



SPML Infra Ltd is a leading EPC contractor in the power sector with expertise spanning a wide canvas from village electrification to high-voltage power transmission systems. Recently, SPML Infra evolved as a distribution franchisee entrusted with the Bhagalpur circle in Bihar. We have **Rishabh Sethi** telling us about this new line of activity. Sethi also gives keen insights into the relatively new phenomenon of distribution franchisees, and suggests means to shore up much needed private participation in the power distribution space. An interview by **Venugopal Pillai**.

Private sector can bring efficiencies in power distribution

— Rishabh Sethi
Executive Director, SPML Infra Ltd

Tell us about the consumer profile of the Bhagalpur circle and the ATC losses over the past few years.

About 1.60 lakh electricity consumers of Bhagalpur urban and adjoining areas to the 5 sub-divisions — Mujahidpur, Tilkamanjhi, Nathnagar, Aliganj and Kahalgaon — have started availing the services of Bhagalpur Electricity Distribution Company Pvt Ltd (BEDCPL) from January 1, 2014.

The franchisee area of Bhagalpur Urban Division is spread over approximately 28 sqkm. The power is being supplied from two grid substations at Kahalgaon and Sabour. The service is being provided by 15 power substations that require around 70 mw daily to serve 24 hours but the average daily supply is at present is only 30 to 40 mw. The aggregate technical and commercial (ATC) losses are 20 per cent and 50 per cent, respectively. The company has a target to bring it down to 15 per cent in coming years.

Given that the current ATC losses are so much on the higher side, what challenges do you foresee in improving technical and commercial efficiency in the circle?

One of the main reasons for losses in the sector is low investment in the T&D sector in comparison to generation. Then there are technical losses due to overloading on old and aged



infrastructure, substations, poor repair and maintenance of existing equipment and inadequate installation of capacitors. The commercial losses are also high due to low metering, billing and collection. Theft, pilferage, tampering of meters is very common and low accountability of the workforce makes it difficult to control. The lack of power accounting and auditing also contribute to ATC losses.

As per the mandate, we have to supply power, maintain the distribution network, collection of bills, new service connections, customer care, and reducing ATC losses including pilferage.

BEDCPL has already started remedial actions to control for theft, tampering and pilferage of power from the meter and supply lines. We have trained staff members with proper responsibility matrix to deliver the results. Besides, non-functional or damaged equipment is being repaired and replaced.

Bihar, by and large, has seen limited success in private sector participation. This is across all major sectors. Given this, what were your apprehensions whilst bidding for the project?

In 2005-06, Bihar had 800 mw of power available at its disposal out of which only 550 mw was meant for consumers due to commitments to Nepal and Railways. The power situation in



Bihar has remarkably improved in the past few years due to the present government policies and reforms in power sector. As per the government report, the current power availability is around 2,300 mw against the requirement of 3,500 mw and it is expected that by August 2014, this will increase to 2,600 mw. The Government aims to provide 5,300 mw through its different power generation projects by August 2015 making Bihar the self-sufficient in power.

Private sector participation has increased not only in infrastructure sector, but health, education and other sectors have also seen a positive growth. The challenges for any private organization are same as it is in other states. The administration is very active and the Chief Minister himself is taking interest in all infrastructure development projects with regular reviews and remedial actions. We expect a conducive and positive business environment to persist in Bihar and good infrastructure development will continue in power, water, sanitation and road sectors.

Tell us about the preliminary work done so far in the Bhagalpur circle. What is your plan for the coming months?

About 300 employees of BEDCPL are working day and night to serve about 1.6 lakh metered consumers falling under distribution franchise area. BEDCPL aims to provide quality power distribution services in the city and has set up 24x7 consumer helpline to lodge the complaints round the clock. The call center can be reached at any time to register complaints, request for new connection, billing, payments, faulty meter replacement and other facilities.

Consumers need not stand in a long queue at the bill collection counters to pay their monthly electricity bill. The fault finding and repairing mobile vans are pressed into consumer service 24x7 ensuring the smooth supply and immediate repairing. A state-of-the-art consumer service center is being set up and several other sub-centers will be opened at prominent locations to address the issues immediately to the satisfaction of the consumers.

Do you feel that the input-based distribution franchisee model for power distribution franchisee has been generally successful?

There are different distribution models in the power sector depending upon the nature of activities performed by a franchisee. The input-based franchisee model is increasingly being adopted by many distribution licensees for select urban areas. In this format, the franchisee undertakes operations and maintenance of the existing distribution network while carrying out the commercial activities of metering, billing, and collection. The franchisee is allowed to undertake capital expenditure in the supply area.

This model allows franchisee to purchase power from the licensee at defined input points at pre-decided rates. The input rate is based on the ATC loss reduction trail considered during the contract period. The franchisee is able to reduce losses, it gets financially benefited but if it is not able to do so, financial losses are imminent. This model also ensures that a fixed income is generated for the distribution licensee at no additional cost and except for the transfer of ownership; the franchisee operates as a distribution licensee in the area.

There are a number of input based distribution already working



in India that includes Agra, Bhiwandi, Nagpur, Aurangabad, Jalgaon, Gwalior, Sagar, Ujjain and Bhagalpur and Bodh Gaya in Bihar. More projects are coming in Patna and Kanpur and other state utilities are also studying the feasibility of doing so in their urban locations.

The advantage of the input-based distribution franchisee model over the collection based franchisee model is that the franchisee also becomes a partner in loss reduction and makes serious efforts to reduce theft in the system. This is due to the linkage of the incentives with the T&D losses in the franchised area. The incentives for attaining collection efficiency targets which are linked to T&D loss level would be higher when the T&D loss level is reduced. In this way the franchisee becomes a direct beneficiary of loss reduction.

In a general sense, how can state governments improve private sector participation in the power distribution space?

State power distribution utilities have become too large and are able to carry on with such huge losses only because of government supports or banks continue to fund them. This is the reason why the private sector has been roped in to bring efficiencies to restore the financial health of the power distribution sector. The state governments should have the freedom to choose the model that suits their requirements as per the city they wish to go ahead with reforms. The state government would need to engage an experienced and qualified firm as a technical consultant to prepare the feasibility report which would be provided to the bidders as part of the bidding documents. The feasibility report will describe the physical and financial attributes of the existing system, including an inventory of the assets, current status of the network and the investment to be made by the concessionaire. The feasibility report would also bring out the desired standards of the distribution system, including the time frame for reaching those standards.

The state governments would provide reasonable support and assistance to the concessionaire in procuring the aforesaid license and any other permits required under the applicable laws. They also have to provide substantial subsidies to the concessionaires in order to prevent a sharp rise in tariffs, especially during the initial years of the concession period. 