



Haryana Electricity Regulatory Commission

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To,

The Additional Chief Secretary to Government Haryana,
Power Department,
Room No. 47, 9th Floor,
Haryana Civil Secretariat,
Chandigarh

Memo No. 3244/HERC/Tariff/SV-2/2016

Dated: 14.01.2016

Subject: - Directives given by the Commission vide Discom's ARR Orders dated 29.05.2014, 07.05.2015 & 15.10.2015 and are not complied with by the Discoms.

The Commission, vide Order dated 07.05.2015 on the True Up of the ARR for the FY 2013-14, Annual Performance Review for the FY 2014-15 and determination of Distribution and Retail supply tariff for the FY 2015-16 for Uttar Haryana Bijli Vitaran Discoms Limited (UHBVNL) and Dakshin Haryana Bijli Vitaran Discoms Limited (DHBVNL) had issued certain directives to both the distribution companies in order to improve efficiency, reduce technical & commercial losses, economies of operation and customer satisfaction.

In the hearing on 07.10.2015 in the Review Petition against the Commission's Order dated 07th May, 2015 almost all the objectors raised the issue of non-compliance of the directives issued by the Commission. Further, there is resentment among the consumers in the State regarding non-compliance of the directives of the Commission by the Discoms as the distribution companies are having high O&M cost, technical & commercial losses resulting in increase in tariff.

The Discoms, in their reply to the Review Petition against the Commission's Order dated 07th May, 2015 and in the hearing held on 07.10.2015 had agreed to meet the revenue shortfall through reduction in the O&M cost by outsourcing of the O&M activity which would result in savings on account of the following:

- a) Reduction in Equipment Failure rate such as Transformer damage etc (Rs. 67 Crore Approx).
- b) Reduction in salaries due to outsourcing of O&M Activities and restructuring of Discoms. In addition, the Discoms also propose to engage the ITI certified/Poly technique Diploma holders as interns (Rs. 100 Crore Approx).
- c) Reduction in cost on account of AMR/Spot Billing in both the Discoms (Rs 60 Crore Approx).

The total saving in the cost on account of above intervention is estimated at about Rs. 227 Cr.

Moreover, the Commission, during various meetings and through numerous correspondences, had directed both the Discoms to comply with the directives given by the Commission but no action has been taken by them till date.

In view of the above, the Commission feels that the State Government should step in and directs the Discoms in the State to comply with the various directives issued by the Commission through ARR Orders for FY 2014-15 and FY 2015-16. A list of Directives given by the Commission vide Discom's ARR Orders dated 29.05.2014, 07.05.2015 & 15.10.2015 and are not complied with by the Discoms is also attached with this letter for ready reference.

An early action in this regard is solicited before public hearing to be held on 16.02.2016 in the Discoms filing of Annual Performance Review for FY 2016-17 and ARR for FY 2016-17 (including truing up for 2014-15).

DA/As above

-Sd-
Director/Tariff
HERC, Panchkula

List of the Directives given by the Commission vide Discom's ARR Orders dated 29.05.2014, 07.05.2015 & 15.10.2015 and are not complied with by the Discoms.

1. Transparency in procurement process & inventory management

E-Tendering

Commission in its previous order dated 29.05.2014 on ARR for distribution & retail supply business for control period FY 2014-15 to FY 2016-17 had directed Utilities to implement e-procurement to bring transparency in the process of procurement. It was also directed to publish NITs with short description in newspapers to exercise economy. However, Commission observed that except centralized purchases through their MM wings, process of e-tendering has not yet been followed by other offices. Commission, further observes that descriptive NITs are being published by some offices leading to wasteful expenditure. Commission directs Utilities to implement e-tendering across the utility and no tender/purchase shall be decided without following the process of e-tendering. It is suggested that a centralized cell be created for floating and processing of tendering for requisite purchases/turnkey works/ hiring of vehicles/engagement of services/etc. after getting requirement from the concerned sections in order to have uniformity, transparency, quality, participation and efficiency in the process. Further, to attract larger participation in the competitive bidding process, NIT should be published in three newspapers out of which two newspapers should be leading national dailies.

2. The licensees are directed to bring down the number of rural feeders with above 50% losses by 50% at the end of the FY 2015-16 and no urban feeder with above 25% line losses shall exist by the next ARR/APR filing. A failure to comply with the targets set by the Commission shall attract penal action under section 142 of the Electricity Act, 2003 against the XEN and above of the area concerned.
3. The distribution licensees should examine the cause of damage of DTs in the areas where it is above the norms and endeavor to bring down the distribution transformer damage rate below the prescribed limits by ensuring proper maintenance and protection.

