

South-Asia
Energy Regulation Partnership
Executive Business Trip

August 25-27, 2003

Hyderabad, India

STATUS OF POWER SECTOR IN DELHI (PRE-PRIVATISATION – 1997-98)

- High T&D losses (about 45%)
- Operating deficit exceeding Rs.750 crore (about US\$ 150 mill.)
- Outdated and inefficient infrastructure
- Stagnant generating capacity
- Inefficient Billing and Collection System
- Absence of grid management discipline

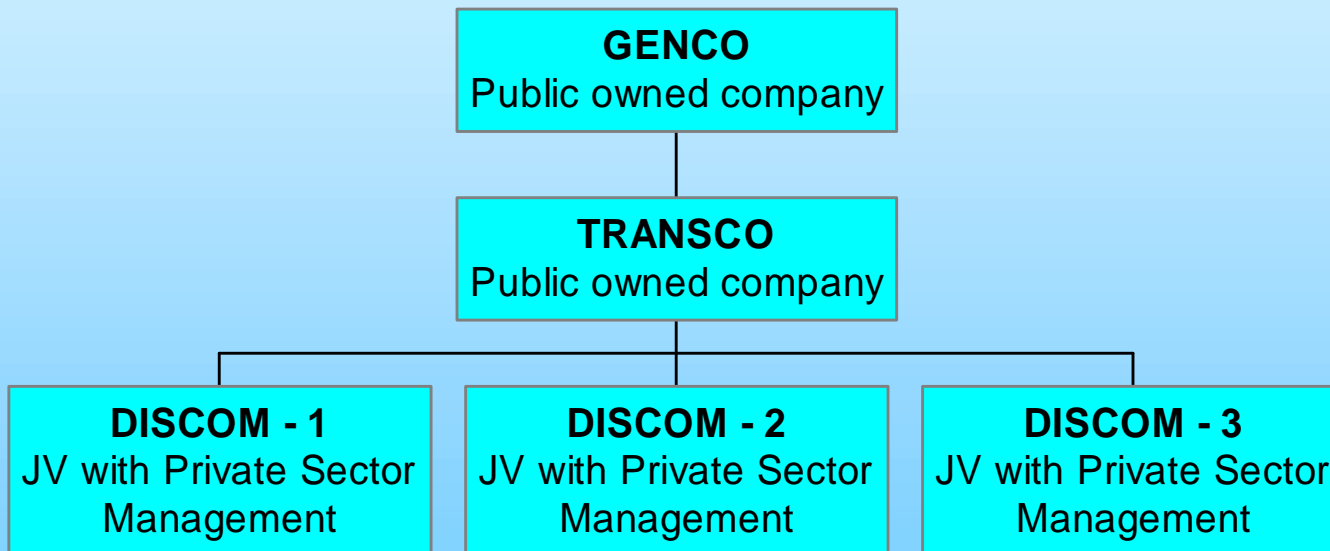
DECISION TAKEN BY THE GOVERNMENT TO RESTRUCTURE POWER SECTOR IN DELHI

- DERC set-up under the Electricity Regulatory Commissions Act (ERC) Act, 1998
- Promulgation of Delhi Electricity Reform Ordinance (DERO) in October, 2000
- Bill receives the assent of the President and notified as Delhi Electricity Reform Act in March, 2001
- DERA provides for restructuring of the power sector

DECISION TO PRIVATISE THE POWER SECTOR IN DELHI

- The assets of the DVB valued by the Business Valuation method and estimated at Rs.3160 Crore (about US\$ 630 mill.)
- Valuation of the DISCOMs taken as residual after determining the value of assets of GENCO and the TRANSCO on the basis of book value
- Government invites bids for DISCOMs on a single parameter of Aggregate Technical and Commercial (ATC) loss improvement target for 5 years, equity being sold at par value
- Three DISCOMs set-up (as Joint Venture with the Government) with private sector management for a loss reduction profile of 17% over 5 years (2002-07)

