

Sub: In the matter of filing of petition by East Discom for approval of investment plan of Rs 5735.24 Crore for FY2016-17 to FY2019-20

Order

(Public Hearing on 6th Apr, 2021 through video conferencing)

Date of order: **24.04.2021**

M.P. Poorv Kshetra Vidyut Vitaran Co. Ltd. (East Discom), Jabalpur : Petitioner

Shri Ajay Duggad, GM appeared on behalf of the petitioner.

1. The petitioner had filed the petition for Capex of Rs 5874.28 Crore for plan period for FY2017 to 2021 on 25.11.2017 as per the guidelines for Capital expenditures specified by the Commission under Regulation 10.3 of MPERC (The Conditions of Distribution License for Distribution Licensee (including Deemed Licensee), 2004. The petitioner has stated in his prayer that he is undertaking various projects in next five years for system strengthening, reduction of losses, of the network which mainly includes, creation of new 33/11 kV S/s, Bifurcation of overloaded 33 kV feeders, Additional /Augmentation of Power Transformers , installation of Distribution Transformers , conversion of LT line with AB Cable, DTR metering and replacement of service lines etc.
2. The Commission had held the motion hearing on 19.12.2017 and observed that petition is deficient in accordance with the Commission's specified "Guidelines for capital expenditure by licensees" and therefore it has directed to furnish revised submission vide daily order dated 21.12.2017 by incorporating requisite information such as i) cost benefit analysis and; ii) DPR of the projects/scheme along with load flow analysis reports.
3. Subsequent to submission of requisite information by the petitioner, the Commission has held the motion hearing on 28.08.2018 and observed that the petitioner has not furnished the desired details of fund allocation separately for meterisation of agricultural DTRs. The Commission vide daily order dated 31.08.2018 has directed the petitioner to make a comprehensive presentation of their proposed Capex plan indicating physical and financial benefits envisaged by Discom during plan period along with concrete action plan for meterisation of agricultural DTRs and corresponding fund allocation. The Commission has also directed the petitioner to ascribe specific reasons for not achieving the targets of meterisation approved through the Capex for FY2012 to FY2015-16 on 31.05.2012 in petition no. 58/2011.
4. The Commission held the review meeting with petitioner on 23.10.2018 and observed that most of Central Govt. sponsored schemes were likely to be completed by FY19-20 and no

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schemes were on the horizon thereafter, hence deemed it appropriate that Capex plan be resubmitted considering plan period from FY2016-17 to FY2019-20 only.

- The petitioner in pursuance to the order dated 31.08.2018 passed by the Commission and subsequent directives issued vide letter dated 19.11.2018 after holding the review meeting on 23.10.2018 has filed revised petition for approval of 4 years Capex plan of Rs 5735.24 Crore for plan period FY-17 to FY-20 against his earlier proposal of Rs 5874.28 Crore for plan period FY-17 to FY-21. The physical works and financial expenditure envisaged under the aforementioned Capital Investment Plan are summarized hereunder:

Proposed Physical and Financial Plan (FY 17 to FY20)											
Particular	ST (N), TSP & SCSP	CM permanent pump connection scheme	DDUGJY	IPDS	RAPDRP Part B	RGGVY	ADB-3	Feeder separation- REC	Feeder separation- on-ADB	Saubhagya Scheme	Total
Construction of 33/11 kv S/s	18	0	52	30	1	0	10	0	0	0	111
Augmentation of 33/1 kv S/s	0	0	0	42	0	0	0	0	0	0	42
Renovation /Modernization	0	0	0	82	0	0	0	0	0	0	82
33 kv Line (Km)	848	0	744	182.05	5.75	0	119.98	0	0	0	1899.78
Bifurcation of 33 kv Line (Km)	1752	0	206.14	0	0	0	320	0	0	0	2278.14
11 kv line (Km)	2565.5	17124.12	7964.05	1312.4	42.94	3315	70	4353	2377	8921	48045.01
Grand Total of TC to PC conversion	0	154322	0	0	0	0	0	0	0	0	154322
PTR new & augmentation (No.)	567	0	110	72	6	27	0	0	0	0	782
Feeder Segregation (No.)	0	0	0	0	0	0	0	0	0	0	0
DTR New & augmentation (NO.)	14127	38333	8726	1426	98	4514	0	5743	4589	6911	84467
LT Line with Cable (Km)	404	7418.65	3042	2047	0	3492	0	0	0	11036	27439.65
DTR metering	61601	0	0	0	0	0	0	0	0	0	61601
Meterisation of U/metered DLF and new connections	1303430	0	572672	145855	0	0	0	26433	6939	742397	2797726
Proposed Financial Investment (INR Cr.)	635.55	1156.97	968.82	495.31	137.7	583	100	283.3	385.3	989.29	5735.24

