

Tata Power has been a benchmark performer in power distribution

— **Minesh Dave**, President – T&D,
Tata Power

Tata Power recently acquired the distribution franchisee for Ajmer in Rajasthan. Tell us about the situation at the time of acquisition, and the improvements made so far. Tata Power has signed a 20-year Distribution Franchisee Agreement (DFA) contract with Ajmer Vidyut Vitran Nigam Ltd (AVVNL). The operations commenced in July 2017. Since acquisition, we have been working relentlessly towards upgrading the distribution network and improving operational efficiency. Till date, we have completed the maintenance/overhauling of over 980 distribution transformers and 3,696 low transmission lines. We have upgraded power transformers and cleared the area at 33kV and 11kV lines for smooth operations. We plan to invest for installation of new

transformers with various capacity configurations that will help to improve operational efficiency.

In line with our customer centric approach, Tata Power Ajmer Distribution Ltd (TPADL) inaugurated five customer care centres in Ajmer facilitating consumers to effortlessly apply for new connections, pay bills, register billing, line or pole issues etc. along with consumer redressal forum thereby enhancing its reach and empowering its consumers. Apart from this, it also provided Ajmer's talented and highly skilled women employees with new avenues for growth and development, by inaugurating the city's first 'All-Women' Customer Relations Centre.

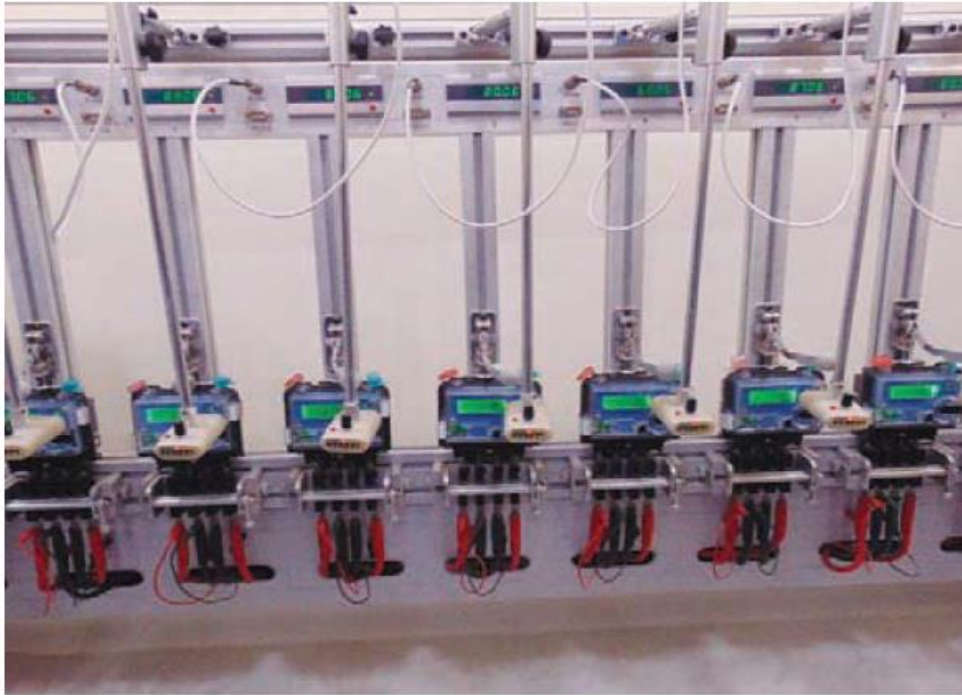
To further benefit the consumers, they were provided with a chance to

Tata Power is India's oldest power utility present in the entire value chain – generation, transmission and distribution. It has successfully formed landmark public-private partnerships in the power sector.

Minesh Dave, in this exclusive exchange, elaborates on his company's activities in the power distribution space, and shares keen insights on how private entrepreneurship can be bolstered in this crucial link of the power supply chain. An interview by **Venugopal Pillai**.



Inauguration of customer care centre of Tata Power Ajmer Distribution Ltd (TPADL) at Shashtri Nagar, Ajmer



Meter testing lab of Tata Power Ajmer Distribution Ltd

earn from their idle rooftop space for which Tata Power Solar has launched the most dependable residential rooftop solution thereby decreasing the use of diesel generators leading to reduction in fuel expenses and increase in savings. The company has a network of 150+ sales and service channel partners across India which provides its valuable consumers with financing options.

