

CONCEPT OF DISTRIBUTION CENTER

INITIATED: 1999 (4 Years ago)

IMPLEMENTED : 2003 MARCH

OBJECTIVES:

- **To check and control the losses.**
- **To increase the revenue and cash-flow.**
- **To minimize operation and maintenance expenses.**
- **To provide quality and reliable services to its consumers.**
- **To reduces self consumption of electricity in the office operation.**
- **To increase the level of services.**
- **To keep financial discipline.**

DISTRIBUTION CENTERS

NAME	% of Total Revenue	% of Total Consumer	Loss %
1. Kath. Center	12.23	5.79	13.78
2. Kath. East	6.51	5.22	17.53
3. Kath. West	5.12	4.06	11.35
4. Bhaktapur	1.24	2.83	54.60
5. Lalitpur	3.58	4.13	47.99
6. Bharatpur	2.53	3.10	31.54
7. Birganj	8.88	2.32	26.08
8. Hetauda	2.70	1.74	11.48
9. Janakpur	1.97	2.34	32.96
10. Biratnagar	6.75	4.07	17.00
11. Itahari	3.12	1.82	19.28
12. Nepalgunj	2.12	2.28	13.81
13. Bhairahawa	3.07	3.01	16.03
14. Butwal	1.89	1.95	13.35
15. Pokhara	3.16	4.19	12.02
16. Kath. North	3.15	3.02	18.23
17. Thimi	0.83	1.37	37.50
18. Pulchok	2.61	1.85	17.70
Total	71.46%	55.09%	

Branch	Average Revenue 2058/59 Branchwise (Rs.)	Average Revenue 2058/59 NEA Overall (Rs.)	Branch Factor	Cost Before Distribution NEA overall Rs. Per kWh	Transfer Price for Distribution Rs. Per kWh
	1	2	3=1/2	4	5 = 3 X 4
Kathmandu Center	7.82	6.54	1.20	5.02	6.00
Kathmandu East	7.49	6.54	1.15	5.02	5.75
Kathmandu West	7.16	6.54	1.09	5.02	5.50
Kathmandu North	7.55	6.54	1.15	5.02	5.80
Pulchokwk	7.84	6.54	1.20	5.02	6.02
Lalitpur	7.20	6.54	1.10	5.02	5.53
Thimi	7.09	6.54	1.08	5.02	5.44
Bhaktapur	6.44	6.54	0.98	5.02	4.94

TRANSFER PRICE (cont..)

Branch	Average Revenue 2058/59 Branchwise (Rs.)	Average Revenue 2058/59 NEA Overall (Rs.)	Branch Factor	Cost Before Distribution NEA overall Rs. Per kWh	Transfer Price for Distribution Rs. Per kWh
	1	2	3=1/2	4	5 = 3 X 4
Bharatpur	6.61	6.54	1.01	5.02	5.07
Hetauda	5.77	6.54	0.88	5.02	4.43
Birgunj	5.84	6.54	0.89	5.02	4.48
Janakpur	6.47	6.54	0.99	5.02	4.97
Biratnagar	6.36	6.54	0.97	5.02	4.88
Itahari	6.16	6.54	0.94	5.02	4.73
Pokhara	7.24	6.54	1.11	5.02	5.56
Butwal	6.79	6.54	1.04	5.02	5.21
Bhairahawa	6.70	6.54	1.02	5.02	5.14
Nepalgunj	6.78	6.54	1.04	5.02	5.20

BENCHMARK FOR DISTRIBUTION CENTERS

A. LOSS REDUCTION:

Base Year Loss Level (%)

MORE THAN 35

26-35

20-25

15-20

10-15

Below 10

Loss Reduction to be Achieved (%)

6.00

4.00

3.00

1.00

0.50

0.05

B. REVENUE COLLECTION:

More Than 95%

C. ACCOUNT RECEIVABLE:

50 DAYS

D. STOCK TURN OVER RATIO:

3.00

E. NEW CONNECTION:

7 – 15 days

F. CAPITAL WORKS:

Within The Schedule Time

G. REPORTING & DATA MANAGEMENT

7-15 days after the end of each month

AUTHORITY DELEGATION

- **To make any placement or job assignment decisions involving his subordinate staffs within the center.**
- **To modify or alter the structure in a way to consistent with the performance objectives.**
- **To ask management for the transfer of default staffs of center.**
- **To recruit the staff if management fails to provide or post staff to fill up the vacancy in certain period.**
- **To procure equipment, tools, furniture, stationaries and other goods necessary for operation and maintenance and capital works within the approved budget.**
- **To transfer budgeted amount from one heading to the other headings to the extent of 25% of allocated budget.**

AUTHORITY DELEGATION (Contd.)

