



Haryana Electricity Regulatory Commission

Bays No. 33 - 36, Sector – 4, Panchkula-134109

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To

The Managing Director,
UHBVNL, C-16, Vidyut Sadan, Sector-6,
Panchkula-134109
Haryana.

The Managing Director,
DHBVNL, Vidyut Sadan, Vidyut Nagar,
Hisar-125005,
Haryana.

Memo No.1766-1767/HERC/Tariff/SV/Discoms-Receivables/2015
Dated 16.09.2015.

Subject: Recovery of long overdue/Receivables.

The Commission, on several occasions, including in the ARR and Tariff Order of the Discoms for the FY 2015-16 and the State Advisory Committee (SAC) meetings, has expressed its concern regarding non-collection of dues by the Discoms from various categories of consumers for the power supplied to them. As a result, at all times, there exists huge accumulation of receivables i.e. amount billed to the consumers but not collected. This not only distorts the cash flow of the Discoms but also leads to funding of the revenue gap by way of expensive short-term borrowings and additional interest burden thereto. The Commission is of the firm view that the financial health of the Discom is incumbent upon accurate metering of the power supplied to the electricity consumers, proper billing of the same and prompt collection of the dues on account of sale of power.

The Commission in its ARR and Tariff Order dated 7th May, 2015 had observed as under:-

“The Commission observes that Utilities have accumulated huge receivables mainly because of defaulting amount of various categories consumers which are adversely affecting the financial health of Utilities. Commission directs the Discoms to conduct age wise audit of its receivables and submit a report to the Commission within three months from the date of passing of this Order including an action plan to liquidate the outstanding receivables within six months. The electricity connections of all such defaulting consumers, unless a stay has been granted by a Court of competent jurisdiction, shall be immediately disconnected. The Commission shall not allow Discoms any additional working capital and interest thereto (if any) on this account. In the public hearing the issue of theft of power / tampering of energy meter by the employees of the power Utilities was also raised. The Commission directs the

Discoms to submit details of such cases along with action taken regarding the same within two months from the date of this Order.

Further, in case of Government employee defaults in making payment of its electricity bill or if found indulged in theft/unauthorised use of electricity then such arrears or penalty shall be recovered from the employee's salary for which utilities may write to his/her department to initiate action in this regard. In the case of electricity connections to Government quarters, at the time of change in occupant takeover/handover report shall be sent to concerned sub-division office so that dues can be settled and legal compliance is made. In case of non-compliance of above temporary supply tariff shall be applicable to such premises”.

As per data available in the Commission, the receivable position of the two Discoms i.e. UHBVN and DHBVN, as on 31.08.2015, is as under:-

- **UHBVN**

Gross Debtor: Rs. 3357.58 Crore.

Net Debtor (after provision/write off): Rs. 1714.90 Crore.

- **DHBVN**

Gross Debtor: Rs. 5330.55 Crore.

Net Debtor (after provision/write off): 2418.02 Crore.

Hence, the total outstanding receivable (net of provisions already made and the write off as bad debt) of the Discom's as on 31.08.2015 is about Rs. 4132.92 Crore.

Subjecting the Discoms receivables to the rigors of market / financial ratios i.e. Quick Ratio (also referred to as Acid-Test Ratio) which provides a rigorous assessment of the Discoms ability to pay their current liabilities, the Commission observes as under:-

In the case of UHBVNL the quick ratio, as computed for their respective balance sheets for the FY 2013-14 stands at 0.39 and 0.62 (DHBVNL) for the FY 2013-14 as against an ideal quick ratio of 1:1 or higher. This effectively means that for every Rupee of the Discom's current liabilities they have about Rs. 0.39 UHBVNL & Rs. 0.62 (DHBVNL) of liquid assets to cover their immediate (short-term) obligations. This is happening primarily because the Discoms are not able to maximize their sales to their paying consumers i.e. Industry, Commercial, Railways/DMRC etc. and are collecting receivables for sale of power too slowly. The slow pace of revenue recovery is also affirmed by the fact that the average accounts receivable for both the Discoms taken together, in the FY 2013-14, works out to about 80 days vis-à-vis billing cycle of 30 / 60 days.

In Order to address the problem of metering, billing and collection of dues the Commission had earlier suggested a detailed model for deployment of Franchisees in the

retail supply business in the Discoms circles reporting high AT&C losses. Further, in the ARR / Tariff Order for the FY 2015-16 had again directed the Discoms to adopt and implement Franchisee Model at the earliest. As per the directions given, the Discoms were to invite EOI for implementation of Franchisee Model by 31.07.2015, finalize the same on priority basis and report progress by 30.09.2015.

In view of the position explained above, the Commission directs the Discoms to earnestly pursue deployment of Franchisee in the retail supply business, conduct age-wise audit of the outstanding receivables and vigorously pursue liquidating the same as well as disconnecting the defaulting consumers as directed by the Commission in its Order dated 7th May, 2015.

Director/Tariff
HERC

Endst. No. 1768/HERC/Tariff/SV/Discoms-Receivables/2015

Date: 16.09.2015

CC:

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