

NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED



Background

The Northern Power Distribution Company of Telangana Limited (TSNPDC), erstwhile APNPDCL (Andhra Pradesh Northern Power Distribution Company Limited) was incorporated under the Companies Act, 1956 as a Public Limited Company on March 30, 2000 to carry out electricity distribution business as part of the unbundling of erstwhile Andhra Pradesh State Electricity Board. Consequent on enactment of Andhra Pradesh (AP) Reorganization Bill, 2014, the name of the Company has been changed to Northern Power Distribution Company of Telangana Limited with effect from June 02, 2014. The company provides electricity to Mancherial, Nirmal, Kumram Bheem, Kamareddy, Peddapalli, Jagtial, Rajanna, Warangal Urban, Warangal Rural, Mahabubnagar, Prof Jayashankar, Jangaon, Bhadradi, Karminagar, Khammam, Nizamabad and Adilabad districts.

Key Strengths

- Satisfactory billing efficiency of around 91% and cost efficiency parameters in term of O&M/admin
- Satisfactory power purchase planning with over 91% of power being purchased through Long Term Power Purchase Agreements

Key Concerns

- Deterioration in AT&C loss to 34.49% in FY 2020 as compared to 26.66% in FY 2019
- High power purchase cost at ₹ 5.26 per unit in FY 2020
- Non-filing of tariff petition for FY 2021 and FY 2022 within the stipulated timelines
- Low cost coverage ratio (0.66x for FY 2020) owing to high power purchase costs and non-receipt of subsidy
- No automatic pass through of fuel cost
- High collection and payable days at 273 days and 393 days respectively in FY 2020

Key Actionables

- Reduction in AT&C loss level and improvement in collection efficiency
- Timely receipt of subsidy due from the State Government
- Timely filing of Tariff petition
- Reduction in receivable and payable days
- Cost coverage to be improved through suitable tariff revision and rationalization of costs

Section IV Key Findings

KEY FINDINGS

- The average Cost Coverage has improved to 0.87x during the ninth rating exercise as compared to 0.86x in the eighth rating exercise. Nine discoms were the strong performers on cost coverages ($\geq 1.0x$), which include Hubli Electricity Supply Company Limited (HESCOM), two Haryana discoms, three Gujarat discoms (UGVCL, MGVCL, and PGVCL), and one discom each of Chhattisgarh, Himachal Pradesh, and Assam.
- Overall, 16 power distribution entities (out of a total of 41) have shown improvement in their cost coverage ratios. Out of these, 6 discoms have shown improvement of more than 10% in their cost coverage ratio. Cost coverage ratio for 20 discoms remained low ($< 0.90x$) due to higher expenses and non-cost reflective tariffs (PY: 23 out of 41 discoms rated). Out of the 22 discoms reporting decline in cost coverage ratio, 4 have shown a decline of more than 10%.
- Average Aggregate Technical & Commercial (AT&C) loss level of rated discoms has improved to 21.16% in FY 2020 as compared to 21.85% in FY 2019. 20 of the rated power distribution entities have shown an improvement in their AT&C loss levels during FY 2020 (19 in the previous year). Nine utilities have reported AT&C loss levels within 15% as compared to eight utilities in FY 2019.
- Fifteen utilities have been able to achieve more than 10% reduction in AT&C loss parameter which are Eastern Power Distribution Company of AP Limited (APEPDCL), Uttar Gujarat Vij Company Limited (UGVCL), Southern Power Distribution Company of AP Limited (APSPDCL), Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO), Hubli Electricity Supply Company Limited (HESCOM), Mangalore Electricity Company Limited (MESCOM), Gulbarga Electric Supply Company Limited (GESCOM), Paschimanchal Vidyut Vitran Nigam Limited (PaVVNL), West Bengal State Electricity Distribution Company Limited (WBSEDCL), Manipur State Power Distribution Company Limited (MSPDCL), MP Pashchim Kshetra Vidyut Vitaran Company Limited (MPPaKVVCL), MP Poorv Kshetra Vidyut Vitaran Company Limited (MPPoKVVCL), Madhyanchal Vidyut Vitran Nigam Limited (MVVNL), Purvanchal Vidyut Vitran Nigam Limited (PuVVNL), and MP Madhya Kshetra Vidyut Vitran Company Limited (MPMaKVVCL)
- Eleven discoms including Madhya Gujarat Vij Company Limited (MGVCL), Kerala State Electricity Board Ltd (KSEBL), Punjab State Power Corporation Limited (PSPCL), Telangana State Southern Power Distribution Company (TSSPDCL), Bangalore Electricity Supply Company Limited (BESCOM), Maharashtra State Electricity Distribution Company Limited (MSEDCL), Uttarakhand Power Corporation Limited (UPCL), Assam Power Distribution Company Limited (APDCL), Northern Power Distribution Company of Telangana Ltd (TSNPDCL), Jharkhand Bijli Vitran Nigam Ltd (JBVNL), South Bihar Power Distribution Company Limited (SBPDCL) have shown deterioration of more than 10% in AT&C loss parameter.
- In terms of Interest Coverage Ratio (ICR), there are twenty-nine utilities who have exhibited positive ICR in FY 2020. All the Gujarat discoms have exhibited ICR of over 5.0x, while there are seven discoms whose ICR is over 2.0x, including Assam Power Distribution Company Limited (APDCL), MP Pashchim Kshetra Vidyut Vitaran Company Limited (MPPaKVVCL), Mangalore

