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**Central Institute for Rural Electrification of
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(A Govt. of India)**

Hyderabad, Andhra Pradesh, India

OUTSOURCING OF METERING, BILLING AND COLLECTION

Key Role of Electricity in Economy

- Electricity Power economic development and shortage of electricity has a negative impact on the economy. For the country to march ahead on the growth path, the supply-demand gap must be bridged and indeed supply must get ahead of demand, not the other way round, as we are accustomed to live with. Electricity is needed not just in the urban centres but equally in the rural sector as well.

- Reliable electricity will inevitably result in increased productivity in agriculture, and labour, improvement in delivery of health and education services and enable the use of modern communication devices.

Revenue sustainability and Need for Reform

- The existing model of electricity distribution has proved deficient in many respects, chiefly on account of the unacceptably high aggregate technical and commercial (ATC) losses. These results in incapacity of distribution utilities to make the much-needed investments required to meet the load growth, and proper maintenance of the networks is also not carried out.

- Revenue sustainability is an imperative requirement for running an electricity distribution network. This is true for both urban and rural networks and requires reduction of ATC losses to minimum levels feasible. While reduction of technical losses can be achieved by measures like strengthening of feeder capacities and power factor compensation, reduction of commercial losses calls for bold changes in the methods of metering, billing, revenue collection and effective measures to minimize theft and pilferage of electricity.

- Inefficient Revenue Recovery is one of the areas of efficiency improvement for Revenue sustainability. Proper metering timely and correct billing and prompt collection of dues, unmetered supply forms a significant proportion of total sales. 100% metering compulsory for all supply including Agriculture consumer. Utilities should buy quality and tamper proof meter, timely collection, to introduce prepaid meters for HT consumers so as to put the responsibility on the consumers.

- An appropriate mechanism that will ensure revenue sustainability has led to the idea of developing outsourcing agencies. Indeed it has been made a corner stone of rural electrification programme. The sustainability of the programme hinges on successful deployment of outsourcing activities.

- One of the reasons for implementing outsourcing is the expectation of the utility for enhanced consumer service outsourcing agency should understand the consumer shall pay in time only when he is satisfied with the ease of service provided by the supplier. It is able to maintain consumer satisfaction level to a remarkable position it is likely that non-consumers may also start paying their bills.

- By employing outsourcing, encouraging results such as reduction in losses, increase in collection efficiency and employment generation are achieved. By outsourcing requisite services are provided to the customers besides providing valuable inputs to the utilities to further improve the working of utilities.

- Outsourcing besides opening new employment opportunities to rural men and women, will also instill a sense of ownership among the rural people. Outsourcing activities can be entrusted to individual entrepreneur, NGOs, women self-help group, user's association cooperative etc. The Panchayat Raj Institution will have an important role of overseeing, in the advisory capacity, the delivery of services by outsourcing agencies.

- Few areas where the outsourcing agencies can put efforts to meet the consumer expectation in terms of service as:

Customer Service Center

- To provide single window interface for all the customer related activities. They can avail new service connections resolving complaints related to metering, billing, disconnection, reconnection etc. and for processing service requests related to category change, title transfer, load charges. These centres work on extended and convenient timings for the benefit of consumer. Suitable software is to be developed for providing all solutions.

- These will bring down the processing time and significantly enhance the customer satisfactory levels.
- These will conform to the stringent service levels defined by State Electricity Regulatory Commission.

Electricity call centre

- These are to be set up to address the power supply related complaints and these work round the clock to receive customer complaints through several channels such as telephones, fax, e-mails.
- These complaints are forwarded to field personnel for timely action and rectification

- These centres are managed through specially designed software solutions which form the back bone of operation. The software generally comprise contract management solution and/or process monitoring solution.

Collection through Bank, Post offices and camps

- Payment of electricity bills has generally been an unpleasant & time consuming experience for the customer. Long queues, inconvenient timings, limited modes of payment have made payment of electricity bill, a difficult task for consumer.

- Collection centres could be set up by outsourcing agencies under proper governance to enable customers to make payments in an easy and convenient manner. Collection center work on extended timing and payment can be made in any of the centres either through cash cheques, demand draft, credit cards, debit cards etc. Collection centres have been successfully implements in many states.

Similarly some banks and post offices can be contracted for their services for collecting electricity bills from the consumers. Customers can go to these banks or post offices and pay their bills either variants payment mode.

- Such outsourcing shall be given for an area and be given a target for revenue collection every month (which depends on the baseline collection in the area).

The remuneration methodology involves:

- Paying the margins (which will be a percentage of collection) on achievement of the target
- Levy of penalty for not achieving the target
- Incentives for exceeding the target

The above model is recommended for areas which suffer from poor collection efficiency. Primary duty is revenue collection as the incentives are based on the revenue which he collects on behalf of the utility. Revenue collection is increased through his efforts towards reaching more consumers and motivating them to pay their dues in time.

