

LOK SATTA

People Power

Presentation to Cabinet Sub-Committee for Power

By

CORE

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Objectives

FOR CONSUMERS

- * QUALITY POWER
- * FAIR TARIFF
- * CONSUMER FRIENDLY SERVICE

FOR APTRANSCO/ DISCOMs

- * RATIONAL, IMPLEMENTABLE REFORM
- * PERFORMANCE IMPROVEMENT

Existing Condition of Distribution System

- Distribution system is erected at the whims and fancies of the contractor / Job worker, at their convenience with / without connivance of a distribution engineer
- Safety regulations are not maintained as per IE Rule 1956. Unsafe to the public / animals because of mounting of transformers at lower levels from ground
- Frequent interruptions
- Theft of energy and mal-practices in usage of energy
- Unauthorised services with or without connivance of distribution staff
- Cheapest non-standard pumpsets used by farmers

- Large number of meters not functioning
- Improper meter readings and billing
- Poor delivery of the bills to the consumer
- Improper disconnection for non-payment
- Poor customer services
- Mounting arrears and poor recovery

- Inordinate delay in releasing new services, due to lack of transparency, resulting in bribing
- Lack of accountability, responsibility and service orientation of distribution staff
- All the above are based on LOK SATTA's study of three Pilot Projects.

IS SITUATION BEING ADDRESSED ?

HARDLY

Distribution Cos' financial condition

Inability to comply with the directives of APERC during the year
2000 - 2001

Losing money despite tariff increase-expected loss of all four
companies in 2000-2001- Rs.1,073 crores.

Losses accentuated by accumulated dues- Interest on
borrowings due to heavy Sundry Debtors.

Limited funds to upgrade equipment, 11kv and below.

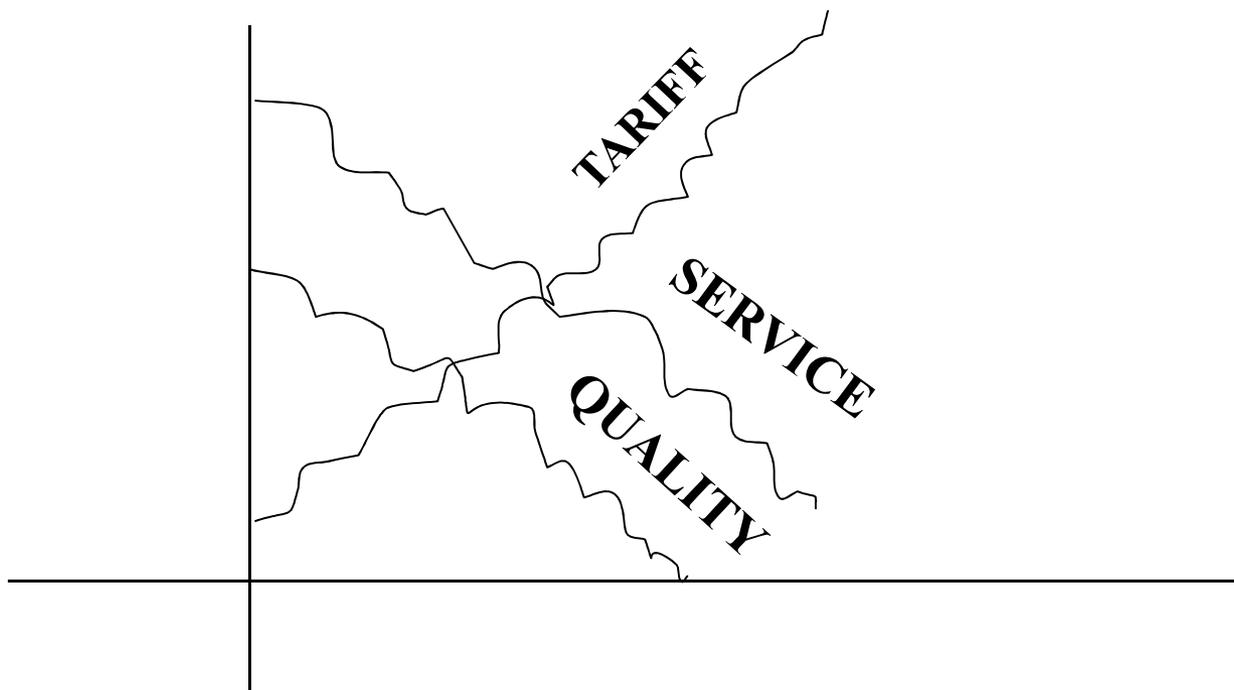
No effort to restructure or re-engineer.

