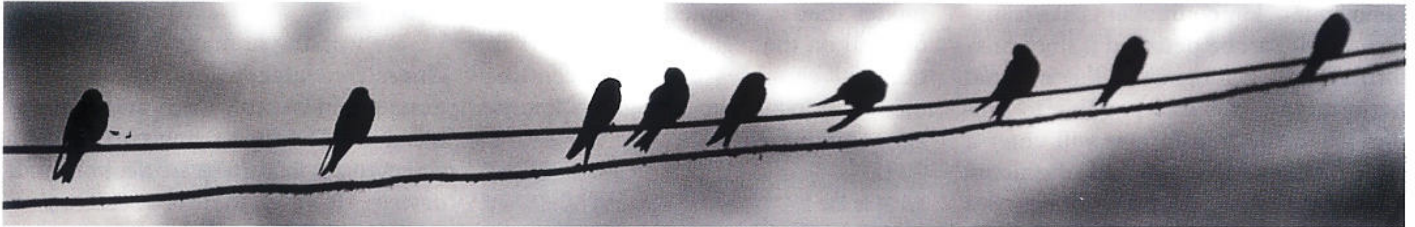


FEDCO

Delivering results as a distribution franchisee



Feedback Energy Distribution Company Limited (FEDCO) was incorporated in 2013 as a wholly owned subsidiary of Feedback Infrastructure Private Limited. FEDCO came into being with Feedback Infrastructure securing the distribution franchise contract for four districts under the Central Electricity Supply Utility (CESU) in Odisha. The award of the distribution franchise contract came in the wake of the high aggregate technical and commercial (AT&C) losses, low billing and collection efficiency and poor financial health of utilities in the state. FEDCO has delivered a remarkable performance as a distribution franchisee, significantly improving operational efficiency and strengthening the distribution network. Its success serves as a case study for promoting private sector participation in the distribution segment.

Operations

FEDCO operates as a distribution franchisee in 24 blocks across four divisions of CESU's Bhubaneswar II circle in Odisha. These districts – Puri, Balugaon, Khurda and Nayagarh – have a consumer base of around half a million, covering more than 9,000 sq. km of area. As a distribution franchisee, its scope of work includes supplying power to the existing and future consumers, undertaking commercial activities, performing operations and maintenance of the low tension distribution network, implementing smart grid solutions, and incurring capital expenditure for network strengthening.

With regard to sharing of responsibility and revenue between FEDCO and CESU, the input-based franchise (IBF) with incremental revenue sharing (IRS) model has been adopted. This has been put into practice where the service area includes both urban and rural populations. CESU shares a part of the incremental revenue generated (over the baseline realisation per unit) with FEDCO. FEDCO undertakes capital investment, but is not responsible for initiating tariff determination and deploying assets. The company has a service contract for five years, which is extendable for another term. During the contract period, the key objectives of FEDCO include lowering AT&C losses to 15 per cent from around 56 per cent; improving metering, billing and revenue collection efficiencies; enhancing the quality of service; minimising current assets on account of arrears and undertaking effective demand side management. In addition, FEDCO is implementing a smart grid solution for energy management and energy efficiency on the additional revenue sharing

build-operate-transfer model.

Operational performance

In the past four years, FEDCO has managed to achieve a turnaround in its distribution areas in terms of operational performance. On the energy input front, in 2015-16, FEDCO's input stood at 1,379 MUs, an increase of 14.53 per cent over that in 2013-14. Meanwhile, with regard to AT&C losses, between 2013-14 and 2016-17, FEDCO has managed to lower the loss level by around 21 per cent, despite increase in the energy input and consumer base. Notably, among the three distribution franchise contracts for 14 districts under CESU awarded in 2013, FEDCO has registered the maximum reduction in AT&C losses in the past four years. The other two franchisees, with a similar rural-urban population mix, recorded loss reduction of 11 per cent and 4 per cent respectively. In 2015-16, FEDCO's AT&C losses stood at around 37 per cent. Meanwhile, its collection efficiency stood at 95 per cent and accurate metering was record-

FEDCO's operational and financial performance

Division	2013-14		2014-15		2015-16		2016-17	
	Energy input (MUs)	AT&C losses (per cent)	Energy input (MUs)	AT&C losses (per cent)	Energy input (MUs)	AT&C losses (per cent)	Energy input (MUs)	AT&C losses (per cent)
Puri	358	60	387	54	422	50	430	45
Nayagarh	204	51	209	45	214	38	215	30
Khurda	460	46	489	44	554	36	579	32
Balugaon	182	57	183	49	189	47	189	39
Total	1,204		1,268		1,379		1,413	

Source: FEDCO

“Focus on automation”

Views of Devtosh Chaturvedi, Managing Director, FEDCO

What have been some of the innovative practices and technologies introduced by FEDCO to improve its operational performance?