The licensees are directed to submit these quarterly reports in future.

4. The Commission as such assigns the following targets to the Distribution licensees.

- a) **Single phase meters: The number of defective energy meters should not exceed 10,000 at any time after December, 2015.**
- b) **Three phase meters: The number of defective energy meters should not exceed 500 at any time after December, 2015.**

Failure to comply with the above targets set by the Commission shall attract the penal provision of section 142 of the Electricity Act, 2003 against the XEN and above responsible for the lapse.

- 5. The licensees are directed to replace these Electro-mechanical meters by 31st March, 2016 by making all necessary arrangements. The Commission would like to make it clear that all working electro-mechanical meter taken out from the consumers' premises shall be installed at the AP unmetered connections to facilitate energy audit.

6. **Manpower training:**

The Central Electricity Authority (Measures relating to Safety and Electric Supply) Regulations, 2010, specifies the following:-

i) Safety measures for operation and maintenance of electric plants.

Regulation 6 (3): Engineers, supervisors and Technicians engaged for operation and maintenance of electric plants should have successfully undergone the type of training as specified in Schedule-I.

Provided that the existing employees shall have to undergo the training mentioned in sub-regulation (3) within, three years from the date of coming into force of these regulations.

ii) Safety measures for operation and maintenance of transmission, distribution systems.

Regulation 7 (3): Engineers, supervisors and Technicians engaged for operation and maintenance of transmission and distribution systems electric plants should have successfully undergone the type of training as specified in Schedule-II.

Provided that the existing employees shall have to undergo the training mentioned in sub-regulation (3) within, three years from the date of coming into force of these regulations.

The Commission expects that the Discoms are following these safety measures strictly and required training is being provided to the concerned employees, new as well as the existing. The Commission feels that the required trainings as mentioned above would definitely result into safety of the men and material. **A report in this regard shall be submitted to the Commission.**

7. **Training**

Initially the Four Power Utilities have their own training centers and deputed their staff in these training centers. HVPNL had spent Rs. 25 crores in creating training center at Madanpura. This training center of HVPNL was lying vacant for the last four years. The Commission took up the matter with the Utilities and is of the opinion that there should be a centralized training center for all the Four Power Utilities. **This will curb the extra expenses incurred by the Utilities in maintaining different training centers and the Utilities will also be able to utilize the surplus staff.**

The Commission observed that the Discoms are making regular expenditure on account of training to its officers/officials in house as well as outside at other institutions/facilities. The Commission observes that HVPNL has constructed a building for Haryana Power Training Institute (HPTI) at Madanpur, Panchkula. The Commission is of the view that a common training facility be made functional at HPTI Madanpur immediately to meet the training requirement of the power Utilities as per the training policy. The other buildings rented or otherwise being utilized by the respective Utilities for the purpose be vacated and may be used for other requirements. Licensees shall endeavour to establish a common Training Centre and pool of trainers to have effective learning and maximize economy.

Training facility at other locations, if any, shall be closed and shifted to Training Centre at Madanpur, Panchkula.

8. The Commission directs the DISCOMs to submit Cost of Service study within six months from the date of the present Order.

9. **Recovery of long overdue/Receivables**

Commission observes that Utilities have accumulated huge receivables mainly because of defaulting amount of various categories consumers which are adversely affecting the financial health of Utilities. Commission directs the Discoms to conduct

age wise audit of its receivables and submit a report to the Commission within three months from the date of passing of this Order including an action plan to liquidate the outstanding receivables within six months. The electricity connections of all such defaulting consumers, unless a stay has been granted by a Court of competent jurisdiction, shall be immediately disconnected. The Commission shall not allow DISCOMs any additional working capital and interest thereto (if any) on this account.

10. Vigilance Cell model

The Commission observes that the Discoms have not been effective in plugging the revenue leakages on account of theft and pilferages including direct tapping of the distribution lines. The Vigilance Cell needs to be restructured & strengthen and made further accountable. Vigilance Cell models of other States where these are working effectively may be studied and suitable administrative and financial restructuring shall be implemented in order to improve the efficiency and effectiveness of Vigilance Cell of Discoms. Furthr, in various State Advisory Committee meetings the matter was taken up but no action has been taken up to frame a Vigilance Policy in line with other States though staff has been posted in the vigilance cell.