Additional to this, employees of the government of Rajasthan, along with the combined effort of employees of AVVNL, elected representatives, law enforcement agencies and the officials in the electricity department has ensured an enriched customer experience for the people of Ajmer.

What is your target for the Ajmer circle in terms of reduction in ATC losses?

Through operational efficiency and use of technology we have reduced aggregate technical and commercial (AT&C) losses in Ajmer from 22 per cent (at the time of taking over) to 11 per cent. By next year, the plan

is to bring this down further to 8 per cent.

We understand that Tata Power was also the distribution franchisee for the Jamshedpur circle in Jharkhand. The contract, as we learn, was unilaterally terminated. Could you please discuss the case in brief?

The original contract was signed in 2012 and canceled in 2015. The matter is currently sub-judice.

Has Tata Power bid for more distribution franchisee mandates in the recent past?

We had evaluated available DF opportunities post Ajmer DF acquisition and strategically decided not to bid. However, recently we have bid to acquire Odisha's distribution licensee Central Electricity Supply Utility (CESU).

There have been several cancellations of distribution franchisee contracts in recent history. Aurangabad and Jalgaon (Maharashtra); Ranchi

and Jamshedpur (Jharkhand); Bhagalpur (Bihar); Sagar and Ujjain (Madhya Pradesh), are a few cases in point. What is your overall view on the subject?

The distribution franchisee, as an initiative to improve operations, has seen mixed results. It can positively impact the development and operations of the electricity distribution business, so long as the effort is restricted to clearly defined areas. Long term sustainable improvements can be undertaken only through the licensee model.

Yes, there have been several cancellations of distribution franchise contracts in the recent past largely on account of less than expected performance and in some cases there were issues of non-payment of dues and lack of consumer satisfaction. One thing is clear from all these cancellations, which is that one needs to appoint experienced franchisees. The franchise at Ranchi and Jamshedpur, both awarded to be experienced and reputable players via CESC and Tata Power, were terminated before the commencement of operations, and as such, the matter is subjudice.

What could be done to improve the situation?

Distribution has been one of the most vital functions in the Indian power supply chain. In the distribution franchisee model, power procurement has been retained with the discom, which is helpful as it protects the franchisee from exposure to any imprudent power prices or tariffs. However, in order to increase its potential, state governments can introduce a few regulatory measures to encourage participation from private sectors.

Focus can be shifted from aggregate AT&C losses reduction to input rates (above minimum AT&C loss trajectory), incentivize utilities with two-three years of extended adjournment or interest-free loans on sales equivalent to the area they franchise or outsource to a private



Inauguration of Tata Power Ajmer Distribution Ltd's first Women Customer Care Centre at Ajmer

player. Also, they can allow private players with a higher return on equity/equity share/profit sharing for innovative capital investments thereby reducing losses or consumer service improvements.

Tata Power has been a benchmark performer in distribution businesses and is working towards expansion in the sector. In the next 5-6 years, we are aiming to expand our customer base from 2.2 million to 5.4 million. With technical expertise, use of innovative solutions, collaboration and customer centric approach, we are providing enriched customer experience.

What are the on-ground challenges that distribution franchisees typically face? What support can a distribution franchisee expect from government utilities?

Some of the biggest challenges that distribution franchisees face are political interferences at a local level and integration/engagement with incumbent employees. Government utilities can support distribution franchisees with following initiatives:

- Support by local administration and law enforcing authorities as well as local representatives of political bodies
- Lower or no minimum benchmark input rate during the bidding process. Since, the business is having long gestation period; it is advisable to allow the prospective bidders quote realistic and enforceable quotes. This will allow the final price to be market driven automatically
- Tenure should be for 15-20 years
- Support for implementation of

system strengthening schemes. This will ensure improved system reliability. The assets will be handed over back to the Licensee at the end of the tenure as per regulations.

Tata Power has been a prominent private player in the power T&D business and has also been a champion of various modes of public-private partnership. When it comes to engaging the private sector in the power distribution business, what modality would you recommend in the Indian context?

Public-private partnership has worked well in the power distribution segment. An example of this is our partnership in Delhi, which has been setting performance benchmarks for this part of the energy business. When it comes to engaging the private sector in the power distribution business, the distribution element, along with all the assets need to be owned and operated by a licensed entity under strong regulatory oversight. The licensee should preferably be jointly owned by both private and public entities. Electricity is a necessity therefore, involvement of the government, directly or indirectly through public entities will help balance the otherwise divergent requirements of universal service obligations as spelled out in the Electricity Act, the special needs of economically weaker sections of society, regulatory oversight and profitability requirements.

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