

**Delhi Electricity Regulatory Commission**  
**Viniyamak Bhawan, 'C' Block, Shivalik, Malviya Nagar,**  
**New Delhi – 17**

F.11(51)/DERC/2005-06/

IN THE MATTER OF :

Approval of Delhi Electricity Regulatory Commission on the Late Payment Surcharge Waiver Scheme.

1. North Delhi Power Ltd.  
Through : its **CEO**  
Sub-Station Building, Hudson Lines,  
Kingsway Camp, Delhi-110009.
2. BSES Rajdhani Power Ltd.  
Through its : **CEO**  
BSES Bhawan, Nehru Place,  
New Delhi-110019.
3. BSES Yamuna Power Ltd.  
Through its : **CEO**  
Shakti Kiran Building,  
Karkardooma,  
Delhi-110092.
4. Delhi Power Company Ltd.  
Through its: **CMD**  
Shakti Sadan, Kotla Road,  
New Delhi-110002.

**Coram :**

**Sh. K. Venugopal, Member & Sh. R. Krishnamoorthy, Member.**

**ORDER**

(Date of Order : 23.11.2005)

1. The North Delhi Power Limited had filed a petition before this Commission on 25.11.2003 for a One-time reduction in late payment surcharge. The scheme was to provide an opportunity to consumers to make their payment towards their past dues by lowering the late payment surcharge (LPSC) from 1.5% per month to 0.5% per month. The scheme was to be implemented for all consumers for a pre-defined period of 30 days subject to the condition that the consumer liquidates the full principal amount alongwith the LPSC at reduced rates. The NDPL, however, in a subsequent submission on 22.12.2003 chose to amend the scheme wherein a graded LPSC waiver was

suggested, for example, for consumers with an LPSC amount below Rs. 10,000, there would be a 100% waiver upto an amount of Rs. 5,000 and 66% waiver on the amount beyond Rs. 5,000, for Government and Public Sector bodies with more than 50% Government equity, there would be 100% waiver upto any amount etc.

2. Since the proposed LPSC waiver scheme included arrears pertaining to the DVB period also, the Commission sought the comments of the Delhi Power Company Ltd. (DPCL). In its comments received in the Commission on 31.03.2004, the DPCL submitted that for arrears prior to the date of privatization, the DPCL would take a view on the measures required to be taken after some preliminary verification of the quantum of these arrears and that approval, if any, given by the Commission may only apply to bills for the period subsequent to unbundling.

3. The Commission had heard the matter on 25.10.2004 and during the oral submissions made, the Director (Finance) of DPCL informed the Commission that the DPCL had availed the services of consultants to quantify the amount attributed to the principal arrears and LPSC thereon for the period prior to unbundling of the DVB. During the hearing, the CEO, NDPL had submitted that since the Petitioner had proposed the scheme more than a year ago, liberty may be granted to review the scheme. The Commission agreed to the submission of the Petitioner and gave the liberty to review the scheme vide Order dt. 27.10.2004.

4. On 14.12.2004, the two BSES Distribution Companies submitted a Voluntary Disclosure Scheme (VDS) to the Commission wherein one of the components of the scheme was to provide a graded waiver of LPSC depending upon how old the arrears were. The other components of the proposed scheme included amnesty for misuse of electricity connections, amnesty for load violation, low power factor surcharge etc.

5. The DPCL had informed the Commission on 06.05.2005 that the Government of NCT of Delhi had approved an LPSC Waiver Scheme, which was proposed by the DPCL itself. Apparently, keeping in mind the slow recovery of DVB arrears by the Discoms, the DPCL Board had

deliberated on the issue of LPSC Amnesty Scheme to expedite the realization of past DVB arrears. Insofar as the modalities were concerned, it was suggested that instead of having a blanket waiver of the entire amount of LPSC, it was considered desirable that LPSC scheme be introduced which would be graded and initially, consumers having LPSC upto a certain limit could be granted waiver.