- **To approve reasonable overtime allowance for works performed during holidays beyond office hours.**
- **To approve/sanction electrical load of all new connection application involving supply of 11,000 volts or less.**
- **To plan and implement line extension, system reinforcement and rehabilitation program.**
- **To plan and implement technical loss reduction program.**
- **To assign subordinate staff on shift duty as per the need.**
- **To plan, sanction and implement customer awareness program.**
- **To approve and implement rechargeable work orders each of which shall not be greater than Rs. One hundred thousand.**

PERFORMANCE INDICATORS AND ASSOCIATED COEFFICIENTS

PERFORMANCE INDICATOR

COEFFICIENTS

- | | |
|-------------------------------|------|
| ● Loss Reduction | 0.50 |
| ● Average Collection | 0.10 |
| ● Inventory Turnover | 0.05 |
| ● Capital Works Progress | 0.10 |
| ● Connection Period | 0.20 |
| ● Reporting & Data Management | 0.05 |

REWARDS & INCENTIVES

- Cash reward shall be determined on the basis of differential surplus the center has earned in performance audit period. The total amount available for distribution as cash reward in center will be determined by standard formula.

- $CIA = CPI \times Y$

Where

CIA = Total Cash Incentive Amount

CPI = Composite Performance Indicator

Y = Share of cash incentive in differential surplus

- $CPI = \sum C_i P_i$

Where

C_i = Coefficient of i-th Performance indicator

- $P_i = A - B/B$

Where

A = Actual Performance

B = Benchmark value

Non Cash Reward

- **Best manager of the year**
- **Observation tour to electrical utility abroad other than India in immediate F/Y.**
- **News will be published in NEA Annual Report.**

For Center Managers

- **Center Manager shall be responsible if the Center fails to achieve its targeted Performance Indicators. Failure to achieve at least 0.5 CPI shall lead to any or all of the following punitive actions:**
 - **Contract termination**
 - **He will be transferred to sectors other than Profit Centers and not to any of the Branch Offices & budget centers.**
 - **He will not be nominated as Center Manager or Branch Manager of Distribution & Consumer Service for the period of next three years.**
 - **He shall not be nominated for study/shop inspection/ observation tour to foreign countries for the period of next three year.**
 - **Suspension of grade and other allowances as deemed necessary.**

For Center Staffs

- **The staff of Center shall be subjected to following punitive actions in priority order if they fail to achieve the Performance targets in their respective fields:**
- **Transfer to other sectors.**
- **The technical staff shall not be nominated as Center Manager or Branch Manager of Distribution & Consumer Service for the period of next three years or as manager of any projects. The non-technical staff not be given the responsibility of chief of Account section, chief of store section, chief of procurement section, chief of Administration section for the period of next three years in any NEA office or Project.**
- **He shall not be nominated for study/shop inspection/observation tour to foreign country for the period of next two years.**

Performance Audit Report up to June 2003

A. ELECTRICITY LOSS

S. No.	Distribution Centers	Preceeding Audit Period Loss Level	Performance Audit Period (5 Month) Loss Level	Bench Mark for 6 month (B)	Actual Performance Value (A)	Remarks (A/B)
1	Ktm Center	12.00	10.93	0.25	1.07	+ve
2	Ktm. East	17.63	15.78	0.50	1.85	+ve
3	Ktm West	11.57	8.87	0.25	2.70	+ve
4	Ktm North	18.30	15.96	0.50	2.34	+ve
5	Pulchowk	16.01	10.55	0.50	5.46	+ve
6	Lalitpur	42.30	38.68	3.00	3.62	+ve
7	Thimi	37.30	35.57	3.00	1.73	-ve
8	Bhaktapur	54.36	52.00	3.00	2.36	-ve
9	Bharatpur	27.29	33.82	2.00	(6.53)	-ve

Performance Audit Report up to June 2003

A. ELECTRICITY LOSS (cont..)

S. No.	Distribution Centers	Preceding Audit Period Loss Level	Performance Audit Period (5 Month) Loss Level	Bench Mark for 6 month (B)	Actual Performance Value (A)	Remarks (A/B)
10	Hetauda	11.25	8.52	0.25	2.73	+ve
11	Birgunj	22.35	20.16	0.50	2.19	+ve
12	Janakpur	31.80	26.56	2.00	5.24	+ve
13	Biratnagar	15.44	13.76	0.50	1.68	+ve
14	Itahari	19.28	17.15	0.50	2.13	+ve
15	Pokhara	10.26	8.93	0.25	1.33	+ve
16	Butwal	11.49	13.77	0.25	(2.28)	-ve
17	Bhairahawa	13.59	12.55	0.25	1.34	+ve
18	Nepalgunj	16.11	25.96	0.50	(9.85)	-ve

Performance Audit Report up to June 2003

B. REVENUE COLLECTION

S. No.	Distribution Centers	Preceding Audit Period Revenue %	Performance Audit Period (5 Month) Revenue %	Bench Mark for 6 month (B)	Actual Performance Value (A)	Remarks (A/B)
1	Ktm Center	96.34	97.05	>95		+ve
2	Ktm. East	96.62	100.88	>95		+ve
3	Ktm West	96.48	100.78	>95		+ve
4	Ktm North	96.33	100.83	>95		+ve
5	Pulchowk	95.88	101.73	>95		+ve
6	Lalitpur	96.18	98.85	>95		+ve
7	Thimi	95.30	100.92	>95		+ve
8	Bhaktapur	94.43	98.37	>95		+ve
9	Bharatpur			>95		+ve

