3. REFORMS IN GUJARAT – A PIONEER IN ELECTRICITY REFORMS

Gujarat is one the most industrialized States of India. It is also one of the richer States of the country. Per capita consumption of electricity of Gujarat is also double of that of the average for India**.** The State Electricity Board (GEB) of Gujarat is one of the better performers as compared to other State Electricity Boards. In spite of these achievements, the State has been facing severe shortage of electricity, faced financial crunch and has high level of subsidies. For these reasons, the State has initiated the Power Sector Reforms.

With the growth of private sector capacity, different ownership structures have emerged. One such structure is that of Gujarat Industries Power Company Ltd. (GIPCL), which GEB and a consortium of companies have jointly set up as a cooperative. Gujarat Industries Power Company Limited (GIPCL) follows a cooperative structure and has been incorporated as a joint sector company to supply electricity to its promoting group of companies, which include GEB, Gujarat State Fertilizers & Chemicals Ltd., Gujarat Alkalies & Chemicals Limited, and Petrofils Cooperative Limited. The promoting group holds a share of 68 percent. Further the GEB set-up its own subsidiary company called Gujarat State Electricity Corporation Limited (GSECL) for Generation activities, Gujarat Energy Transmission Corporation Limited (GETCO) for Transmission activities, even prior to the legislation on Reforms.

The enactment of the Electricity Regulatory Commission Act (ERC), 1998 led to the setting up of the State Electricity Regulatory Commissions, which took over the power of deciding the tariff. The Gujarat Electricity Regulatory Commission (GERC) was set up in 1999 by the Government of Gujarat as an independent and autonomous body to set the tariff and create an environment for dynamic and equitable growth of the electricity sector in the State. Gujarat has achieved a high degree of rural electrification and made electricity available to almost all people in the State. Due to rapid industrialization, the per capita consumption of power has grown at a rate much faster than the national average.

The acceptance of the Gujarat Electricity Industry (Reorganization and Regulation) Bill, 2003 by the State Assembly of Gujarat was the first step forward towards unbundling, making Gujarat the first State to unbundle the SEB after enactment of Electricity Act 2003.

Reformation of erstwhile Gujarat Electricity Board has become a feather in the cap of “Panchaamrit” i.e. Gyan Sakti (Education), Raksha Sakti (Defence), Jal Sakti (Water resources), Urja Sakti (Electricity) and Jan Sakti (Community development), envisaged by Hon. Chief Minister Narendra Modi in order to put Gujarat on the higher trajectory of growth and development.

Although power reforms in general, and reform of Electricity Board in particular, was quite critical due to changes in global scenario, it was required to have a mammoth political will where no petition, no pleas, no recommendation and no favour had to be applied. Such political will in turn required tremendous support from the leader and valuable cooperation of the steel frame of bureaucracy. Gujarat Government with its political will, its execution style, and its rock solid determination has transformed a complete dump entity into highly active organization with the hope of great future progress.

The State announced its intention of unbundling GEB into separate Generation, Transmission, and Distribution companies by the end of September 2003. Electricity Generation has been entrusted with the already existing company - Gujarat State Electricity Corporation Limited (GSECL). GSECL is a wholly owned subsidiary of GEB. Initially, GSECL managed two units of GEB, namely Unit 7 of Wanakbori Thermal Power Station and Unit 5 of Gandhinagar Thermal Power Station. Gujarat Energy Transmission Corporation (GETCO) has taken up the responsibility of electricity Transmission in the State of Gujarat. The Distribution network in the State has been split up among four Distribution companies, which have been catering to the northern, central, southern, and western parts of the State respectively. However, unlike some other States, all these companies are structured as subsidiaries of GEB for better coordination. Further the residual company has been incorporated as Gujarat Urja Vikas Nigam Limited (GUVNL) to do the trading and be the holding company of all subsidiaries of erstwhile GEB.

The Reforms have improved the Power Sector of Gujarat to a considerable extent. Still there are scopes of improvement. The State policies are working towards that. The introduction of the Electricity Act, 2003 has facilitated the reform process further.

3.1 The restructuring of Gujarat Electricity Board.

The Gujarat Electricity Board (GEB) was constituted under Section-5 of the Electricity Supply Act-1948 to perform the functions of Generation, Transmission & Distribution of Electricity. The GEB has since put Gujarat in the top list of industrialised States in India. The GEB by virtue of its constitution became a natural monopoly, supplying electricity to the remotest corner of the State. The successive 5 year plans helped GEB in developing the electricity infrastructure to cater to the growing demands of industry, agriculture and other sectors of the State economy. The growth of Generation, the Transmission and Distribution network in the State of Gujarat is mentioned below.