Electricity Company Limited (MESCOM), West Bengal State Electricity Distribution Company Limited (WBSEDCL), Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL), Jaipur Vidyut Vitran Nigam Limited (JVVNL), and Bangalore Electricity Supply Company Limited (BESCOM).

- Sixteen discoms have positive Debt to Net Worth ratio (D:E), out of which ten have D:E of less than 2.0x indicating sound support from the state governments. Out of those ten discoms, Gujarat discoms have the minimum D:E ratio and the other discoms include Bihar discoms, Punjab State Power Corporation Limited (PSPCL), Mangalore Electricity Company Limited (MESCOM), Maharashtra State Electricity Distribution Company Limited (MSEDCL), and Tripura State Electricity Corporation Limited (TSECL).
- In terms of regulatory environment, tariff order for FY 2021 has been issued for thirty-six discoms, while the same has not been issued for five discoms including Rajasthan discoms, WBSEDCL, and TANGEDCO. Tariff petition for FY 2022 has been filed by twenty-seven discoms, while fourteen discoms are yet to file the petition including discoms of Telangana, Rajasthan, Uttar Pradesh, MSPDCL, KSEBL, TSECL, and TANGEDCO.
- In terms of availability of audited accounts, 35 discoms have submitted audited annual accounts, while six discoms have submitted provisional accounts.
- Regulatory clarity gradually appearing in the state power sector with SERCs in place across all 22 states covered.
- Finally, most of the utilities have shown greater cooperation in terms of submission of information and facilitating meetings and discussions.

Appendix
**Integrated Rating Methodology for State Power
Distribution Utilities**

Appendix - Integrated Rating Methodology for State Power Distribution Utilities

1. Background

Distribution function is a crucial link in the electricity chain as it provides the last mile connectivity in the Electricity Sector. With most of the country's distribution business coming under the state distribution sector, achieving improvements in the financial and operational performance of the State Power Distribution Utilities is of paramount importance for the robust overall development of the Indian power sector.

2. Introduction

Ministry of Power initiated action for development of an Integrated Rating Methodology covering the State Power Distribution Utilities keeping in view the poor financial health of the State Distribution Utilities due to multifarious factors.

The objective of the integrated rating is to rate all utilities in power distribution sector on the basis of their performance and their ability to sustain the performance level. The methodology adopted attempts to objectively adjudge the performance of state distribution utilities against various parameters broadly classified under i) Operational & Reform parameters ii) External Parameters and iii) Financial parameters. The evaluation of certain parameters would cover current levels of performance as well as relative improvement from year to year. The operational and reform parameters viz. AT&C Losses, Efficiency of Power Purchase cost, RPO compliance, etc. carry weightage of 43% and the financial parameters viz. cost coverage ratio, payables, receivables, timely submission of audited accounts, etc. carry weightage of 42%. External parameters relating to regulatory environment, State Govt. subsidy support, etc. have been assigned weightage of 15%.

The methodology provides for assigning negative marks for non-compliance on such parameters viz. unavailability of audited accounts, non-formation of State Transmission Utility, non-filing of tariff petition, etc. The negative marks for such parameters give necessary depth to rating methodology.

The rating of all state power distribution utilities will be carried out by the credit rating agencies appointed by Ministry of Power. However state power departments & private sector utilities would not be covered under the rating mechanism.