

The Importance of Billing and Collection in Discom Functioning

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An annual publication by the Power Finance Corporation (PFC), on the state of public electricity utilities, indicates that the aggregate technical and commercial losses (AT&C) losses for distribution companies (discoms) in Uttar Pradesh have remained well above the all India average for over a decade. The AT&C losses, viz. the amount of electricity injected into the distribution network but not paid for, is essentially a metric representing the discoms' metering, billing and collection inefficiencies and level of electricity theft in the system. Related reports that rate discoms, highlight that four out of five UP state utilities had AT&C losses in the range of ~27-52% in FY 2016-17. Even if one were to try and ascertain how AT&C losses have improved with dedicated interventions, it is not easy. There is dissonance in data available on various sources, such as the UDAY portal, National Power Portal, submissions by discoms to State Electricity Regulatory Commission (SERC) and PFC reports. The comprehensive report that PFC publishes, is not available beyond 2015-16, despite tall claims being made of drastic improvements in AT&C losses across the board. Notwithstanding the lack of updated data, one message is clear from the reports - loss reduction for each of these utilities lies in improvement in billing and collection efficiency.



A RECENT STUDY TITLED 'ELECTRICITY CONSUMERS AND COMPLIANCE: TRUST, RECIPROCITY AND SOCIO-ECONOMIC DRIVERS IN UTTAR PRADESH', PUBLISHED BY THE COUNCIL ON ENERGY, ENVIRONMENT AND WATER ATTEMPTS TO ADDRESS SOME OF THE ISSUES.

While, ascertaining why billing and collection efficiency is low, we find that often losses are blamed on electricity theft – a broad umbrella term that encompasses a range of activities. Electricity theft and billing and collection efficiency are important to unpack. There is little evidence of the extent of electricity theft (as defined under Section 135 of Electricity Act) or due to the inefficiencies in metering, billing and collection related

practices. A recent study titled 'Electricity Consumers and Compliance: Trust, Reciprocity and Socio-economic Drivers in Uttar Pradesh', published by the Council on Energy, Environment and Water attempts to address some of the issues.

The study distinguishes 'soft theft' from 'hard theft', where the former has been conceptualised as discom losses accruing due to inefficiencies in metering, billing and collection practices. Such inefficiencies do not qualify as electricity-theft, but result in similar financial outcomes as those of the hard theft.

The study, based on a survey of 1800 households in rural and urban UP, presents a grim picture of the metering, billing and collection efficiency in the state. It brings out that only 39% of households in the state are metered, billed and pay their electricity bills. Besides, only 45% of rural and 90% urban households are metered. This is contrary to the affidavit submitted by the state discoms to the SERC which states that there are no unmetered connections in urban areas.

It was no surprise that 77% of metered-rural and 40 percent of metered-urban households do not even trust their electricity bills to be based on their meter reading.

However, the silver lining for the sector is that households in urban and rural areas, that are billed frequently also make timely payments in full. A mis-

sion mode approach to have universal coverage of meters and monthly billing process will truly signal a watershed moment for the sector.

Again, instead of focusing on this aspect of soft theft, discoms tend to make the issue an insurmountable one by narrowly focusing on the issue of hard theft happening in specific pockets which enjoy political patronage and is indeed a tough challenge. In all the frenzy over illegal consumption and tracking down thieves, we miss the fact that millions of consumers have become indifferent to the financial health of the discom and barely understand that regular billing and collection is important to their own sustained supply.

In subsequent issues of the magazine, it'll be discussed how discom losses ultimately affect the consumers directly and result in a vicious cycle of non-payment and poor supply and ultimately the need for a drastic interventions such as bailouts, which are nothing but a palliative being offered to the untreatable cancer that has spread underneath – unaccountable functioning and the use of the electricity sector to further political ambitions.

The onus of demanding accountability for appropriate data-management, utilisation of discom finances and tax-payers money lies with us. The certain alternative otherwise is to live with an idea of 'Ignorance is bliss'.