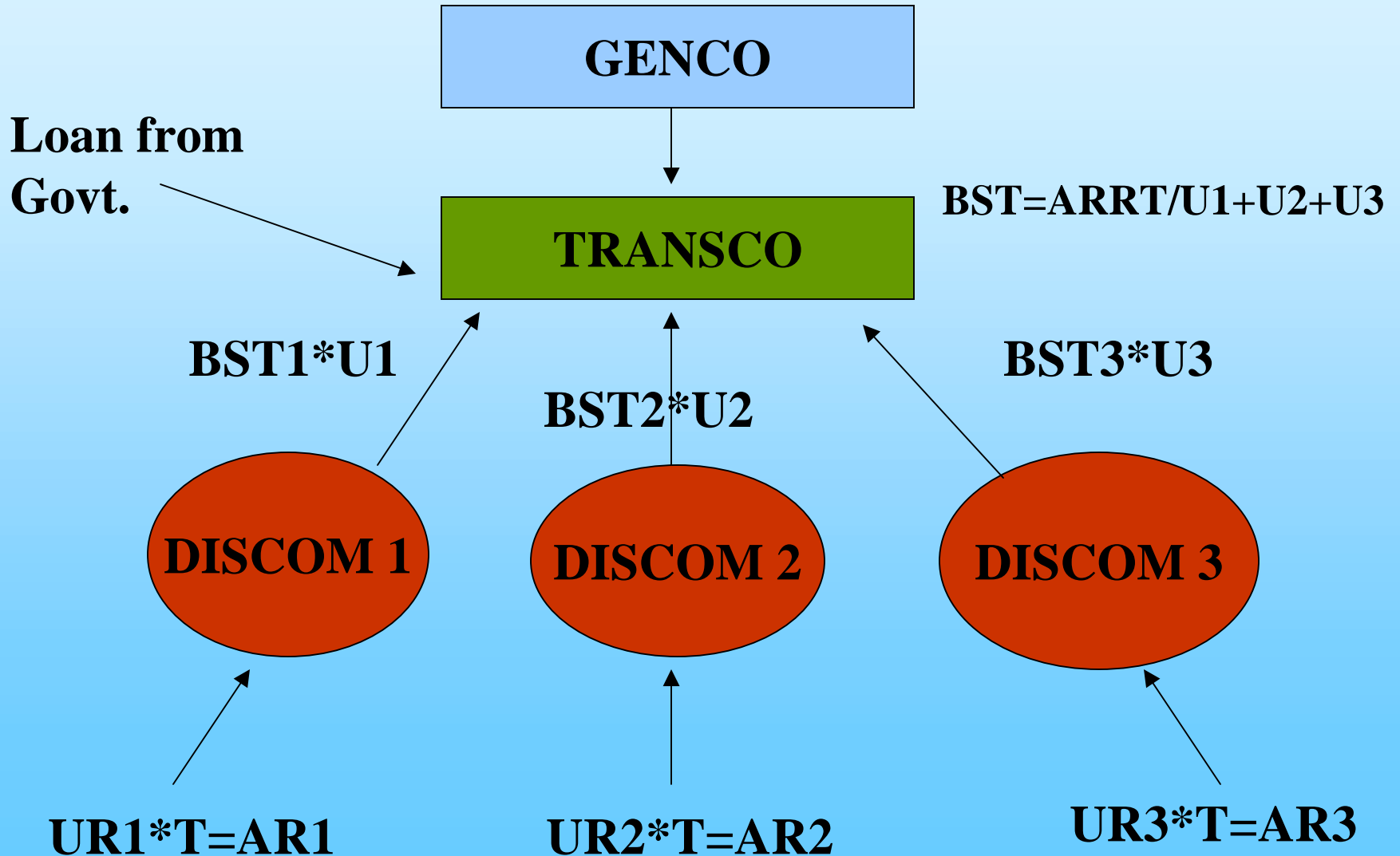
STRUCTURE OF THE POWER SECTOR (POST-PRIVATISATION- JULY, 2002)



CONCEPT OF BULK SUPPLY TARIFF : ABILITY TO PAY

- Revenues forecast on the basis of current tariffs
- Retail tariffs to be the same across the city
- Expenses, other than cost of power computed separately
- Due to high losses, revenue left for power purchase was inadequate
- The revenue gap of the TRANSCO to be covered through a loan, estimated at Rs. 3450 crore (about US\$ 700 mill.) over a period of 5 years (2002-2007)

CONCEPT OF BULK SUPPLY TARIFF : ABILITY TO PAY (contd.)



