Debt restructuring of power distribution companies

2436. SHRI RAMA CHANDRA KHUNTIA: Will the Minister of POWER be pleased to state:

(a) whether it is a fact that Government has any plan for restructuring debt of power distribution companies discoms in Uttar Pradesh, Punjab, Rajasthan, Haryana, Andhra Pradesh, Tamil Nadu and Madhya Pradesh; and whether the combined outstanding is more than Rs. 2 lakh crore;

(b) if so, the details of the plan and what is the coordination with other States with regard to implementation of the plan;

(c) whether the commercial losses for discoms after including subsidies increased from Rs. 16,666 crore in 2007-08 to Rs. 37,836 crore in 2011-12; and

(d) if so, the reasons therefor and the action taken in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRI K.C. VENUGOPAL): (a) and (b) Yes Sir. A draft Cabinet Note has been prepared in respect of 'Financial Restructuring of States Discoms', and the same is under Inter-Ministerial consultation.

As per the Power Finance Corporation's (PFC) "Report on Performance of State Power Utilities for 2008-09 to 2010-11", the combined outstanding loans of utilities selling directly to consumers in Uttar Pradesh, Punjab, Rajasthan, Haryana, Andhra Pradesh, Tamil Nadu and Madhya Pradesh as on 31st March, 2011 was Rs. 1,25,438 Crores.

(c) As per the Power Finance Corporation's (PFC) "Report on Performance of State Power Utilities for 2008-09 to 2010-11", the aggregate losses incurred by all utilities selling directly to consumers for the period 2007-08 to 2010-11 are as follows:

(Rs. crores)

	2007-08	2008-09	2009-10	2010-11
Profit/ (Loss) on subsidy booked basis	(14,513)	(21,562)	(28,493)	(26,921)
Profit/(Loss) on subsidy received basis	(17,382)	(34,728)	(43,433)	(38,821)

(d) The Main reasons for poor financial health of State Power Utilities are infrequent revision of tariff/inadequate tariff increase, non-payment of subsidy amount, high technical and commercial losses *etc.*

The measures taken by Government to improve the financial health of the Power Distribution Sector *inter alia* include the following:

R-APDRP:

To reduce the AT&C losses in the country and to improve the power distribution sector of state utilities, Government of India has launched the Restructured-Accelerated Power Development and Reforms Programme (R-APDRP) during 11th Plan period. The focus of R-APDRP is on actual demonstrable performance by utilities in terms of sustained AT&C loss reduction in the project areas. Projects under the scheme are taken up in two parts in towns having population more than 30,000 (10,000 for special category States) as per census 2001. Part-A of the scheme is for establishing IT enabled system for energy accounting/ auditing and Supervisory Control and Data Acquisition (SCADA) for big cities (population: 4 lacs and Annual Energy Input: 350MU) whereas Part-B is for up-gradation, augmentation & strengthening of electrical infrastructure in project towns.

So far, under R-APDRP, projects worth Rs. 32323.70 crores (Part-A: Rs. 6638.79 crores covering 1402 towns and 63 SCADA projects in 63 towns; Part-B: Rs. 25684.91 crores in 1134 towns) have already been sanctioned.

Conference of Power Ministers

The 5th Conference of Power Ministers was held in New Delhi on 13th July, 2011. It was resolved that the state governments would ensure that the accounts of the power utilities are audited by September of the next financial year. Computerization of accounts is to be undertaken, if not done already. The distribution utilities are to file the Annual Tariff Petition by December-January of the preceding year to the State Regulator as stipulated in the National Tariff Policy. The state governments are to clear all outstanding subsidies to the utilities and ensure advance payment of subsidy in future. Further, the state governments are to take effective steps to reduce AT&C Losses below 15% and also initiate steps to appoint distribution franchises in urban areas through competitive bidding. Details are given in Statement. *(See* below)

Rating of Utilities

In order to enable a unified approach by Financial Institutions (FIs)/Banks for funding State Distribution Utilities, Ministry of Power has developed an integrated rating methodology for State Distribution Utilities. The overall objective of the integrated rating methodology is to devise a mechanism for incentivizing/ disincentivising the distribution utilities so as to improve their operational and financial performance, enable regulatory compliance and influence respective State Governments, to fulfill commitments on subsidy, equity support including transition funding support to achieve self-sustaining operations.

Order of Appellate Tribunal for Electricity (APTEL)

Ministry of Power has requested "Appellate Tribunal for Electricity" to issue directions under section 121 of the Electricity Act to the State Regulatory Authorities to revise the tariff appropriately (*suo-motto*, if required), in the interest of improving the financial health and long term viability of electricity sector in general and distribution utilities in particular.