Missing Link- Motivation.

STAFF BLUES:

- * DISORGANIZED ORGANISATION
- * LOW ACCOUNTABILITY, NO MOTIVATION, NO QUALITY STANDARD
- * HIGH CORRUPTION

RESULT



HIGHER TARIFF, continued LOSSES & POOR CUSTOMER SERVICE

It's a CATCH -22 Situation but (we feel)

‘Taint no use to sit & whine
Cause the fish ain't on your line
Bait your hook keep on trying
keep-on going’

Frank L.Stanton

Operations already privatized - but no integration -no accountability.

- 1) Operation of Some 33/11KV Sub-stations
- 2) Repair and maintenance of some of the sub-station accessories.
- 3) Repair of Distribution Transformers.
- 4) Street light maintenance in Hyderabad
- 5) Fuse calls in Hyderabad
- 6) Meter reading ,in some areas
- 7) Billing preparation
- 8) Bill delivery in some places
- 9) Collection through banks in select areas

- Poor small farmer being exploited by rig owners, local wiring contractors, pumpset manufacturers / dealers
- Non-standard and inefficient installation of equipments like pump-sets, foot valves etc.,
- Very poor power factors of the motors supplied. As low as 0.6 as against 0.85 expected increasing losses in the system and to the farmer. This calls for installation of larger capacitor by DISTCOM

Accountability for Energy Audit and Balance

Specific Officers / Staff Should be made Accountable for Energy Audit & Balance at the following levels

- Distribution Transformers
- 11KV Feeders
- 33 / 11KV Sub-Stations (Including 33kv lines)

Organization Restructuring

- Meter Reading
- Bill Preparation
- Bill Delivery **Commercial Wing**
- Collection
- Disconnection
- Re-connection

Under Single control

to be accountable horizontally to the local Unit head I/C of Operations and Commercial wing

&

to be vertically accountable to Central Accounts Office.

What to do to rectify these defects ?

- Amend R.No.58 of IE Rules 1956 and relevant rules on the definition of “point of commencement supply” to enable fixing of consumer meter on a pillar box near the pole to reduce theft by consumer
- Rectify all technical defects as per norms
- Provide meters at the feeders, transformers
- Providing parallel combined meters for all the services emanating from a pole with meter reading display at the bottom of the pole (meters being kept at the top of the pole) with protection arrangements for safety and energy balancing. This will help pin pointing services indulging in theft
- Providing capacitors to all the pump sets and industrial services to reduce losses

Objectives in Agriculture Sector

- 1) Not revenue increase but saving of Power
- 2) Metering as an incentive to save power
- 3) Incentive of continuous supply for 8 hours during more acceptable hours for districts which are totally metered.

- Government may announce that any district which accepts metering and implementing DSM measures, will be given free electricity for a period of 6 months (one crop season), so that they can judge themselves whether to continue slab system or metered system of billing. (this is in consonance of APERC's order to give 50% of metered billing concession for adopting DSM measures)

OR

- Govt. may declare and give assurance to all the farmers that Electricity charges for all metered consumption shall not be increased for a period of three to five years

