

Performance Assessment of Electricity Distribution Utilities in India

An Insight into Performance for FY 14 – FY 16 and
Outlook for FY 17



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Background

Notwithstanding the multitude of reforms in the Electricity sector since the enactment of the Electricity Act 2003, achieving financial and operational sustainability of many of the Electricity Distribution Utilities (Discoms) has remained a challenge. Many of the utilities are financially strained in view of the gap¹ between the cost of supply of power and the average tariff, along with technical & commercial inefficiencies and subsidies which further aggravate the challenges faced by the utilities. While the financial issues and challenges faced by utilities tend to appear similar, the underlying causes and remedial measures needed to address these tend to differ substantially across the regions in the country.

Vibrancy of the Discoms is critical not only to ensure that they are able to support the investment required in upgrading their networks, bring down losses and enable universal access, but also to make them bankable entities to catalyse and support investments upstream in fuels, generation and transmission. The financial and operational capacity of Discoms to honour their commitments towards investors, lenders, Power Purchase Agreement (PPA) obligations of power generation companies and power off-takers/end-users therefore becomes extremely crucial. Newly launched UDAY scheme aims at addressing several financial issues faced by utilities by enforcing states to take over large proportions of utility's debt and limit the constraints of interest burden.

A comprehensive analysis on the operational and financial position of Discoms, impact of UDAY on debt and interest and the progress made by the respective State Governments to implement regulatory reforms to make the Discoms commercially and financially sustainable is a crucial input for investors and lenders who have made investments in the Indian Electricity sector.

ICRA Management Consulting Services Limited (IMaCS) has designed a Performance Index (PI) to objectively assess and measure the performance of state-owned electricity distribution utilities (Discoms) in India.

The PI provides a comprehensive assessment of operational, financial and governance related parameters of a Discom, based on secondary information. The PI captures five categories of parameters of a Discom, namely, Operating Performance, Financial Position, Progress of reforms in the state pertaining to the electricity sector, Extent and quality of state government support to the Discom, and a short term outlook for the Discom. In essence, the Performance Index captures the historical and current Performance assessment of the Discoms covered and is a number in the range 25-100, where 100 denotes the best possible performance/position.

Exhibit 1 shows the list of utilities for which IMaCS has undertaken performance assessment and derived the score.

¹ As per a report by the erstwhile Planning Commission in 2013-14, the gap between the cost of power supply and the average tariff has been widening over the years. The gap for 2013-14 was estimated at Rs. 1.13/KWh.

