it is Rs. 362.71 million as per audited accounts of the licensee for FY 2003-04). The State Government has already made a budgetary provision of Rs. 1256 crores towards subsidy for FY 2005-06. Excess provision of subsidy, if any, available with the licensee 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 licensee as on 31.3.2005 under intimation to the Commission.

5 CONCLUSION

The Commission approves total Annual Revenue Requirement of UHBVNL for FY 2005-06 at Rs. 24295 million. This is equal to total expenditure of Rs. 25705 million minus non-tariff income of Rs. 1410 million. The total energy expected to be sold by UHBVNL shall be 6940 million units as against the licensee's projected sale of 7984.9 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 2872 MU as against 3479.6 MU projected by the Licensee.

The licensee has projected a loss level of 29 % 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 29 % 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 its 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 31% 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. 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. 532.52 crores as on 31.3.2000 to Rs.1300.50 crores as on 30.9.2004. The domestic consumers account for 58.54% of the total receivables as on 31.03.2004. The receivables due from Non-domestic 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 UHBVNL's obligation to afford "open access" to its consumers having 15 MVA and above load with effect from 1.10.2006. The project of consumer indexing and GIS mapping which are progressing at a snail's pace too need to be vigorously pursued to ultimately cover the whole of licensed area. 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.16286 million. This leaves a net revenue gap of Rs.8009 million, which is to be provided as subsidy by the Government of Haryana for agriculture pump-set consumers. The Government is also required to pay the arrears of deferred subsidy outstanding in the books of the licensee as on 31.3.2005 along with interest. The Government of Haryana has already made a budgetary provision of Rs 1256 crore 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. Excess provision of subsidy, if any, available with the licensee 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 (including

interest) outstanding in the books of the licensee as on 31.3.2005 under intimation to the Commission.

This order is signed, dated and issued by the Haryana Electricity Regulatory Commission on 9th November 2005

Date : 9th November 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 18.4.2005 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 directives of the Commission, should be provided. But the licensee could not adhere to this directive while seeking waivers for Revised (II) ARR for FY 2005-06. However, the Commission has granted the following waivers requested by the Licensee in its ARR filing for FY 2005-06.

1. Plans for undertaking load research

As per the 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 *stated* that at present the energy is delivered to various categories of consumers through 11 KV feeders. Most of these feeders serve a combined load of Domestic, Non-Domestic, Agriculture, Industrial and other categories of consumers, thus segregating actual capacity usage for each customer group within a feeder is quite difficult. Secondly, the energy meters installed are conventional type, which only records the energy consumed. These meters have no provision to record demand.

The licensee has mentioned that a study was done during the 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. For this requirement, the licensee respectfully requests for a waiver because it is not possible to conduct a comprehensive load research at this stage on account of inadequate availability of proper metering arrangements. The licensee shall undertake said study(ies) with the available data in future.

2. Preparation of R&M Norms

The D&RS licensee (HVPNL) had been directed to prepare norms for R&M stores and submit it for the Commission's approval in terms of its order dated 22.12.2000. The licensee was expected to provide an age-wise break-up of capital, R&M and other stores. The Commission had also directed that those items that had not moved for more than 3 years and the unserviceable items should be separately listed. The licensee was expected to indicate the manner in which these items were to be treated.

3. Physical Verification of the licensee's Assets and the Assets created out of consumer contribution.

The Commission directed the licensee to physically verify its fixed assets and submit its report. The Commission also 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. Such details should be furnished circle-wise.

The licensee has *stated* that the issue for verification of fixed assets from an independent agency is under active consideration of the management. The process is expected to take time. As such waiver is requested for its submission in the current ARR.

4. Details of ARR Filings

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

5. Details of receivables

The Commission had directed the licensee to submit the detailed consumer category-wise receivables with proper age-wise analysis, separately for sale of power, municipal tax, electricity duty and surcharge amount. The recoveries for current and old bills should also be shown separately.

The licensee has reported that with the present system of accounting, it is not possible to segregate the accounts of receivables category-wise by showing separately SOP, ED, M.Tax and surcharge including correct position of age-wise receivables at the sub-division level.

UHBVNL added that the SEs(Op.) have been authorized by the management to engage data entry operator on contract basis in all the operation divisions with the direction to complete the assignment on priority basis within the stipulated period. The detailed position of consumer category-wise receivables with proper age-wise analysis, separately for sale of power, Municipal tax, ED and surcharge amount and the recovery for current and old bills would be available thereafter.

So the waiver is requested for submission in the ARR filing for FY 2005-06.

6. Providing requisite data within time

The Commission had directed the licensee to provide all the requisite data in the formats approved for the purpose from time to time and within the specified dates. Any delay in filing response to the data requirements/objections and non-compliance of directions would be viewed very seriously and would be dealt as per the provisions of Section 142 and Section 146 of The Electricity Act 2003.

UHBVNL mentioned that they were making all out efforts to supply the information as per the requirements of the Commission. The information in the prescribed financial formats had been furnished to the extent possible and waiver was requested wherever the information on the prescribed formats was not possible. In respect of some formats regarding Tariff and Billing, waiver was requested due to the limitation of the present accounting system of the Licensee.

