

Compliance Case No. 345/05

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Present: For HPSEB – WTMs : Kr. Shamsher Singh, Chairman, HPSEB
: Sh. D.N. Bansal, Member (O)
: Sh. R.L. Chauhan, Member (Civil)
: Sh. Jagdish Sharma, Member (F&A)
: Sh. C.M. Walia, Member(T)

Interim Order

Heard.

The affidavit dated 30.11.2006 in regard to status of compliance of various directions given in the tariff order dated 3.7.2006 was listed for hearing with WTMs of the Board on 6.1.2007. The affidavit is taken on record. The Commission decided to review the status of compliance of directions issued in the tariff order of 2006-07 at the 1st instance and the compliance hearing in respect of directions of the previous tariff orders would be taken up in subsequent hearings. The Commission's interim orders are recorded against various directions as here below:-

12.4a Decision making processes:

The Commission observes that the reporting of the compliance is very evasive and the main issues have been sidelined in the compliance report. The Chairman, HPSEB informed that the systems and procedures at the headquarter level require to be looked into to ensure faster and more efficient decision making. The Commission observes that effective monitoring is lacking and something needs to be done to remove the ennuis and the deliberate delays caused by vested interests, which are hampering the decision making processes.

(b) Accelerated programme for renovation, modernization and upgradation

The Commission again expresses its dissatisfaction at the quality of reporting of compliance of this direction. The compliance only mentions the steps being initiated by the Board regarding CDM credits thereby sidestepping the main issue, which was the renovation and modernization of the older plants to ensure optimal generation. Sh. Walia, Member (T) of the Board informed that a scheme for repair and maintenance of Bassi Power House is being prepared and the various steps being taken on this direction would be elaborated in the subsequent compliance report. The Commission expresses its anxiety about the poor quality of manpower being posted on generating stations and advises the Board to ensure that

better quality people are posted on generating stations keeping in view the fact that the future unbundling of the utility would probably be on as is where is basis, which could cripple the generating company, at inception, if this issue is not addressed in time. The Commission also directs the Board to chalk up a proper plan for training of the staff posted on generating stations.

(c) Debt sustainability study

The Commission again observes that the reporting left much to be desired. The Chairman, HPSEB assured that the in-house study would be completed by the end of February, 2007 and the report would be submitted to the Commission immediately thereafter.

(d) Manpower Planning

The Commission observes that the compliance mentions the steps being taken to recruit officers at Junior level but is silent about the manpower planning studies, succession plans etc. of which there is no mention in the compliance report. The Commission believes that recruitment can be speeded up, if people are taken on contract. The Commission directs the Board to submit quarterly information on the progress made in this regard.

(e) Rationalization of Staff, redeployment, training and specialization in key activities

The Commission observes that there is an urgent need to frame a proper training plan for the various categories of staff, for which the Board may have to put in place a dedicated officer and the training needs may be identified by hiring the services of some expert from any reputed training organization. The Board to report quarterly compliance in this regard.

(f) Change in R & P Rules

The Commission reiterates its view that many specialized functions within the Board need to be manned by persons having high technical/managerial skills. Therefore, the R&P Rules should be modified so as to make the organization competitive to meet the challenges of the changing power sector scenario.

(g)

Reduction of Commercial losses

Sh. Bansal, Member (O) of the Board mentioned that there has been increase in realization of the commercial losses through the efforts of the flying squads. To the query from the Commission, the Member (O) agreed that commercial losses within the state would be approximately 3%, which in financial terms would translate into a revenue loss of approximately Rs. 36 crores. The Commission observes that the Board needs to strengthen its existing units by deploying more flying squads and also to take stringent action against officials of the Board, where their complicity in assisting theft is confirmed. The Board is directed to submit quarterly reports in this regard.

(h)

Energy Audit

The Member(O) of the Board informed that energy audit of some feeders in the Baddi-Barotiwala area has been carried out. To a query of the Commission regarding power availability in Baddi-Barotiwala -Nalagarh area, the Chairman, HPSEB informed that all necessary steps are being taken to ensure adequate power availability, but in some areas, there are limitations due to non-availability of adequate power corridors. The Commission observes that it has received many complaints regarding the inadequacy of the power network in the area and the Commission proposes to undertake an independent study, through some expert, on this issue.