Performance Audit Report up to June 2003

B. REVENUE COLLECTION (cont...)

S. No.	Distribution Centers	Preceeding Audit Period Revenue %	Performance Audit Period (5 Month) Revenue %	Bench Mark for 6 month (B)	Actual Performance Value (A)	Remarks (A/B)
10	Hetauda	94.81	101.27	>95		+ve
11	Birgunj	91.06	102.01	>95		+ve
12	Janakpur	84.94	93.63	>95		+ve
13	Biratnagar	96.58	104.25	>95		+ve
14	Itahari	95.42	97.52	>95		+ve
15	Pokhara	94.31	95.39	>95		+ve
16	Butwal	98.66	99.31	>95		+ve
17	Bhairahawa	92.69	97.21	>95		+ve
18	Nepalgunj	95.22	97.92	>95		+ve

Performance Audit Report up to June 2003

C. STOCK TURNOVER RATION (STR)

S. No.	Distribution Centers	Preceeding Audit Period STR	Performance Audit Period (5 Month) STR	Bench Mark for 6 month (B)	Actual Performance Value (A)	Remarks (A/B)
1	Ktm Center	0.92	> 3	3.00		
2	Ktm. East	0.69	> 3	3.00		
3	Ktm West	1.09	> 3	3.00		
4	Ktm North	2.26	> 3	3.00		
5	Pulchowk	0.65	> 3	3.00		
6	Lalitpur	0.92	> 3	3.00		
7	Thimi	1.56	> 3	3.00		
8	Bhaktapur	0.29	> 3	3.00		
9	Bharatpur	1.13	> 3	3.00		

Performance Audit Report up to June 2003

C. STOCK TURNOVER RATION (STR) (Cont...)

S. No.	Distribution Centers	Preceeding Audit Period STR	Performance Audit Period (5 Month) STR	Bench Mark for 6 month (B)	Actual Performance Value (A)	Remarks (A/B)
10	Hetauda	0.60	> 3	3.00		
11	Birgunj	0.85	> 3	3.00		
12	Janakpur	1.62	> 3	3.00		
13	Biratnagar	0.51	> 3	3.00		
14	Itahari	0.69	> 3	3.00		
15	Pokhara	0.92	> 3	3.00		
16	Butwal	0.69	> 3	3.00		
17	Bhairahawa	1.65	> 3	3.00		
18	Nepalgunj	0.55	>3	3.00		

Performance Audit Report up to June 2003

D. AVERAGE COLLECTION PERIOD (ACP)

S. No.	Distribution Centers	Preceding Audit Period ACP (Days)	Performance Audit Period (5 Month) ACP	Bench Mark for 6 month (Days) (B)	Actual Performance Value (A)	Remarks (A/B)
1	Ktm Center	59.94	55.19	50.00		
2	Ktm. East	57.26	54.35	50.00		
3	Ktm West	32.63	34.79	50.00		
4	Ktm North	47.13	46.24	50.00		
5	Pulchowk	69.61	65.76	50.00		
6	Lalitpur	94.79	84.78	50.00		
7	Thimi	196.80	183.86	50.00		
8	Bhaktapur	287.00	283.24	50.00		
9	Bharatpur			50.00		

Performance Audit Report up to June 2003

D. AVERAGE COLLECTION PERIOD (ACP) (Cont...)

S. No.	Distribution Centers	Preceeding Audit Period ACP (Days)	Performance Audit Period (5 Month) ACP	Bench Mark for 6 month (Days) (B)	Actual Performance Value (A)	Remarks (A/B)
10	Hetauda	94.40	70.08	50.00		
11	Birgunj	123.80	116.31	50.00		
12	Janakpur	126.10	121.45	50.00		
13	Biratnagar	47.00	37.86	50.00		
14	Itahari	27.75	29.17	50.00		
15	Pokhara	59.96	55.59	50.00		
16	Butwal	65.87	64.92	50.00		
17	Bhairahawa	66.33	57.87	50.00		
18	Nepalgunj	88.00	93.59	50.00		

E. REPORTING AND DATA MANAGEMENT OF ALL 18 DISTRIBUTION CENTER

Preceding Audit Period Reporting and Data Mgmt		Irregular
Performance Audit Period (5 Month) Reporting and Data Mgmt.		Regular
Bench Mark for 6 month (Days)	(B)	7-15
Actual Performance Value	(A)	Within 15 days
Remarks	(A/B)	+ve

Performance Audit Report up to June 2003

F. NEW CUSTOMER CONNECTION OF ALL DISTRIBUTION CENTER

Preceding Audit Period New Customer Connection		4-60 days
Performance Audit Period (5 Month)New Customer Connection		4-12 days
Bench Mark for 6 month (Days)	(B)	7-15
Actual Performance Value	(A)	Within 15 days
Remarks	(A/B)	+ve

MAJOR OUTCOME

- **System Loss** : **Reduced.**
- **Cash-flow** : **Increased**
- **Revenue** : **Increased**
- **Customer service** : **Improved**
- **Stock Turnover Ratio** : **Improved**
- **Power Supply** : **Improved**