ANNEXURE - 2 : LIST OF DIRECTIVES NOT FULLY COMPLIED WITH

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

1. The Licensee had been directed to arrange for conducting survey of all LT industrial consumers through an independent agency in order to plug the leakage of substantial revenue that appears to be taking place in this area. The licensee responded that they have initiated the process of survey of LT industrial consumer at their own level. (Direction given in 22.12.2000 order)
2. The Commission had directed the Licensee to develop a modern system of data collection, storage, retrieval and analysis through computerisation at sub-divisional level. The licensee responded that Nigam has already initiated the process of computerisation and remaining sub-divisions will be provided with computer by the end of financial year. (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 that matter regarding physical verification of all fixed assets including those created out of consumer contribution from an independent agency is already under active consideration. (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 FY 2003-04. (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 responded that some formats specified by the Commission could not be filled in due to the limitation of the present accounting system. (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 the implementation schedule encompassing both the aspects namely provision of meters at the consumers' premises and the energy audit. The Commission also directed the licensee to complete the 100% metering at the earliest. A quarterly progress report to achieve the goal should be regularly submitted to the Commission by 20th of April / July / October / January respectively. (Direction given in 16.8.2002, 29.1.2004 and 18.4.2005 orders)
- (c) The licensee is required to put MDI meters, which also record energy, on all the agriculture pump sets which are currently being billed at flat rate, so that billing continues to be on flat rate but based on the contract demand / connected load, or the actual maximum demand as recorded by the meter, whichever is higher, and the energy reading can be used for correctly assessing the energy consumption by these consumers for energy audit, preparation of bills for subsidy and calculation of actual distribution losses etc. (Direction given in 16.8.2002 order)
- (d) The Licensee is required to fully comply with the direction of the Commission regarding MDI meters in order to effectively redress its long-standing grievance about the Commission's approach of arriving at the estimated energy consumption for AP flat-rate consumers. It will conclusively prove the load put on the system by a given flat-rate AP consumer viz-a-viz the sanctioned load and help the licensee to recover its legitimate dues. (Direction given in 18.4.2005 order)

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.
- (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 and 20.8.2003 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 18.4.2005 order)

- 13.**The Commission directed the licensee to provide project-wise data related to new capital work projects undertaken by the licensee since 1.4.2000. The data should include projected and actual dates of commencement & completion of project, details of quarter-wise expenditure and total cost. The licensee submitted some data but that was not reconciled and tallied. (Direction given in 18.4.2005 order)
- 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 balances. The licensee is also directed to take positive measures to reduce the funds blocked in stores. (Direction given in 18.4.2005 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 18.4.2005 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 18.4.2005 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 18.4.2005 order)
- 18.**The Commission directed the licensee to submit quarterly status report of the project of consumer indexing and GIS mapping in Karnal and Sonapat circles. The licensee should extend this activity

to the remaining area based on the experience gathered from the above circles. (Direction given in 18.4.2005 order)

- 19.** The Commission directed UHBVNL to undertake a detailed analysis of its human resources, assess its medium to long-term needs and submit a Human Resource Management Plan for consideration of the Commission. (Directions given in 20.8.2003 and 18.4.2005 orders)
- 20.** The Commission directed the licensee to investigate the causes of high damage rate of Distribution Transformers. 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 18.4.2005 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 18.4.2005 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 CRPF, Group Kendra, Pinjore 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 establish and maintain a proper system of recording the receipts, issues and returns to stores so that the information made available to the Commission is properly reconciled. (Chapter 4 para 4.2.3.2)
4. The Commission directs the licensee to reconcile the difference between the stores as on 31.3.2004 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 Commission directs 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 applications / 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.
 - (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? (Chapter 4 para 4.6.3)
8. The Commission finds no reason as to why all the single-phase defective meters could not be replaced and directs the licensee to formulate a policy for a time-bound replacement of defective meters in its system and provide it to the Commission within three months of this order. (Chapter 4 para 4.6.4)
9. The licensee is directed to analyse the cause(s) of the meters being defective and take remedial steps to procure good quality meters only from proven suppliers. A report on the number of meters which have failed during warranty period from different suppliers during last

3-4 years should also be submitted to the Commission within six months of issue of this order. (Chapter 4 para 4.6.4)

- 10.**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)
- 11.**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)
- 12.**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)
- 13.**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)
- 14.**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)
- 15.**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)

- 16.** 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. Sh. Parmesh Bindal, Partner of M/s Parshadamal Mukandilal Rice Sheller, Village Nasirpur, Hisar Road, Ambala City.
2. Sh. Ranjit Singh, Senior Additional Director General of Police, Group Kendra, Central Reserve Police Force, Pinjore.
3. Sh. T.R.Taneja, Managing Director, Taneja Designer Tiles (P) Ltd, 11 K.M. Stone, Village Tepla, Ambala Jagadhari Road.
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
EPF	Employee Provident Fund
FSA	Fuel Surcharge Adjustment
FY	Financial Year
GFA	Gross Fixed Assets
GoH	Government of Haryana
HERC	Haryana Electricity Regulatory Commission
HRA	House Rent Allowance
HT	High Tension
HVPL	Haryana Vidyut Prasaran Nigam Limited
IDC	Interest During Construction
KV	Kilo Volts
KVA	Kilo Volt Ampere
KWh	Kilo Watts hour
LT	Low Tension
MDI	Maximum Demand Indicator
MIS	Management Information System
MITC	Minor Irrigation Tube-well Corporation of Haryana
MMC	Monthly Minimum Charges
MoP	Ministry of Power
MU	Million Units
MVA	Mega Volt Ampere
NDS	Non Domestic Supply
NTPC	National Thermal Power Corporation
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
S/S	Sub Station
T&BS	Transmission and Bulk Supply
T&D	Transmission and Distribution
UHBVNL	Uttar Haryana Bijli Vitran Nigam Limited
WC	Working Capital