The Appellate Tribunal for Electricity (APTEL) in its order dated 11th November, 2011 has issued directions to the State Commissions with a view to improve the financial health of SEBs/Discoms and ultimately help to deal with the mounting arrears of pending dues of the distribution utilities, which *inter alia* include automatic fuel & power purchase adjustment cost, *suo-motto* determination of tariff, if petition is not filed by utility, annual truing up of accounts and no reverse gap to be left uncovered by SERCs. The regulatory assets are to be created only in extraordinary circumstances and to be liquidated in maximum 3 years. Details are given in Statement-II. *(See* below)

Model Tariff Guidelines:

Forum of State Regulators and Central Electricity Regulatory Commission (CERC) have resolved to implement Model Tariff Guidelines, which address issue of rationalization of tariff. FOR (Forum of Regulators) has circulated Model Tariff Guidelines to SERCs, for their adoptions. Now SERCs are required to adopt these tariff guidelines and make regulation. Adoption of Model Tariff Guidelines is a precondition for disbursement of loan by Power Finance Corporation and Rural Electrification Corporation to utilities.

Statement-I

Resolution Adopted During the Power Ministers Conference
(held on 13.07.2011 at New Delhi)

It was unanimously resolved that:

1. The State Governments would ensure that the accounts of the utilities are audited upto the year 2009-10 and also ensure that the accounts of a financial year are audited by September of the next financial year, henceforth. Computerization of accounts would be undertaken on priority, if not done already.

2. The States would ensure that the distribution utilities file their Annual Tarrif Revision Petition every year, by December-January of the preceding financial year to the State Regulators as stipulated by the National Tariff policy.

3. The Annual Tariff Revision Petition would be filed before the SERC, keeping in view the increase of the Power purchase cost (which accounts for nearly 70-80% of the Cost of Supply) and states will ensure that the difference between ARR and ACS is not only bridged but is positive to generate internal surpluses which can be used for network expansion and maintenance.

4. The State Governments would ensure automatic pass through in tariff for any increase/in fuel cost by incorporating the same in the regulations, as provided in Section 62(4) of Electricity Act, 2003. (State Governments can issue directions to SERCs under Section 108 of the Electricity Act, 2003).

5. The State Governments would not only clear all the outstanding subsidies to the utilities, but ensure advance payment of subsidy as per the Section 65 of the Electricity Act, 2003 in future.

6. The eligibility criteria for inclusion of towns under R-APDRP assistance with population of 30000 (10000 for special category states) should be reduced to 15000 (5000 for special category states). All district headquarter towns in special category states should also be covered under R-APDRP, irrespective of their population.

7. The State Governments would ensure payment of all outstanding dues from various departments of state government and institutions to the distribution utilities or release payments from the State budget directly.

8. The State Governments would consider converting loans due from the State Governments to the distribution utilities as State Government equity to ensure capital infusion and improvement in net worth of utility.

9. The State Governments would take effective steps to reduce AT & C losses to less than 15% by administrative measures, curbing pilferage of electricity and by setting up special police stations and special courts to deal exclusively with power theft related cases, if not done already.

10. States would immediately initiate steps to appoint distribution franchises in urban areas through competitive bidding.

11. States would immediately invite bids for meeting the uncovered generation capacity gap *viz-a- viz* the requirement in their States by the end of 12th Plan. The process will be completed by March, 2012.

12. States would create a unit in their States for integrated planning of generation, transmission and distribution to meet the future requirement of their states.

Statement-II

The Appellate Tribunal for Electricity (APTEL) in its order dated 11th November, 2011 has issued following directions to the State Commissions

(i) Every State Commission to ensure Annual Performance Review, true-up of past expenses and Annual Revenue Requirement and tariff determination on year to year basis as specified in regulations.

(ii) Every State Commission to ensure that tariff for the financial year is decided before 1st April of the tariff year.

(iii) In case of delay in filling of ARR beyond schedule date of submission, the State Commission must initiate *suo-moto* proceedings for tariff determination in accordance with section 64 of the Act read with clause 8.1(7) of the Tariff Policy.

(iv) In tariff determination, the revenue gaps ought not to be left and Regulatory Asset should not be created as a matter of course except where it is justifiable. The recovery of the Regulatory Asset should be time bound and within a period not exceeding three years at the most and preferably within Control Period. Carrying cost should be allowed.

(v) Truing up should be carried out regularly and preferably every year.

(vi) Every State Commission must have in place a mechanism for Fuel and Power Purchase cost in terms of Section 62 (4) of the Act. The Fuel and Power Purchase cost adjustment should be preferably be on monthly basis but in no case exceeding a quarter.

Effect of scanty rainfall on power generation

2437. SHRI BIRENDRA PRASAD BAISHYA: Will the Minister of POWER be pleased to state:

(a) whether decreased rain and delayed monsoon this year has been affecting power generation, particularly the hydro power generation, thus creating acute power shortage in the country;

(b) if so, the details thereof;

(c) whether Government has formulated any alternate plans, other than hydel sources, for power generation in comparison with other developed countries of the world, as the ensuring climate change is affecting the country's hydrology;

(d) if so, the details thereof; and

(e) if not, the reasons therefor and the details of concrete action plan adopted by Government to increase the power generation in the near future?

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRI K.C. VENUGOPAL): (a) and (b) During the current financial year (upto July, 2012), the overall hydel power generation in the country was 4.3% less than the target. The actual hydel generation was higher in Northern and Western regions by 2.55% and 8.04% respectively as compared to targets. Actual hydel generation was less in Southern, Eastern and North-eastern regions by 24.76%, 9.03% & 19.1%