11. Release of pending connections/load

The Commission has taken serious note of the fact that on the one hand the Discoms are projecting surplus power while on the other hand there are pending applications for release of new connections. From the data provided by the UHBVNL, the Commission observes that up to end February, 2015 the number of pending applications were 25630 with applied load of 275359 kW. Similarly, in DHBVNL the number of pending application, as on end February 2015 was 32123 with an applied load of 742451 kW. Thus, in both the Discoms, the total pending release of load works out to 1017810 kW or 1017.81 MW. This could have taken care of the surplus power available to the Discoms to a certain extent, which they propose to sell in the inter-State market at 20% below the average cost of power purchase and in turn adding to the financial losses on account of trading of surplus power. The Commission would like to make it clear that such trading losses shall not be passed on to the electricity consumers of Haryana. The Commission further directs the Discoms to expedite the release of pending applications for new

connections as well as load enhancement. The backlog should be removed within three months from the date of this Order and the Discoms shall submit a quarterly progress report on the same. Status of consumer applications shall also be hosted on website of respective Discoms

The Commission also observes that Single Point connection application remains pending for release of connections, such requests need to be disposed-off immediately with zero pendency and connections to be released within time frame specified in the Supply Code Regulations, 2014. The Commission further directs the Discoms to implement the Haryana Electricity Regulatory Commission (Single Point Supply to Employers' Colonies, Group Housing Societies and Residential or Commercial cum Residential Complexes of Developers) Regulations, 2013 including its subsequent amendments.

The Commission, from the feedback received from consumers, observes that the Discoms are reluctant to provide electricity connections to the dwelling units located near the tube-wells. The Commission directs the Discoms to release DS connections to such dwelling units as per the policy and charge them accordingly.

12. Intimation / bill through e-mail and SMS

The electricity bills of all NDS/Commercial, LT industry and DS consumers (having load above 20 kW), should be sent to their e-mail IDs and if such consumers asks for a hard copy, the same may be supplied at a cost of Rs.10/- only. SMS should also be sent to such consumers intimating the amount of their bills and due date. The bills should also be made available on the website of Discoms. Advertisement on local TV Channels be displayed intimating the consumers regarding the Website of the Discoms where the consumer shall have complete details of their billing /complaints etc. These instructions should be implemented within three month from the date of issue of this Order by issuing necessary directions to the consumers on their hard copy of the bills being issued at present.

13. Further, commercial viability and suitability of expending the spot billing concept to other areas be explored and report be submitted by 30.06.2015.

14. The directions of the Commission with regard to allowing 4% discount on energy charges for the consumers who deposit advance payments as well as the rebate of 25 paise per unit to the consumers who installs roof top solar plant through net-

metering arrangement should be made a part of the tariff circulars to be issued by the Discoms.

15. **Payment of due and other charges through Banks & RTGS**

It would be mandatory for the consumers of NDS/LT/HT industry and DS above 20 kW to make on-line payments. If this is not possible for all such consumers, then they should be directed to make payment through RTGS/NEFT OR through authorized banks. For all other consumers this facility would be optional.

Further, the utility has authorized the bank for accepting electricity bill payment only in Panchkula due to the fact that a cashier of the Nigam was shot dead while carrying the cash to the Bank. The same facility need to be extended to the whole State. Due to non compliance of this directive the expenses of the Utility has increased.

16. It was also directed that the cadre of Cashiers may be considered as diminishing cadre and they may be deployed elsewhere as per requirement. As such, the Discoms are again directed to take necessary action to gradually phase out bill/revenue collection at their offices by exploiting the options available i.e. collections through banks/post offices/agencies/vendors at competitive rates. The Discoms shall report progress achieved regarding this within two months from the date of this Order.

17. The Commission feels that human interventions in meter reading need to be avoided as far as possible. As such, it is suggested that implementation of Automated Meter Reading in phased manner be explored and **report in this reference be submitted by 30.06.2015**. Further, the areas where the line losses are 50% or more, AMI/AMR should be implemented and till the time the AMI/AMR is not implemented meter reading should be done with the help of Meter Reading Instruments instead of manual reading through meter readers. With the non-implementation of the directive the Utilities are incurring huge losses.

18. **Interest on security deposit**

During the public hearing, interveners informed that Discoms are not paying interest on security deposits regularly. The Commission directs the Discoms to ensure that the yearly interest on consumer security deposits shall be allowed and adjusted in the consumers' bill for the first billing cycle of the ensuing financial year

as specified under Supply Code Regulations, 2014. The Commission has been issuing this directive for the last three years but no action has been taken by the Utility and they have also not submitted any reply to the Commission.