- The Commission held next hearing on 05.03.2019 and vide order dated 06.03.2019 has admitted the petition for further deliberations. Apropos the Commission’s directives in regard to achieve 100% meterisation targets for pre dominant agricultural DTRs, the Company has informed that for financing the same, funding is to obtained from ADB or

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REC. The Company has estimated that around Rs 92.60 Crore will be required for meterisation of 78080 DTRs and through turnkey contracts, DTR metering will be executed. It is observed that the Petitioner has not tied up any fund with any of funding agencies so far in spite of the Commission directives in the matter.

7. The Commission held the next hearing on 02.06.2020 and vide daily order dated 04.06.2020 directed the petitioner to file a comprehensive five year rolling Capital Investment Plan along with a firm proposal for meterisation of Agricultural DTRs & rural domestic connections by 31st July,2020.
8. The Commission held next hearing on 24.11.2020 and vide daily order dated 26.11.2020 directed the petitioner to file a comprehensive five year rolling Capital Investment Plan in compliance to Regulations 10.3 of MPERC (Conditions of Distribution Licensees) along with following information -
 - i. A concrete plan for Meterisation of unmetered rural domestic connection along with funding arrangements including plan for meterisation of left out agricultural connections in Urban area.
 - ii. Latest Energy Audit Report for DTR metering with respect to a) RAPDRP areas & b) Predominantly agricultural loaded DTRs on which meters already installed.
 - iii. Achievement w.r.t. to existing rolling plan previously approved by the Commission along with reasons for short fall in achievement.
 - iv. Circle wise Loss reduction targets and achievements for FY 2019-20 & for FY 2020-21 (Up to the 2nd quarter);
9. The Commission held next hearing on 05.01.2021 and observed that in compliance to its previous order dated 26.11.2020, information sought in regard to latest Energy Audit Report for DTR metering with respect to i) RAPDRP areas; & ii) predominantly agricultural loaded DTRs on which meters already installed, is not provided. Further, a comprehensive scheme wise achievement w.r.t. approved Capex plan for plan period FY12 to FY16 has not been provided.
10. The Commission also noted that in absence of approval of instant Capex petition for want of requisite information, True up petitions for respective years can not be finalised. The Commission vide daily order dated 21.01.2021 made it abundantly clear that if the petitioner fails to comply with directives of the Commission within 15 days, then the Commission may be compelled to disallow the Capex sought through instant petition. As a last opportunity, the Commission granted 15 days to the petitioner for filing the information sought in the matter.
11. In compliance to the Commission directives issued vide daily order dated 21.01.2021, the petitioner has filed the comprehensive five year rolling Capital Investment Plan. Further, in regard to Commission's directives on submission of latest Energy Audit Report for DTR metering with respect to RAPDRP areas and Predominantly agricultural loaded DTRs on which meters are already installed, the petitioner vide letter dated 11.02.2021

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has submitted the Circle wise summary reports . The Commission observed that petitioner has not submitted the desired comprehensive energy audit report comprising of approach /methodology of study, selection of representative sample feeders / agricultural DTRs and outcome of report required to arrive at any logical conclusion for further interventions, for instance, petitioner has not compared the results of energy audit reports with previous performance of such DTRs. The Commission views that such futile exercises do not carry any meaningful purpose for the very objective it is intended.

12. Notwithstanding that they have failed to provide full information, as desired by the Commission vide order dated 21.01.2021, the Commission feels it appropriate to proceed with further examination based on information available on record and to take further decision in the matter.