DERC and its major functions

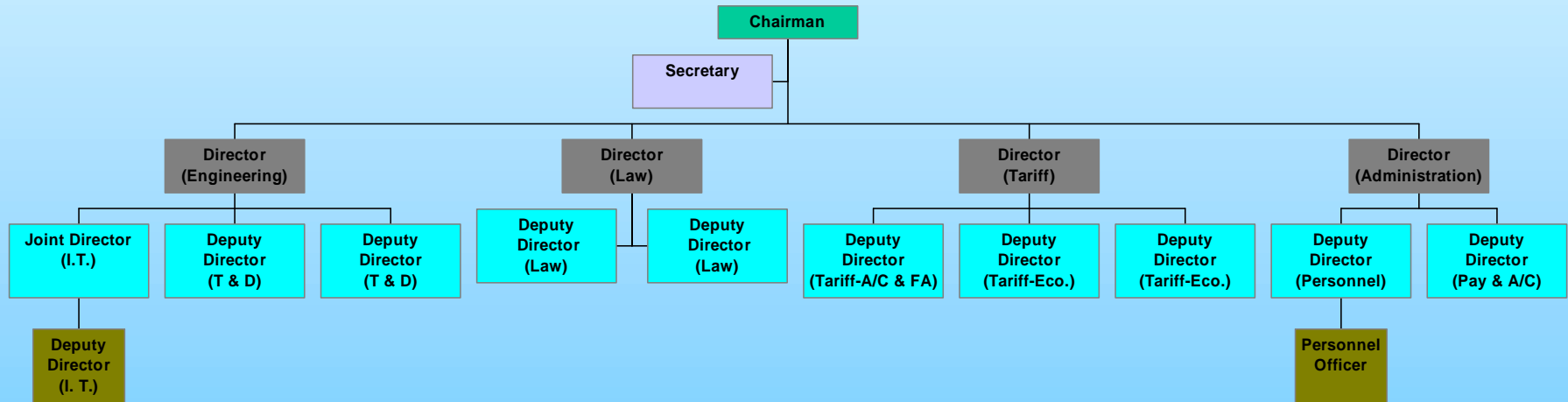
The DERC was made operational by the appointment of its first Chairman on 10th December, 1999 and its major functions are:

- Determination of tariff
- Facilitate intra-state transmission
- Issue of licenses
- Promote cogeneration and generation from renewables
- Adjudicate upon disputes etc.

Distancing from the Government

- There are three distinct bodies - the Government, the Regulator and the Commercial entities
- All regulatory powers like tariff fixation, licensing, specifying performance standards, arbitration shifted to the Regulatory Commissions
- Role of the Government is that of facilitator with sovereign powers and powers to issue Policy Directions to upholding public interest
- Government can decide to give subsidy to consumers provided they bear the costs involved
- Commercial entities to operate on commercial lines

ORGANISATIONAL STRUCTURE IN DERC



MAJOR ORDERS ISSUED BY DERC

- Orders on Rationalisation of Tariff for Delhi Vidyut Board, 16.1.2001
- Order on Annual Revenue Requirement (ARR) for 2001-2002 and Tariff Determination Principles for the Years 2002-03 till 2005-06 for Delhi Vidyut Board, 23.5.2001
- Order on Joint Petition for Determination of Bulk Supply Tariff for the period till 31st March, 2002 and Determination of Opening Levels of Aggregate Technical & Commercial losses, 22.2.2002
- Orders on ARR for the 3 DISCOMs and TRANSCO for the years 2002-03 and 2003-04