The outsourced agency help to make the consumer aware of the collection procedures and provide them with convenient payment options so that the incidences of defaults in payments are reduced.

The utility needs to specify the targets that are required to be achieved during the course of operation of outsourcing agency so that there is clear understanding between the parties about the targets and the responsibility to achieve them. He would achieve the targets as early as possible on the incentives are given once he crosses the set targets by the utility.

Input based Revenue Outsourcing:

- If outside agency is to be involved in reducing AT&C losses the incentives for attaining collection efficiency targets which are linked to T&D losses level would be higher when T&D loss level is less and vice versa. The targets are fixed based on the existing loss levels in the area. The targets are to be monitored and assess the achievement at regular intervals.

Incentives

- Monthly fee of 8% on revenue collection (upto based target fixed) subject to a maximum of Rs.4000/-
- Additional incentive of 8% for the revenue collected beyond base line
- Rs.100/- per installation for regularizing the unauthorized connection
- Penalty at 2% for every shortfall of Rs.10,000/- below base line every month

Some of the salient Terms of Agreement for outsourcing Agencies

- Outsourcing Agency shall be a company duly incorporated under the companies Act, 1956 or a corporate body or an association of persons or body of Individuals.

- The scope of activities viz. metering, billing, collection shall be clearly specified in the agreement. Agency shall act as an agent of the utility and in no case shall be treated as a Licensee under section 14 of the Electricity Act, 2003. They have to comply with the act, Regulations and directives of State Electricity Regulatory Commission and the Utility from time to time.

- Utility shall facilitate the authorization of outsourcing agency under section 135 of Electricity Act, 2003 for taking necessary action to prevent the theft & pilferage of electricity in outsourced area.

- Agency shall be appointed for a period of (say 5) years from the date of execution of agreement which could be extended by mutual agreement. They shall be given specific area for carrying out activities of metering, billing and collection. Utility shall refrain from interfering with the outsourcing agency in its function.

- Appropriate provision to terminate the agreement anytime before the expiration of contract period on the occurrence of an event of default as restart herewith.

- Within 30 days of signing agreement, agency has to furnish performance guarantee in the form of BG from any nationalized bank for an amount equal to two months reference realization based on a average over a period of preceding 12 months. Guarantee shall valid until the expiring of agreement period.

- Agency will be the exclusive agent of utility in the outsourced area. They can appoint the sub contractor for some of the activities with a prior information to the utility but can not assign its rights and obligations to any third party.

- Any dispute arising out of, in connection with or with reference to the agreement shall be resolved as per the provisions of the arbitration and conciliation Act 1956 and the venue shall be fixed.

- Agency shall have the right to employ any number of personnel on such terms as it may desire to discharge the day to day function.

- They have to undertake meter reading and billing to the consumer as per applicable retail tariffs. As per the billing, collections shall be done. They have to collect arrears on behalf of the utility and in all payments to the utility as per the terms of agreement. They have to replace defective meters with new meters and redress commercial and billing complaints.

They have to maintain consumer database and billing records. They have to initiate necessary action in accordance with the agreed procedure for anti-theft, disconnection and commercial losses.

- The agency shall bear the entire responsibility, liability and risk relating to coverage of its work force under different statutory regulations.
- Agency shall make the payment within 72 hours of collection from the consumers.
- Agency shall collect the security deposit from the consumers for giving new connections which shall be immediately transferred to the utility.

The following shall constitute event of default

- Failure or refusal to perform its obligation
- Failure on account of making payments as per principals
- Failure to submit periodic performance reports after a period of 4 months from signing of agreement

- Failure to comply with standards of performance laid down by State Electricity Regulatory Commission and the same is in default for more than 6 months
- Failure to furnish performance guarantee
- Any representation made by the agency is formed to be false and misleading.

- The agency may consider the use of innovative systems and solutions for loss reduction, theft prevention etc. under intimation to the utility. The utility can interference to modify new procedures only when the new procedures lead to violation of certain regulatory or license condition

- In case of any default of the terms of agreement preliminary notice may be served by the non-defaulting party and the disputes shall be settled within 2 months failing which agreement may be terminated after serving the final termination notice. On termination, all the dues shall be settled.

Benefits for Consumer

- Consumer paying their bill staying at home
- Saves times and travel expenses for the consumer
- Consumer will have one familiarity and local person as representative to approval
- Consumer complaints are addressed locally

Benefits to Utility

- Better understanding of consumer problem through the involvement of outsourcing agencies
- Reaching out to more no.of consumers
- Quick feedback of real situation
- Increase in revenue collection due to better relations and understanding between rural customers
- Improvement of Image.

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