



# Haryana Electricity Regulatory Commission

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To

The Additional Chief Secretary  
to Govt. Haryana  
Power Department  
Civil Secretariat, Chandigarh.

Memo No. 1687/HERC/Tariff/SV-2/2015

Dated:14.09.2015

**Subject: Advice under Section 86(2) of the Electricity Act, 2003.**

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The basic building blocks of the Haryana Electricity Reforms Act, 1997 and the Electricity Act, 2003 were to make the Power Sector (in Haryana) financially self sustainable so that they do not continue to be a drain on the State Government resources.

The recent report of the Comptroller & Auditor General of India for the year ending 31<sup>st</sup> March, 2014 observes that in Haryana nine companies have been reporting running losses. Out of these three companies are from the Power Sector i.e. HVPNL, UHBVNL and DHBVNL. Further, the CAG report has pointed out that the exercise of disinvestment, privatization and of non-working PSUs has not been done by the State Government.

Section 86(2) of the Electricity Act, 2003 confers statutory obligation on the Electricity Regulatory Commissions to advise the State Government on certain power sector related matters including reorganization and re-structuring of the Electricity Industry in the State.

In pursuance to the above, the Commission feels that the distribution business (UHBVNL and DHBVNL) is the most vital but weakest link in the entire value chain of the power sector in Haryana. Since distribution business in Haryana is not financially viable, the transmission and generation businesses get seriously affected. It is, therefore, necessary that all-out efforts should be made to strengthen and to ensure the financial viability of the distribution business.

The present level of AT&C loss is quite unsustainable. About 60% of this loss can be ascribed to theft of electricity at different levels with/without the connivance of the employees of the distribution Companies. There is urgent need to

tackle this menace of theft of electricity at different levels. The balance 40% of loss arising out of the old, over-loaded and dilapidated distribution network can be prevented by system up gradation.

The distribution segment would be financially and operationally viable only when the energy actually consumed is metered, billed and the electricity charges are collected in full. While the billing and collection efficiency of the distribution Companies has to improve substantially; they also have to effectively tackle the malady of theft of electricity. It is therefore, all the more necessary for the State Government to provide the required police personnel for effective functioning of the Special Police Stations and to ensure their effective functioning by way of regular monitoring and supervision in their functioning at the level of a senior police personnel, preferably posted to Power Department to oversee the energy related crimes in the State. A multi pronged approach that incorporates all areas of utilities performance improvement is the need of the hour.

The Commission has observed that a lot of Power has been tied up by the Discoms including under Case-1 and Case-2 competitive bidding basis under long term contracts and a few more including 800 MW thermal power project at Panipat is in the pipeline. Thus the earlier paradigm of Power availability in Haryana i.e. 'whatever was available including from short-term sources and drawl under UI mechanism was procured for onward supply to the electricity consumers of Haryana has shifted. Now the Discoms are having surplus power including the power rendered surplus due to the fact that the embedded consumers are bringing in power from outside through Open Access on a short term basis. Additionally, asymmetry also exists in availability of Power during peak hours and off peak hours in the State. Such surplus power is either under drawn by the Discoms or disposed of on a bi-lateral basis or through the power exchanges at a price much lower than the average cost of power procurement of the Discoms. This has resulted in trading loss which adds upto about Rs.1818 Crore during the period from the FY 2011-12 to the FY 2014-15. Hence, there is an urgent need to address this issue.

After careful consideration, the Commission feels that a Committee of Independent experts needs to be constituted to review the progress of Power Sector Reforms in Haryana and suggest a concrete action plan to make the Power Sector in Haryana self sustainable. Following are the issues which the committee may take up:-

- a) Deployment of Franchisee(s) in the retail supply business.

- b) To improve the quality of service to the consumer.
- c) To enhance operational efficiency and reduce losses.
- d) Recovery of receivables.
- e) Privatization Models for distribution business.
- f) Private Participation in Capex for new / extension of the distribution system with appropriate revenue sharing model.
- g) Optimum Human Resource Planning and budgeting in the Distribution business.
- h) Development of a mechanism / system for proper load forecasting (daily/monthly/ yearly basis) with due consideration of all relevant factors and historical data for optimum load management / scheduling so as to reduce trading losses.

Director (Tariff)  
HERC

No. HERC/ Tariff/ SV-2/2015/1688-1689

Date: 14.09.2015

A copy of the above is forwarded to the following for information  
please:-

1. The Managing Director, Uttar Haryana Bijli Vitran Nigam Limited, Vidyut Sadan, Plot No. C-16, Sector-6, Panchkula
2. The Managing Director, Dakshin Haryana Bijli Vitran Nigam Limited, C-Block, Vidyut Sadan Vidyut Nagar, Hisar- 125005