FEDCO focuses on serving its customers in the best possible way. In order to do that, we have a 24x7 customer call centre that is the single source of recording all complaints. One person at the call centre is dedicated to follow up with complainants, to check if their complaints have been addressed.



FEDCO has visualised, integrated, developed, implemented and managed its own enterprise-wide resource management and customer relationship management software. Other technologies deployed by FEDCO focus on the automation of activities by minimising human interaction. Installation of global positioning system tracking rapid maintenance services, undertaking IR-based meter reading, monitoring collection on a daily basis and setting up an online module for counter collection are a few examples. In an attempt to make operations more accurate and efficient, FEDCO has also introduced electronic receipts and photo-based reading. Further, the company also ensures the timely resolution of billing disputes. Customer satisfaction is at the centre of FEDCO's operations and it has made significant efforts to empower customers by providing them easy access to information. We also encourage the participation of stakeholders, local administration and social groups.

What are the key challenges faced by the company? What steps are being taken to address these?

One of the biggest challenges faced by FEDCO was getting initial support of customers. In return, we have delivered reliable customer service and maintained transparent operations. Other significant challenges faced by the company include monitoring field-level activities in terms of quantity, quality, timeliness, fudging/collusion, and timely transfer of data. In order to address these, the company has deployed GPRS and infrared-enabled spot billing machines (SPM). These machines, apart from spot billing, are being used for collecting payments and generating electronic receipts. SPMs are integrated with ENSERV, which allows data trans-

mission to the server over the data network of telecom operators on a real-time basis for monitoring purposes.

What is your view on the current state of the power distribution segment in India?

There are several schemes propelling the power distribution segment in India such as the Ujwal Discom Assurance Yojana (UDAY) and Deendayal Upadhyaya Gram Jyoti Yojana.

A year after the roll-out of UDAY, which focuses on improving both operational and financial efficiencies, the challenge is to bring about improvements at the ground-level in billing, metering and collection efficiency in order to make electricity distribution companies efficient and profitable in their current operations.

What steps need to be taken to promote the uptake of the distribution franchise model?

The Electricity Act, 2003 has included several provisions, including the distribution franchise model, to bring in transparency and competition in the power distribution segment as well as to encourage private participation. This is an option apart from the licensee model, which is in Delhi and Mumbai. However, the distribution franchise model has to change depending on each state. While it might work in some states, in others, other appropriate models of public-private partnership can be implemented. However, a few challenges still exist, which hinder the success of the distribution franchise model on a large scale. It is essential to address problems such as inadequate profit margins, inflexibility of operations and unattractive bid structures. Additionally, for the smooth working of this model, it is imperative that the distribution franchise model is workable and beneficial for all stakeholders including the licensee and the franchisee. Tweaking this model by reducing the capital expenditure required to be undertaken, franchisees will bring in more competition from private players who could then focus on customer care and technological capabilities, while the capex could be paid through various government schemes.

ed up to 86 per cent in 2015-16.

Financial performance

FEDCO has witnessed significant improvement in revenue collection in its distribution area. Between 2013-14 and 2016-17, the company's revenue grew at a compound annual growth rate of 34.36 per cent to reach Rs 4,802.2 million. On a year-on-year basis, in 2016-17, its total revenue grew at 7.73 per cent. Meanwhile, its net profit grew at

10.20 per cent to reach Rs 91.8 million.

Conclusion

FEDCO has managed to deliver results in a four-year period, despite the short duration of the IBF-IRS distribution franchise model being considered a challenge for delivering an operational turnaround. The company's mantra since it began operations in Odisha has been integrating people, processes and technology, through which it has managed to

yield the desired outcome. Following its success in Odisha, FEDCO has now partnered with Madhya Pradesh's discoms to improve the quality of services in five divisions - Shivpuri, Katni, Dewas, Indore rural and Jabalpur rural.

FEDCO's success offers hope for reviving the power distribution segment with private participation through the distribution franchise model. ■

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