The concerned SE/Op will be fully responsible for timely payment of interest on the consumer's security deposit & ACD and adjusting the same in the bills/additional security demand and shall be liable for action under Section 142 of the Electricity Act, 2003.

19. The Commission further directs the Discoms to conduct a specific study to examine all aspects relating to 'Time of Use' and accordingly prepare a comprehensive plan for implementing 'Time of Use' tariff in a selected area on a pilot basis and submit a proposal to the Commission by 30.06.2015. This is useful for LT Industries and needs to be examined. This is useful for LT Industries and needs to be examined.

20. **Consumer services & on line application**

In order to facilitate consumers and to bring transparency in the services, Commission directs Utilities to promote on line applications for new connections, extension/reduction of load, change of name, change of category etc. by making the process simple and hassle free. Suitable changes in the online process shall be made to have a consumer friendly interface. Commission, further directs Utilities that Applicant/Consumers who intend to submit online application be facilitated at Division/sub-division offices by charging Rs. 50/- per application as nominal facilitation charges. Utilities shall also ensure that the S/Division wise status of various consumer applications be displayed and updated regularly on its web portal. The proposal regarding accepting on line applications has been initiated by the Commission in order to curb the corruption at the time of receipt of application. For the last three years the Commission is issuing the directive but the same has not been implemented yet.

21. **Consumer Complaints**

The Commission directs Utilities to strengthen the complaints handling mechanism by continuous monitoring and feedback from the consumers. Mechanism may also be developed and put in practice to pay penalty to the affected consumers in case the Discoms fail to adhere to the Standard of Performances. **Report of action taken in this regard shall be submitted by 30.06.2015.**

The Commission is of the view that the consumer should be able to register their complaint through mobile and the consumer can be identified through their mobile and Aadhar Number. Instead the Utilities have setup complaint centers with additional staff due to which their expenses has increased. The Utilities should implement this directive so as to reduce their cost.

22. **Subsidised tariff for Gaushalas**

During public hearing, intervener sought subsidised tariff for Gaushalas. Intervener pleaded, that the Gaushalas having indigenous breed (for e.g. Sahiwal, Red Sindhi, Haryana, Gir, etc.) are a mainstay of Agrarian economy and hence subsidized tariff at par with AP be levied on such Gaushalas. Commission observed that the issue of subsidy relates to State Government and the Discoms may consider levy of subsidized tariff at par with the AP tariff, in consultation with State Government, provided such subsidies are paid upfront by the State Government.

23. **Inventory Management**

From the audited Annual Report for FY 2013-14, Commission observes that the inventory of distribution Utilities has increased significantly. Minimum level of inventory is to be maintained to have economy. Large inventory results into financial losses on account of additional borrowings and increase in administrative cost in managing high level of inventory. Commission directs Utilities to take suitable measures to bring down the inventory level to minimum optimum. Commission's order on Management of Inventory date 12.07.2012 may be referred and be followed expeditiously.

24. The Commission also observed that large number of damaged DTs, poles etc. are laying in the area of distribution licensee unattended/without any protection leading to decay and pilferages of public assets. Commission directs distribution Utilities to prepare suitable guidelines for timely returning and accounting of public property in their stores/workshops so that same can be further attended and utilized or disposed off. **Report in this reference be submitted by 30.06.2015.** The Commission is issuing this directive for the last three years but no substantial action has been taken by the Utilities and there are unaccounted items still lying in the field which should have been returned to store to save the loss to the Utilities.

25. The Commission further directs to take necessary measure and conduct the periodic stock verification of its inventories in the stores departmentally and submit report to the Commission.

26. **Distribution Transformer Repair Workshops (TRWs)**

The Commission directs Utilities to carry out Cost Benefit Study regarding repair of transformers departmentally in their Transformer Repair Workshops and submit report. The Discoms should also submit a report regarding performance of repaired transformers by 30.06.2015. The Commission is issuing this directive for the last two years but no action has been taken by the Utilities.

27. **Pension and Pay**

The Commission directs Utilities to explore the possibilities of constituting a common Pay & Pension section for Utilities in order to have economy and uniformity. Report in this regard shall be submitted by 31.07.2015. The Utilities have centralized the pay and pension for the Head Office employees but not for the all the field offices. The Utilities should centralize the pay and pension of so as to reduce their expenses.