Exhibit 1: List of Distribution Companies Assessed

#	State	Utility	Performance Index Status	
Northern Region				
1	Haryana	DHBVNL	Dakshin Haryana Bijli Vitran Nigam Ltd.	In Progress
		UHBVNL	Uttar Haryana Bijli Vitran Nigam Ltd.	In Progress
2	Rajasthan	AVVNL	Ajmer Vidyut Vitran Nigam Ltd.	Complete
		JDVVNL	Jodhpur Vidyut Vitran Nigam Ltd.	Complete
		JVVNL	Jaipur Vidyut Vitran Nigam Ltd.	Complete
3	Punjab	PSPCL	Punjab State Power Corporation Ltd.	In Progress
4	Uttar Pradesh	MVVNL	Madhyanchal Vidyut Vitran Nigam Ltd.	In Progress
		Poorva VVNL	Poorvanchal Vidyut Vitaran Nigam Ltd.	In Progress
		Paschim VVNL	Paschimanchal Vidyut Vitaran Nigam Ltd.	In Progress
		DVVNL	Dakshinanchal Vidyut Vitran Nigam Ltd.	In Progress
		KESCO	Kanpur Electricity Supply Company Ltd.	In Progress
5	Uttarakhand	UPCL	Uttarakhand Power Corporation Ltd.	In Progress
6	Delhi	BYPL	BSES Yamuna Power Ltd.	In Progress
		BRPL	BSES Rajdhani Power Ltd.	In Progress
		TPDDL	Tata Power Delhi Distribution Ltd.	In Progress
Southern Region				
7	Tamil Nadu	TANGEDCO	Tamil Nadu Generation and Distribution Corporation Ltd.	In Progress
8	Karnataka	BESCOM	Bangalore Electricity Supply Company Ltd.	Complete
		GESCOM	Gulbarga Electricity Supply Company Ltd.	Complete
		HESCOM	Hubli Electricity Supply Company Ltd.	Complete
		MESCOM	Mangalore Electricity Supply Company Ltd.	Complete
		CESCOM	Chamundeshwari Electricity Supply Corporation Ltd.	Complete
9	Andhra Pradesh	APSPDCL	Southern Power Distribution Company of Andhra Pradesh Ltd.	Complete
		APEPDCL	Eastern Power Distribution Company of Andhra Pradesh Ltd.	Complete
10	Telangana	TSSPDCL	Southern Power Distribution Company of Telangana Ltd.	Complete
		TSNPDCL	Northern Power Distribution Company of Telangana Ltd.	Complete
Western Region				
11	Maharashtra	MSEDCL	Maharashtra State Electricity Distribution Company Ltd.	In Progress
12	Gujarat	MGVCL	Madhya Gujarat Vij Company Ltd.	In Progress
		UGVCL	Uttar Gujarat Vij Company Ltd.	In Progress
		PGVCL	Paschim Gujarat Vij Company Ltd.	In Progress
		DGVCL	Dakshin Gujarat Vij Company Ltd.	In Progress
13	Madhya Pradesh	M.P. PuKVVCL	Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Ltd.	Complete
		M.P. PKVVCL	Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Ltd.	Complete
		M.P. MKVVCL	Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Ltd.	Complete
14	Chhattisgarh	CSPDCL	Chhattisgarh State Power Distribution Company Ltd.	In Progress
Eastern Region				
15	West Bengal	WBPDCL	West Bengal Power Development Corporation Ltd.	In Progress
16	Orissa	NESCO	North Eastern Electricity Supply Company of Odisha	In Progress
		SOUTHCO	Southern Electricity Supply Company of Odisha Ltd.	In Progress
		CESU	Central Electricity Supply Utility of Orissa	In Progress
		WESCO	Western Electricity Supply Company of Odisha	In Progress

Study Highlights

The Performance Assessment exercise for the selected Discoms is based on an analysis of their financial position, their respective operating performance, and the progress in implementing regulatory reforms in the concerned states towards making these utilities commercially and financially sustainable.

The Performance Index Report of every Discom covers the following aspects:

1. Analysis of historical and prevailing demand-supply situation of electricity in the state and for the respective Discoms with a view of expected growth.
2. Assessment of the policy and regulatory initiatives of the State Government and the Regulator in recent years and their implications for the Discoms.
3. Analysis of the operating performance and financial position of the Discoms for the most recent years of completed operations (i.e., FY 16).
4. Evaluation of the status of regulatory reforms in the Electricity sector in the State.
5. Assessment of the financial support extended by State Government to the Discoms.
6. Trend analysis of PI over the last three years (FY 14 – FY 16) and a near-term outlook for the Discoms.

The Performance Index until FY 15 has been derived by using data from Audited Annual Reports of Discoms, Annual Reports of State Governments and RBI Survey of State Finances (various years). Performance Index and analysis for FY 16 and any near term outlook for FY 17 are based on IMaCS estimates as derived from data available in public domain (e.g. tariff orders and tariff petitions).

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Deliverable

One PDF copy of Performance Assessment of the selected Discom or State will be emailed to the registered subscriber.

Target Subscribers

The report seeks to address requirements of entities such as IPPs, Lenders, Financial Investors and Government bodies who have direct or indirect exposure to Discoms.

About IMaCS

ICRA Management Consulting Services Limited (IMaCS) is a management consulting firm headquartered in India. IMaCS is a wholly owned subsidiary of ICRA Limited (ICRA), one of India's leading credit rating agencies. Moody's Corporation is the majority shareholder of ICRA. IMaCS has an established track record of 20 years in Consulting and Analytics with over 800 clients spread across 45 countries around the globe.

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