6. The full details of this scheme, which was approved by the DPCL Board and thereafter by the GNCTD were as under :-

*(a) The LPSC waiver scheme would be implemented for one month w.e.f. 1<sup>st</sup> April 2005.*

*(b) The scheme would be applicable to all categories of consumers.*

*(c) For all DVB period consumer arrears having LPSC amount upto Rs.25,000/-, 100% LPSC would be waived off provided full principal amount is paid.*

*(d) In case of consumer arrears having LPSC amount of more than Rs.25,000/-, 100% LPSC would be waived off upto Rs.25,000/- and 75% to be waived off for LPSC above Rs.25,000/-, provided 100% principal and 25% of applicable LPSC amount is paid.*

*(e) For all government connections, 100% LPSC is to be waived off provided full principal amount is paid.*

7. The above proposal was approved by the Commission on 31.5.2005 with the proviso that whatever arrears were collected, be it of Government connections or otherwise, should remain in the sector and be transferred to the Delhi Transco Limited. This was in line with the earlier views of the Commission which were also expressed in the combined Tariff Orders for 2002-03 and 2003-04 and also in the Order of 2004-05.

8. Subsequently, the DPCL Board modified the scheme in August 2005 and fresh approval of the Government was obtained. The amendment in the scheme was necessitated because difficulties were being faced in the segregation of the principal and the LPSC amount on DVB arrears. The salient features of the amended scheme were as follows :

- (a) For all DVB consumer arrears including Govt. connections, the entire LPSC amount be waived off (including LPSC accrued on DVB arrears after unbundling) provided full principal amount is paid.*
- (b) The proposal of LPSC waiver scheme would be implemented for a period of one month from the date of its commencement with further provision to extend the same by one more month, if required.*

9. In the month of October, 2005, all the three Distribution Companies filed fresh correspondence with the Commission for introduction of the revised LPSC Waiver Scheme. It was the submission of the Discoms that the implementation of one-time LPSC waiver scheme would be beneficial since it would result in mopping up of sticky arrears. The Commission was informed that in many cases, the consumers had stopped paying even the principal amount of dues on account of LPSC accumulation. This scheme would also help in large number of disputes getting resolved, eventually saving time and money of both the consumer and the Utility. It was the submission of the Discoms that the present value of accelerated collections is likely to exceed the LPSC waived amount and, hence there would be no loss of revenue on account of implementation of the waiver scheme. Specifically, the salient features of the scheme, which is now proposed by the Discoms, are as follows :-

- a) 100% LPSC waiver to consumers of any category who pay the full principal amount of outstanding arrears on or before the cut off date.*
- b) In cases where there are disputes which are under litigation, the consumer can avail the benefit of this scheme if he/she agrees to withdraw the case(s) from court/CDRF or any other statutory legal forum and pays the full amount of principal outstanding.*
- c) If the consumer does not wish to withdraw the case but wishes to mitigate the liability of an adverse outcome, he can pay the entire principal amount under dispute and obtain waiver of LPSC on a joint understanding that depending upon the outcome of the case, any*

*differential between the amount paid by the consumer under this waiver scheme and the amount finally decreed by the Court, shall be trued up and paid by the concerned party.*

- d) The payment can be made in cash or by Demand Draft (DD) or Pay Order in favour of NDPL/BRPL/BYPL (as was the case in the LPSC Waiver Scheme instituted by erstwhile DVB during 2002-03). The limit of cash payment upto Rs.4,000/- shall not apply to payments made under this scheme as the directive of the Hon'ble Commission in this regard is related to payments against a particular bill (i.e. a billing period) while in the instant case, payments shall be received against old accumulated arrears which are likely to be for more than one billing period, hence should not be brought under the ambit of the Hon'ble Commission's directive imposing a limit on acceptance of cash payments.*
- e) The proposed scheme would be implemented for a period of one month from the date of commencement with further provision to extend the same by one more month, depending upon response.*

10. The latest schemes, which have been forwarded by the Discoms and the DPCL for the post and pre-privatization period of DVB, respectively have been analyzed in the Commission. The Commission observes that similar schemes had been introduced by the erstwhile Delhi Vidyut Board in order to recover arrears. The Commission also observes that similar schemes have been implemented in the power sector in general and a specific instance of the Montek Singh Ahluwalia Committee Report can be cited, which had waived off 60% of the LPSC and the balance dues of various Central Government Public Sector units were securitized by way of issue of bonds. This one-time settlement has also resulted in almost full recovery of current dues for the power supplied by Central Generating Stations. Separately, the RBI had also come out with guidelines on Corporate Debt Restructuring (CDR) by restructuring the interest rates on outstanding debts and improve the asset portfolio of all kinds. The intention of CDR was to review the interest rate and reduce the same wherever possible and to link it with the

restoration of asset classification. Under this scheme, many corporate entities, who had borrowed from various Banks and financial institutions, were able to get the benefits of debt restructuring through write-off of interest by bringing down the rate of interest from an earlier higher rate to a lower rate, as existing presently. Thus, the lender had to sacrifice a portion of his earnings with a view to recover the principal outstanding amount through such reliefs.