(i)

Implementation of MYT

The Commission observes that the Board needs to engage a competent Consultant to assist them in implementing the MYT framework, which the Commission would put in place this year and the first control period of 3 years, shall commence from the next financial year onwards. In the meanwhile, the Board should undertake a proper exercise to assign correct costs, among the three businesses of generation, transmission and distribution.

(j)

Investment Plan

The investment plan for the year 2007-08, submitted by the Board would be approved by the Commission in due course. Since this direction has been complied with, it be deleted from subsequent reporting.

(k) Study to determine Cost of Supply

The Commission is already undertaking this study and therefore, this direction be deleted from subsequent compliance reports.

(l) Determination of generation tariff of Board's own projects

The Commission observes that the Board has failed to file proper petition in the time frame mentioned in the direction. In the ARR for the financial year 2007-08, submitted recently by the Board, the petition in respect of Larji and Khauli are again not complete and proper. In the absence of proper submission of data the Commission would undertake its prudence check.

(m) Miscellaneous

(i) Provide toll free numbers and call centers for complaint redressal

Sh. Jagdish Sharma, Member (Finance) of the Board informed that a toll free call center is being set up in the Board headquarter at Ist instance which would be made functional shortly. The Commission observes that such call centers should also be opened up in various parts of the state to facilitate the consumers in lodging their complaints. The Board to submit quarterly progress in this regard.

(ii) Board to implement contributory pension scheme instead of regular pension for all new recruitments on GoHP pattern in order to reduce future pension liabilities.

The Commission observes that not much headway has been made in this regard and the Board needs to take a final decision in the matter at the earliest.

(iii) Creation of separate Protection unit and separate O & M wing for the existing generating stations

The Member (O) of the Board informed that the matter regarding the separate protection unit is being examined and the status of the steps taken in this regard would be informed in the next compliance report. Commission observes that the matter be accorded priority and the final decision be expedited considering the fact that the term of the tariff order is to end in March.

(iv) Reduction in inventories and computerized material management

The Board apprised the Commission about various steps being taken to reduce inventories. Minimum order quantities are being purchased to ensure timely availability of materials to field units for timely completion of works. Suitable monitoring mechanism would also be put in place to ensure that decentralized purchases are not allowed to go out of hand. The Commission directs the Board to intimate the reduction in inventory level which has resulted from the steps it has taken and submit information about various measures initiated by the Board.

(v) To delegate powers to CEs for transfer of employees within their area of operation

The Commission observes that there is a need to rotate the staff deployed in high revenue areas for which the Board may take immediate necessary steps.

(vi) Invest its corpus of GPF of the employees over the next three years in higher paying instruments so that the employees interests are safeguarded

The Commission observes that the un-invested amount of the Board has increased from the previous year and the Board needs address the matter on priority and Board to submit regular information in respect of the investment made to cover the gap.

12.5 Advisories

(a) Trading strategies and systems

The Commission informed the Board about the recent judgement of the Appellate Tribunal for Electricity, New Delhi regarding the trading of power and directed the Board to examine its impact on its revenues.

(b) Best practices for restructuring the project implementation units of the Board and its Special Purpose Vehicle Companies (SPV)

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(c) Giving more autonomy to SPVs

The Chairman, HPSEB informed that the SPVs presently set up by the Board would be re-modeled on the pattern of HPC, which has been constituted by the State Government. The Commission observes that its

only concern is that the working culture and organization climate, existing within the Board, should not percolate into the new SPVs which would defeat the very purpose for which these SPVs were set up and the action of Central PSUs be sought to be inculcated.

(d) Selection of most viable projects for implementation:

The Commission feels that the Board may compete for bigger projects, which are advertised by the Government, if they are confident about the techno-economic viability of such projects.

(e) Transmission network in the State

The Chairman, HPSEB informed that the Board plans to undertake a study through PGCL for preparing the detailed plan for evacuation of total identified potential within of the state, including the likely potential from streams, which have not been identified as yet. The Commission observes that the Board needs to put in place a suitable mechanism for evacuating power from small hydro projects. Part financing of the transmission lines for execution of power from the projects being set up by the IPPs, may be by taking interest free loans from the developers. The Board also needs to seek multilateral funding for financing the transmission plan it has prepared for the next 10 years alongwith an appended HRD component subservient to the unbundled components' needs. Board to submit six monthly progress report in this Regard.

The compliance of remaining directions to be heard on
24.2.2007 at 3.00 PM.

Dated: 6.1.2007

(Yogesh Khanna)
Chairman