InConversation

'PPP model is the need of the hour'

One of the oldest power utility companies in India, DPSC Limited (formerly known as Dishergarh Power Supply Company Ltd), was incorporated in the year 1919 in West Bengal. The company was set up primarily to supply power to the Bengal Coal Company Ltd., then the largest producer of coal in Asia. An Andrew Yule company, DPSC went for a disinvestment in the year 2009-10 and was taken over by IPCL. **Hemant Kanoria**, Chairman, DPSC Ltd in conversation with **InfralinePlus** points out the challenges facing the distribution sector, the company's expansion plans and its role in bettering the power scenario in West Bengal. Excerpts:

Hemant Kanoria
Chairman, DPSC Ltd

What is your view on the current state of the distribution sector in India?
The distribution sector in India is plagued with endless problems. It is perhaps the weakest link in the power sector. Absence of tariff revisions, AT&C losses, power pilferage etc, has led to distribution companies pegging the total loss at ₹80,000 crore for 2012-13. Keeping in view the sector's state of affairs, the central government has taken some very bold steps like the announcement of a bailout package for state discoms. The government's move to restructure debt was a welcome step and discoms have come forward to share the burden.

With a dearth of investments from the private sector, the government has set up a task force to allow private participation in power distribution. The PPP model is the need of the hour and would ensure reduced distribution losses along with competitive tariffs which would lead to near zero power cuts. The franchise model in distribution space should be encouraged by state discoms to help them come out of their financial crisis. Open access in distribution is another such step by the government. A utility will be forced to supply quality power and focus on customer centric services to remain competitive in the market.

In its effort to bail out the discoms from their financial troubles, the power ministry, in a first ever such ranking coordinated by the central transmission utility, rated the state discoms. The rating would facilitate realistic assessment of performance of distribution utilities and aid financial institutions to come forward for help.

We have utilised the period of slowdown to develop quality, reliability and efficiency

How does DPSC fight the challenges and various issues plaguing the sector?
DPSC is currently operating its own licence area. We are part of the sector and face similar issues that plague the sector. On a broader perspective, the overall economic slowdown is affecting our industrial customers and fuel unavailability impacts the generation capacity.

DPSCL rather than blaming the circumstances, has utilized this period to focus on developing quality, reliability and efficiency measures which have led to growth even during a time when others are facing a stagnation, if not a decline.

DPSC claims to incur T&D losses of only 3 per cent as compared to a nation-wide high of 25 per cent.

How have you achieved that?
Through our better control systems and regular quality checks we ensure a minimum loss. Also, by an extensive augmentation of our existing systems by building new infrastructure, we have been able to keep a consistent check on energy losses through our networks.

How do you think DPSC can play a role in bettering the distribution system in West Bengal?
Committed to our delivery, we have initiated the smart grid development process since 2011. As a first phase of the smart grid project, we have successfully implemented Automated Meter Reading project (also known as AMR to Billing). The company is now generating consumer meter reading reports and bills, real time with negligible variance in data. This has resulted in savings towards lead time for meter reading and bill generation and also increased the operational efficiency by increasing the accuracy of data. Pursuant to the success of AMR to Billing, we are now implementing the second phase of the AMR project which will ensure real time data management and availability at the receiving feeders which will enable T&D loss management, further adding to its operational efficiency.

To strengthen its distribution network in West Bengal, the company is developing a 220/33 KV substation at JK Nagar in Burdwan district. The associated transmission network will be connected with the state and national grid. The transmission network along with sub distribution system will be capable of delivering around 250 mva of power from grid and additional power from other sources after completion of the entire project which is scheduled by 2013-14. The project is a landmark project for DPSC as it marks its entry into the 220 kV double circuit transmission line. Post expansion, there will be enhanced connectivity with central transmission utilities (CTUs) and the T&D losses could further be reduced to 2 per cent or below.

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Where all has your smart metering been implemented and how?
DPSC has implemented the first phase of smart metering (known as Automated Meter Reading) for HT consumers with integration of our SAP based billing mechanism resulting in total automation from meter reading to billing. It has increased the billing and collection efficiency and has resulted in saving of lead time for generation of monthly meter reading report and also improved the accuracy of meter data.

Moreover, smart metering has also been installed for all LT consumers also resulting in 100 per cent smart meter reading system.

Do you think private participation should be encouraged in West Bengal? If yes, how?
Yes, private participation should be encouraged as it would lead to competitive approach towards quality of power, its improved reliability and reasonable cost. The reduction of various losses will lead to better system efficiency and the benefit can be passed on to consumers.

What kind of expansion plans do you have in future?
DPSC has undertaken its integration process by amalgamation of IPCL into DPSC with a share swap ratio of 11:100. After the merger of the two companies, the group will emerge as an integrated player in the power sector with operations in generation, T&D and power trading.

In the distribution sector, the group is looking to expand its presence to other regions from the current 618 sq. km licence area in the Ranigunj-Asansol region. In the past two years the connected load has increased from 100 mva to 250 mva and the company is targeting a connected load of 1000 mva by 2016. Going forward, the company plans to set up 400 kv and 220 kv substations for the required connectivity with the state and national grid.

In the generation sector, IPCL-DPSC combine has envisioned a substantial increase in capacity to around 1300 mw by 2016, 300 mw from renewable sources and another 1000 mw through thermal power. The company's 450 mw plant at Haldia is already under implementation and is expected to start in early 2015. Its 540 mw thermal power plant at Raghunathpur is also under development.

The company has also executed MoUs with state governments for setting up generation plants of 1320 mw in Bihar and Gujarat each and another 660 mw in Madhya Pradesh.

The company is achieving statutory approvals for the same and land identification is in process.

Tell us about the planned 540 mw thermal power plant at Raghunathpur by DPSC.

At Raghunathpur, we are setting up a 2x270 (540 mw) thermal power plant with a capex of around ₹3,084 crore. The project has received water allocation for the first phase and other necessary consents and approvals for the project are also under way. So far, we have received 155.5 acres of land from the government with a promise of another 145.5 acres for the project. The project is under development and will be commissioned by 2016.

What are the initiatives that the company expects the government to take for the betterment of the sector?

India's power sector consumes about 80 per cent of the coal produced in the country. With uncertainty over supplies from the largest coal producer, the industry has been plagued with a massive shortage in supply. And the fuel shortage risk is leading to high fuel cost as utilities have no option but to import fuel at high spot prices and at a significant premium to domestic coal. In domestic market too getting coal linkages is a major hurdle. Fuel crisis has had a telling effect on power generation as India suffered generation loss of nearly 11 per cent in 2011-12. We, however, expect Coal India to increase their production and make international agreements shortly to increase maximum supply by 2014-15. Though the Planning Commission has also suggested some bold measures like opening up the coal sector for private players to tackle the growing fuel shortage and appointing a regulator to supervise pricing and mining costs, the suggestions have not yet been acted upon.

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Private sector participation in the sector is inevitable with such huge untapped potential. Increase in power generation capacity will result in steady order flows for T&D, providing ample opportunities for private players. Partnership between private players and Central / state utilities will ensure efficient and optimum operation of the transmission system thereby reducing system losses, voltage fluctuations and power pilferage.

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What is your current state of financial books?

DPSC reported profit after tax at ₹11.8 crore for 2012-13, a jump of 108 per cent from the previous year. Net sales turnover, at ₹538.73 crore, was up 33 per cent from ₹405.63 crore reported in 2011-12.

For the nine months in the current fiscal 2013-14, DPSC has reported profit after tax at ₹12.41 crore on net sales of ₹434 crore.

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