13. The Commission held the public hearing on 06.04.2021 in subject petition and heard the comments/ suggestions of Stakeholders. During the hearing The Commission taking into cognizance suggestions offered by stakeholders during Public Hearing asked the Petitioner to submit the following:-

(a) A certificate from the Petitioner that-

- i. The expenditure has already been incurred,
- ii. The works have been physically completed for which the completion certificates have been issued by the petitioner.

(b) If the targets for loss reduction and meterization have not been met in spite of the Capex incurred, then the reasons there for.

(c) If there are any allegations of irregularities in respect of Capex which has been brought up for approval before the Commission, then status on enquiries into these irregularities along with findings so far. What action has so far been taken by the Petitioner in light of those findings.

14. In response, the Petitioner has submitted through their letter dated 12.04.2021 that –

a. A certificate from the petitioner that-

a. The expenditure has already been incurred as per the scheme guideline. The information of actual work progress in terms of physical and financial target scheme wise w.r.t. Capex plan FY 16-17 to FY 19-20 has already been submitted vide this office letter no 1048 dated 04.07.20 and 2657 dated 31.12.20. for ready reference above letter is enclosed

b. The expenditure has incurred as per the completion of estimates sanctioned under the schemes and closure of the respective schemes is under process.

b. If the targets for loss reduction and meterization have not been met in spite of the Capex incurred, then the reasons there for

Reply- The reason for shortfall in achievement is as under-

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- a. *Funding from the financial institution was not tied up which became the major reason for poor AG DTR metering progress*
- b. *The weak financial situation of the Company was the other reason for non-achievement of the target*
- c. *Less impact on loss reduction due to implementation of Saubhagya Yojana. However, it is to inform that the loss of East Discom has been reduced from 22.61(FY17) to 22.52 (FY20) subsequent to Capex implementation*
- c. *If there are any allegations of irregularities in respect of Capex which has been brought up for approval before the Commission, then status on enquiries into these irregularities along with findings so far. What action has so far been taken by the Petitioner in the light of those findings***

Reply- Irregularities in SAUBHAGYA scheme has been reported in few districts of East Discom and investigation have been conducted in these districts. Based on investigation report, charge sheets have been issued to erring officers and departmental enquiries are in process which findings are yet to come. The corrective action will be taken as per the findings of departmental enquiries.

- 15. The Commission has taken a serious note on submission of the Petitioner with regard to loss reductions which cannot be construed as loss reduction in real terms.
- 16. The Commission in order to analyse the impact of Capex on reduction of losses has gone through the Circle wise T&D losses for FY 16-17 and FY19-20 submitted by the petitioner wherein it is observed that despite of implementation of Capital expenditure through various schemes, the petitioner could not achieve desired loss reductions in many Circles viz. Jabalpur O&M, Narsinghpur , Chhatarpur , Panna , Tikamgarh, Rewa, Dindori, Satna and Sidhi as shown in following table-

Circle wise losses for FY 16-17 and FY19-20

Sr. No.	CIRCLE	Distribution Losses (%)	
		FY 2016-17	FY 2019-20
1	JABALPUR CITY	18.97%	15.67%
2	JABALPUR O&M	21.34%	23.12%
3	CHHINDWARA	11.41%	6.87%
4	SEONI	16.84%	7.42%
5	BALAGHAT		19.27%
6	MANDLA	22.50%	18.22%
7	DINDORI		29.98%
8	NARSINGHPUR	36.71%	39.13%
9	KATNI	23.92%	22.74%
10	SAGAR	16.05%	13.45%

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Sr. No.	CIRCLE	Distribution Losses (%)	
		FY 2016-17	FY 2019-20
11	DAMOH	21.75%	19.50%
12	CHHATARPUR	27.31%	31.15%
13	PANNA		36.15%
14	TIKAMGARH	29.19%	32.91%
15	REWA	38.28%	37.98%
16	SATNA	19.42%	22.31%
17	SIDHI	17.63%	28.45%
18	SINGRAULI		11.85%
19	SHAHDOL	21.80%	18.05%
20	UMARIYA		16.03%
21	ANUPPUR		17.37%
EAST DISCOM		22.61%	22.52%