RATIONALISATION MEASURES ADOPTED IN VARIOUS ORDERS ISSUED BY THE DERC

- Definition of connected load reframed-spare plugs not included
- Introduction of the concept of kvah for billing
- Distinction between light and power rates in Domestic Category abolished
- Minimum Charges abolished
- Meter Rent Abolished
- Misuse Charges on account of non-availability of MCD License abolished
- Fixed charge introduced for Domestic, Non-Domestic consumers and Industrial Consumers (SIP)

DIRECTIVES ISSUED BY THE DERC TO THE DISCOMS

To improve consumer service, the DERC has issued several directives to the DISCOMs over the past 3 years. Some major ones are:-

- Conduct of complete energy audit upto (LV level) for one feeder each of the Circles
- Conduct of Pilot Projects for real time energy audit
- Developing of time-bound Action Plan for Metering
- Development of a robust Management Information System
- Maintaining a Time Differentiated Data with consumers with time of day metering facility

REGULATIONS AND OTHER ORDERS ISSUED BY THE DERC FOR CONSUMER WELFARE

- Grant of Consent of Captive Power Plants Regulations 2002 (now repealed)
- Performance Standard – Metering & Billing Regulations 2001
- Amendments issued for Metering & Billing Regulations, 2001
- Other orders issued regarding complaints filed by consumers against the functioning of the Distribution Companies

METERING AND BILLING REGULATIONS

- The Regulations lays down stipulated time allowed for each type of work like providing new connections, complaints on billing etc.
- Lays down stringent conditions on procedures for billing
- Provision for penalties, if provisional bill is raised for more than two billing cycles
- Provides for testing of meters installed
- Lays down procedures for replacement of defective meters
- Recent amendment to the Regulations has introduced monetary compensation to the consumer, in case "arrear" bill is raised for amount already paid

MISCELLANEOUS CHARGES APPROVED BY THE DERC

- Lays down the charges to be levied for each type of work
- The charges have been rationalised and in some cases, they have come down from what was charged previously
- For giving publicity to the new charges fixed, the Distribution Companies have been asked to display the charges in their Customer Care Divisions
- The Distribution Companies have also been asked to circulate the new charges along with their electricity bills

SETTING-UP OF COMPLAINT HANDLING PROCEDURES AND APPOINTMENT OF GRIEVANCE REDRESSAL OFFICER IN DERC

- Time limit laid down for rectification of each type of complaint made by consumers
- The hierarchy to be followed for lodging complaint and follow-up thereafter specified
- DISCOMs to maintain a centralised complaint centre to register and monitor complaints
- DISCOMs directed to give publicity to these procedures
- The DERC has appointed a Grievance Redressal Officer for looking into consumer complaints. Consumers can approach the DERC after following certain procedures

INTRODUCTION OF REGULATORY INFORMATION MANAGEMENT SYSTEM (RIMS) IN DERC

➤ OBJECTIVE

- To develop an Information System that provides licensees a medium to easily provide information to DERC over the internet
- To enable information sharing between stakeholders in the reform process and for archiving the information for later use
- Improve the functioning of the licensees through monitoring of certain key parameters by the DERC

INTRODUCTION OF REGULATORY INFORMATION MANAGEMENT SYSTEM IN DERC (contd.)

- Parameters which would be used for obtaining data would include the following areas:
 - Tariff module (ARR data, billing data, asset management, Power Purchase Agreements etc.)
 - Engineering module (Transmission lines, safety measures, load shedding, voltage fluctuations, system disturbance)
 - Legal module (Issue of license, renewal, revocation, fulfilment of license conditions)
 - Complaints (Type of complaints, time taken for redressal)
 - Reports module (To generate MIS reports)

Some Characteristics of RIMS

- Formats for information input are tried and tested based upon the experience gained so far
- Does not require manual data input by the licensees
- Licensee's system will be compatible with DERC system
- Optimum data input (not an over engineered model)
- Inbuilt system validation
- Web based architecture with strong work-flow and documentation management

Thank You