11. The LPSC waiver scheme proposed by the DPCL and the other Distribution Licensees is an attempt to recover some portion of the amount outstanding. Though the LPSC amount is accounted on receipt basis, the related principal is shown in the books on accrual basis without the possibility of any recovery. The proposal to consider the waiver of 100% of the LPSC may result in some consumers coming forward to settle and pay at least the principal amount. This will help in improving the liquidity of the Distribution Companies as well as bring about a reduction in the AT&C losses, the benefit of which will be passed on to the customers.

12. The Distribution Companies have informed the Commission that amounts involved, in terms of both principal and LPSC, in respect of each one of them for the DVB period are as follows:

(in Rs. Cr.)

Licensee	Principal	LPSC	Total
NDPL	988	622	1610
BRPL	808	662	1470
BYPL	588	519	1107
Total	2384	1803	4187

Likewise, for the period after privatization, the corresponding figures are as under:

(in Rs. Cr.)

Licensee	Principal	LPSC	Total
NDPL	185	20	205
BRPL	660	235	895
BYPL	414	172	586
Total	1259	427	1686

13. Considering the fact that in the past such waiver schemes have had a salutary effect in retrieving some of the arrears, the Commission is hopeful that this time also, the Distribution Companies would be able to recover some of the arrears which would help the sector at large. The Commission also takes note of the fact that collection of DVB arrears have been coming down over the years. While about Rs. 125 crore was collected in 2002-03, the collections came down to about Rs. 117 crore and about Rs. 80 crore during 2003-04 and 2004-05, respectively. The Commission is hopeful that with the introduction of this scheme, the trend can be reversed. The Commission, therefore, approves the proposal received from the DPCL and the Distribution Companies as cited in paras 8 and 9 above, as an exceptional case and a one-time measure subject to the following conditions:

(i) The entire amount recovered through this scheme, be it of Government connections or otherwise, shall flow back to the sector and shall account as revenue during the year of collection and shall be considered for the determination of Tariff as per the methodology followed by the Commission in its various Tariff Orders.

(ii) The Licensees shall keep separate accounts of the principal amount of arrears of the consumers upto the DVB period and the LPSC accumulated till date on such arrears. The Licensees will also maintain accounts of principal amount, which has accumulated w.e.f. 01.07.2002 and LPSC leviable on the same till date.

(iii) The Commission directs that whatever money is collected out of this scheme should be independently accounted and should also be closely monitored by the Discoms with regard to progress of collection.

(iv) The Discoms have suggested that payments in excess of Rs. 4000/- may also be accepted in cash, as the directive in the Tariff Order is against a particular bill, whereas the arrears relate to more than one bill period. During discussion, the Discoms indicated that if payments by cash is allowed, it may help in

higher collections. The Commission took note of the submission and considers that if it can help to generate additional revenues, it can be accepted as a one-time measure. The intention is to recover the outstanding principal payments and through this, try to bring such customers into the billing fold. Accordingly, the Commission approves of the submissions made by the Licensees that insofar as this particular scheme is concerned, payments above Rs. 4000/- can be accepted from consumers in cash also, apart from Demand Draft/Pay Order as a one-time measure.

(v) In respect of the issue of payment through installments, the Commission directs that for a payment upto Rs.50,000/- as principal, there would be no installments. On an amount above Rs.50,000/-, the balance beyond Rs. 50,000/- may be paid in not more than two equal monthly installments. No interest/late payment surcharge will be levied for allowing payment in installments. In case such subsequent installments are not paid in time, those consumers shall forfeit the right to waiver of LPSC under this scheme.

(vi) The proposed scheme will be implemented for a period of one month on the dates to be notified uniformly by all the Licensees. Any extension beyond one month may be considered depending upon the response.

(vii) The Licensees shall give wide coverage and devise their own implementation procedures and notify the same.

(viii) The amounts collected under the scheme will be separately accounted and shall also be audited by the statutory auditor of the respective companies.

(ix) The Commission is in agreement of the procedures to be followed, as cited in paras 9(b) and 9(c) in respect of those cases which are under litigation.

14. The Discoms are directed to ensure proper revenue collection hereafter and not to accumulate huge arrears as waiver schemes



are not desirable and should be resorted to only in exceptional circumstances.

15. Ordered accordingly.

(K. Venugopal)

Member

(R. Krishnamoorthy)

Member