17. Distribution loss reduction trajectory specified by the Commission

Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 19-20
As per Regulations	18%	17%	16%	16%

18. The petitioner in its petition (Table 6 ,page 10) submitted that schemes viz. ST(N) , TSP , SCP , RGGVY , DDUGY , RAPDRP (Part A & B) & IPDS are meant for AT& C loss reduction among other benefits such as System strengthening to meet out enhanced load; Reliability improvement and information technology application etc.
19. The Commission has also noted that there is significant variation between the loss trajectory specified by the Commission vis-a-vis outcome of such schemes wherein many Circles have failed to achieve the desired loss reductions as discussed in para 16 above.
20. The Commission appreciates the performance of Circles and Regions who have demonstrated either reduction in T&D Losses or able to maintain the losses below the Commission’s specified loss trajectory. The Commission also directs the Petitioners to replicate the best practices followed in these circles to other circles where losses have increased. The Petitioner at his level may concentrate resources and monitor implementation of Capex in Circles where losses have shown an increase.
21. At this stage the Commission is not convinced to allow the Capital Investment plan associated to loss reduction in the Circles who have neither reduced their losses in FY 19-

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20 with respect to FY 16-17, nor have brought down the losses at par with the specified loss trajectory by the Commission.

22. In view of the foregoing, the Commission is not inclined to consider Capex associated to loss reduction in Jabalpur O&M, Narsinghpur , Chhatarpur , Panna , Tikamgarh, Rewa, Dindori, Satna and Sidhi Circles against schemes viz. RGGVY /DDUGY , RAPDRP (Part A & B) & IPDS. As per the submissions of the Petitioner the amount allocated to these schemes for the period FY 16-17 to FY 19-20 is Rs 913.25 Crore as per following details-

Circle	RGGVY/DDUGJY (Associated to loss reduction)	R-APDRP (Part A & B)	IPDS	Total (In Rs. Cr.)
Jabalpur (O&M)	39.37	10.95	18.26	68.58
Narsinghpur	81.57	14.44	20.85	116.86
Chhatarpur	39.00	16.08	31.42	86.5
Panna	24.66	12.6	20.95	58.21
Tikamgarh	52.54	13.71	33.44	99.69
Rewa	37.98	52.96	37.41	128.35
Satna	78.96	41.73	62.12	182.81
Dindori	15.53	14.41	52.37	82.31
Sidhi	45.46	11.92	32.56	89.94
Total (In Rs Cr.)	415.07	188.8	309.38	913.25

23. The Commission has also observed that the Petitioner with regard to achievement of financial targets submitted that he has incurred an expenditure of only Rs 5335 Cr vis-à-vis the targeted Capital Expenditure of Rs 5735 Cr. Since the plan period is already over, the Commission deems it appropriate to consider the Capital expenditure to the extent of targets completed i.e. for Rs 5335 Cr only.

24. The Commission, further observed that while it is necessary to invest in the Distribution network for bringing in operational efficiencies, it is also important to evaluate the impact of such investment in terms of its financial returns. The Petitioner should strive at offsetting the burden of investments by additional financial benefits and thereby reduce the impact on Tariff and pass on the benefit to Consumers.

25. The Commission desires that the Capex should be effectively utilized to create infrastructure to meet the increase in load of existing consumers and to provide connections to new consumers, strengthen the existing system, improve system reliability, improve consumer’s services, Infrastructure development, electrify households and reduce the technical and commercial losses etc. as proposed by the Petitioner. Commission therefore directs the Petitioner that a potent monitoring system be created to monitor the use of the Capex and to ensure that the envisaged results be obtained in a timely manner.

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26. In view of the foregoing analysis Commission considers it appropriate to allow Capital expenditure of **Rs 4421.75 Cr** (Rs 5335 Cr which is the actual expenditure minus Rs 913.25 Cr which has been disallowed) as against **Rs 5735.24 Cr** for which approval has been sought in the instant Petition.

Ordered accordingly.

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(Shashi Bhushan Pathak)

Member (Law)

-sd-

(Mukul Dhariwal)

Member

-sd-

(S.P.S. Parihar)

Chairman