28. **Out Sourcing of services**

Vide its Order dated 29th May,2014 and 7.5.2015 the Commission had expressed its concern regarding high and ever increasing employees cost of the Utilities and suggested outsourcing of works wherever possible. It was directed that **all non-technical posts lying vacant for the last three years in the Utilities were required to be abolished except the posts where the contract/outsource staff have been engaged and to apprise the Commission.** Utilities were directed to provide information to the Commission within thirty days but only incomplete report has been received till today. Hence, status of compliance on this issue as per the Orders dated 29th May, 2014 and 07.5.2015 may be provided without any further loss of time. If after 29th May, 2014 anyone has been appointed without the prior approval of the State Government as well as the Commission, the DDO/officer concerned shall be held responsible for this lapse.

DHBVNL has recruited 1000 persons on the non-technical posts which are lying vacant for the last three years inspite of clear directions of the Commission **not to fill the posts which are lying vacant for the last three years and abolish the**

same except the posts where the contract/outsourc staff have been engaged. DHBVNL has also not submitted any reasons for filling the posts. **Instead of filling the technical posts the Utilities are recruiting persons in non-technical posts.** Further, DHBVNL has neither taken any approval from the State Government nor from the Commission. UHBVNL has also not submitted any details till date. The Commission had clearly apprised the Utilities that the Commission is not going to approve the expenses incurred by it on the newly filled non-technical post and the Government should initiate action against the Utilities in the matter.

29. The Utilities may consider engaging the pass out students of ITI/Diploma Courses from Industrial Training Department/Technical Education Department of Haryana in the concerned trade for skilled training in addition to the Apprentices. This would facilitate ITI/Diploma Holders in acquiring technical knowledge and hands on experience of various jobs and the Utilities would be in a position to provide better services to the consumers. This would be beneficial for the Utilities as well as the trainees.

30. **Rented accommodation**

Regarding the directions given by the Commission in respect of Rest Houses/Guest Houses maintained by the licensee in the MYT Order dated 29.05.2014, it is observed that Commission, on a petition filed by UHBVNL and DHBVNL regarding the directions given in respect of Guest houses maintained by the licensee, has passed order dated 20.10.2014 wherein it has been decided that *“in case the occupancy of any guest house has been below 30% in FY 2013-14, such guest house shall be closed with immediate effect. In case the building has been taken on the rent, the same shall be surrendered to the owner and the lease terminated with immediate effect. In case the accommodation is owned by the licensee, the same shall be used for some other productive purpose.”*

The HVPNL and DHBVNL are directed to follow the directions as given in the above order in respect of Guest Houses/Rest houses maintained by them.

31. **Consumer Identification**

To have a traceability of consumers and in order to reduce ghost consumers, ‘Consumer Identification’ exercise should be carried out and Know Your Consumer (KYC) scheme may be implemented to register Aadhar No./PAN No. of concerned

consumer. KYC is mandatory for any new consumer connection and details shall be collected for existing consumers in Six months.

Such database will also help in introducing schemes for crediting the subsidy directly to the beneficiary, if implemented by Government in line with already implemented direct subsidy scheme for domestic gas supply (LPG) in the country. Discoms in consultation with State Government may formulate a road map for direct subsidy to AP consumers in order to have transparency and efficacy.

32. Inter-utility dispute resolution

It has been observed that large number of inter-utility disputes and litigations are pending before various courts/tribunals and as the power Utilities in Haryana is presently owned by the state government, options need to be explored for either conciliation or alternative dispute resolution mechanism so that all such disputes can be resolved expeditiously, on merit in consultation with the parties concerned.

33. Further, in order to minimize trading losses on account of inter – state sale of surplus power, the Discoms are directed to examine the feasibility of extending supply to the HT consumers at a concessional rate of say 80% of the energy charges for power drawn by them during off-peak hours in excess of their normal consumption during the corresponding billing period in the preceding year. In case of any load extension, the base energy consumption beyond which the concessional tariff shall apply would be increased on pro – rata basis. The Discoms are directed to submit a detailed report / proposal on the same within one month from the date of this Order so that the issue of losses on account sale of surplus power is reduced to the extent possible.

34. Economic Measures:

The Commission directs the Discoms to undertake effective economic measures in their respective utilities to contain un-productive expenditure. The suitable directions/ guidelines may be issued to the officers/officials concerned in this regard.