II. OPTIONS FOR PRIVATISATION

A. STATUS QUO

B. PRIVATISE 4 GOVT DISCOMs

C. LOK SATTA MODEL

B. BIG IS NOT BEAUTIFUL IN POWER; WHY?

Each of 4 companies

- * Covers 5 to 7 districts
- * Consumers are small and far-flung
- * Could lead to logistic problems & poor customer service
- * No known success of this model. (BSES in ORISSA)
- * Interview with Chairman - BSES.
- * They are veering to a Village Committee model.
- * Drastic change required to alter mind-set of people, consumers, employees and politicians

C - SMALL IS BEAUTIFUL ATTRACTS PEOPLE'S PARTICIPATION AND UNDERSTANDING

- 1) Delayed setup will be more responsive to the needs of the consumers
- 2) Franchisee with local knowledge and contacts will be able to reduce pilferage and increase revenue
- 3) Peer pressure among consumers
- 4) Bidding process for choosing franchisee maximizes revenue
- 5) Many small franchisees give leverage to the DISTCO in dealing with them and making them accountable

CREATING ENTERPRENURESHIP AT VILLAGE LEVEL

11KV FEEDERS OPERATION & MAINTENANCE

INCLUDING COMMERCIAL & CUSTOMER SERVICES TO

BE ENTRUSTED TO FRANCHISEES- about 6,000 / 1,600 nos..

SUGGESTED MODALITIES

- 1) A high powered TASK FORCE should be set up, preferably under the aegis of APERC comprising of :-
 - a) APERC
 - b) Government of A.P.
 - c) Five Licensees.
 - d) CII/ FAPCCI
 - e) Engineers and Employees Associations.
 - f) Consumer Organizations.
 - G) Representative of Agriculture
 - h) ASCI

Alternatives for Consideration.

I. These areas could be offered to Private parties with financial capabilities comprising of:-

A) Individuals of proved Managerial Capabilities,

B) Companies,

C) Associations/Co-operatives of Engineers/Employees,

D) Consumer Organizations.

Why Lok Satta model?

- * More hands-on approach
- * Breeds local entrepreneurs
- * Understand local milieu
- * Can control present ills like theft, corruption and unmetered wasteful agricultural consumption
- * Will provide better Employee motivation
- * Encourage competition

Less commercial & distribution losses
Offer better customer satisfaction

Rectifications to be done for the above horrendous situation

- Demotivated, some times corrupt staff
- Untrained Contractors whose performance is NOT monitored
- Sustained campaign to educate consumers on safety and efficient use of electricity
- Groups that serve (or do not serve) bills and the group that collects revenue and the group that has to take action in case of default are all independent without any unifies through the chain accountability
- Total disregard for safety at all levels

- The situation at the Distribution and supply level is so chaotic, so heart rending, so inefficient and so theftful that the only way to retrieve the situation in the shortest possible time is to give unified responsibility to a local entrepreneur with full powers and sufficient incentive.
- One should think of 6,000/1600 entrepreneurs attacking the problems simultaneously, to get quick results.
- They could be Franchisees.
- But they must have unified responsibility, full powers and sufficient incentive.

Then what about cost of rectifications - per sub-station with 5 feeders (say Gajwel)

- Very tentative costs of rectification @ about 1.5 crores / feeder
- Financing through agencies like DFID, IDFC, IDBI etc.,(format of agreement enclosed)
- Recovery of the above costs can be made within a period of 7 years with an interest rate of 5% and further 8 years with an interest rate of 8%

Results

- Expected reduction of losses by not less than 10% if farmers adopt DSM measures like ISI mark pump-sets, foot-valves, capacitors etc.
- Expected reduction of losses in distribution system due to technical improvements by not less than 10%
- Excellent customer service
- Improved revenues for the DISTCOMs.
- Better monitoring, accountability and control due to fixing of meters to all services

How to Go Ahead ?

1. Govt. of AP should accept in principle, the concept of micro franchisees..
2. Govt. of AP to set up an empowered committee as proposed which may consider pilot Franchisees to begin with.
3. Upon observing performance to expand the Franchisee concept throughout the State of AP
4. Details of Pilot Projects can be presented.