Table: 3.1

Generation Installed Capacity (in MW)	
Year	**MW**
1960-61	
1973-74	713
1991-92	4088
1996-97	4420
2001-02	4507
2002-03	4333
2003-04	4333
2004-05	4333

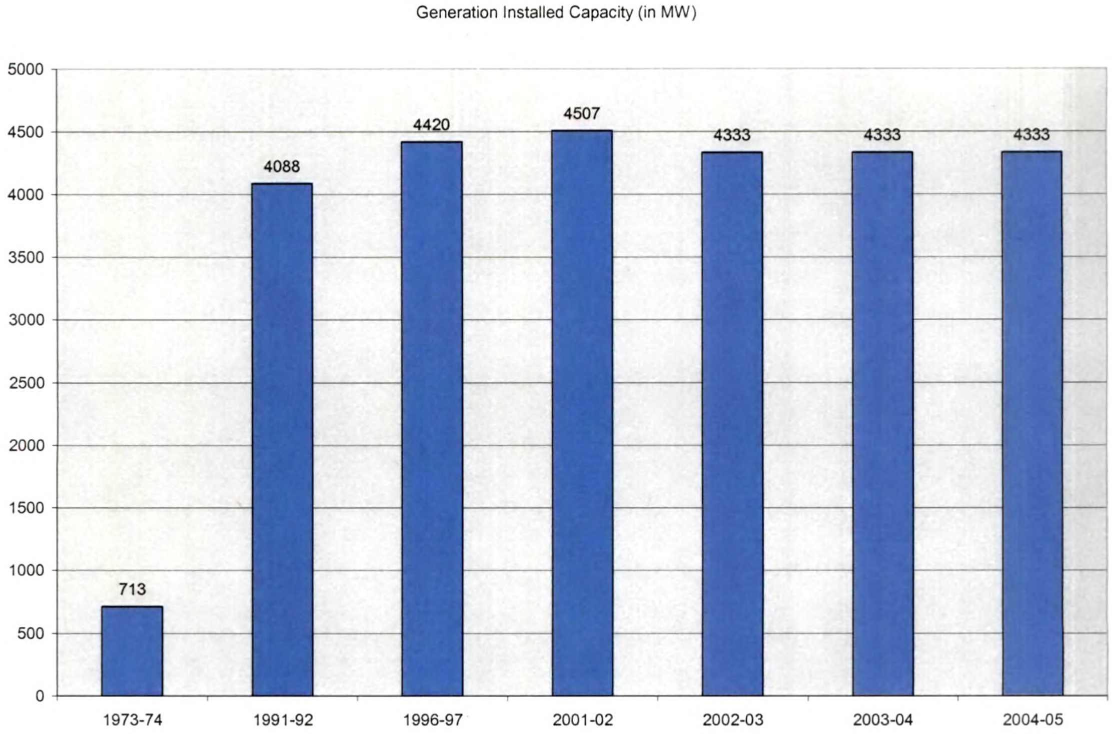


Table: 3.2

Transmission Lines in Circuit Kilometers (CKM)				
Year	66 KV Transmission Lines	132 KV Transmission Lines	220 KV Transmission Lines	400 KV Transmission Lines
1960-61	774	782	760	
1973-74	3964	2585	1292	
1991-92	9844	4028	8256	776
1996-97	12198	4203	8441	1358
2001-02	14507	4414	10177	1764
2002-03	14950	4463	10390	1764
2003-04	19422	4542	10940	1776
2004-05	19896	4550	11057	1776

Transmission Lines in Circuit KMs

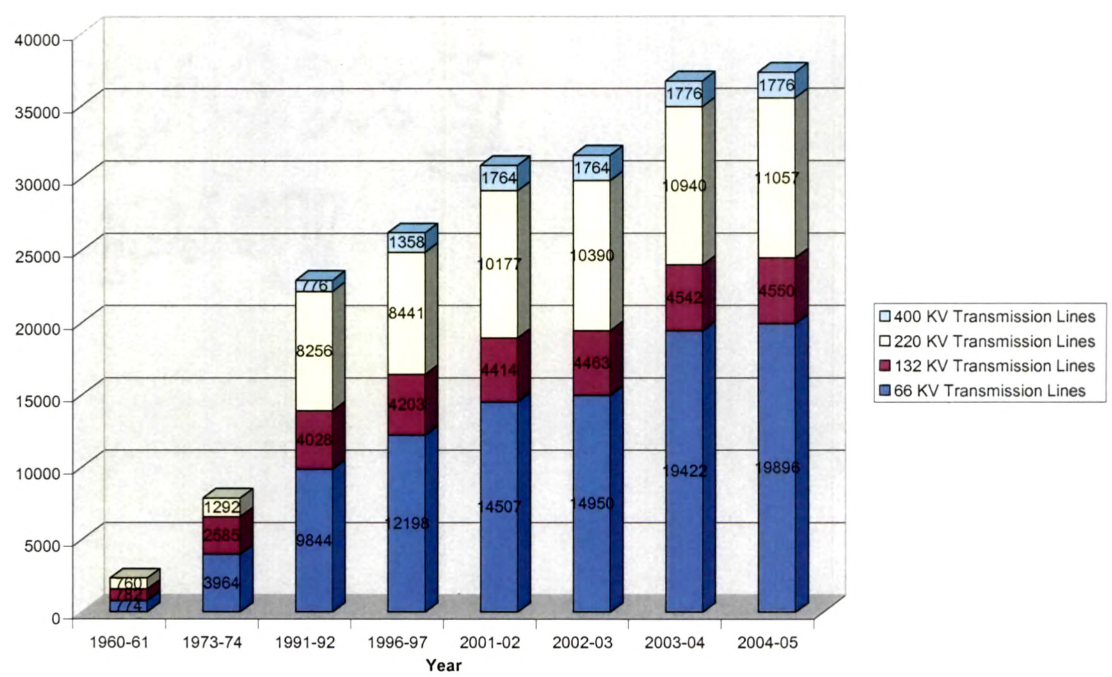
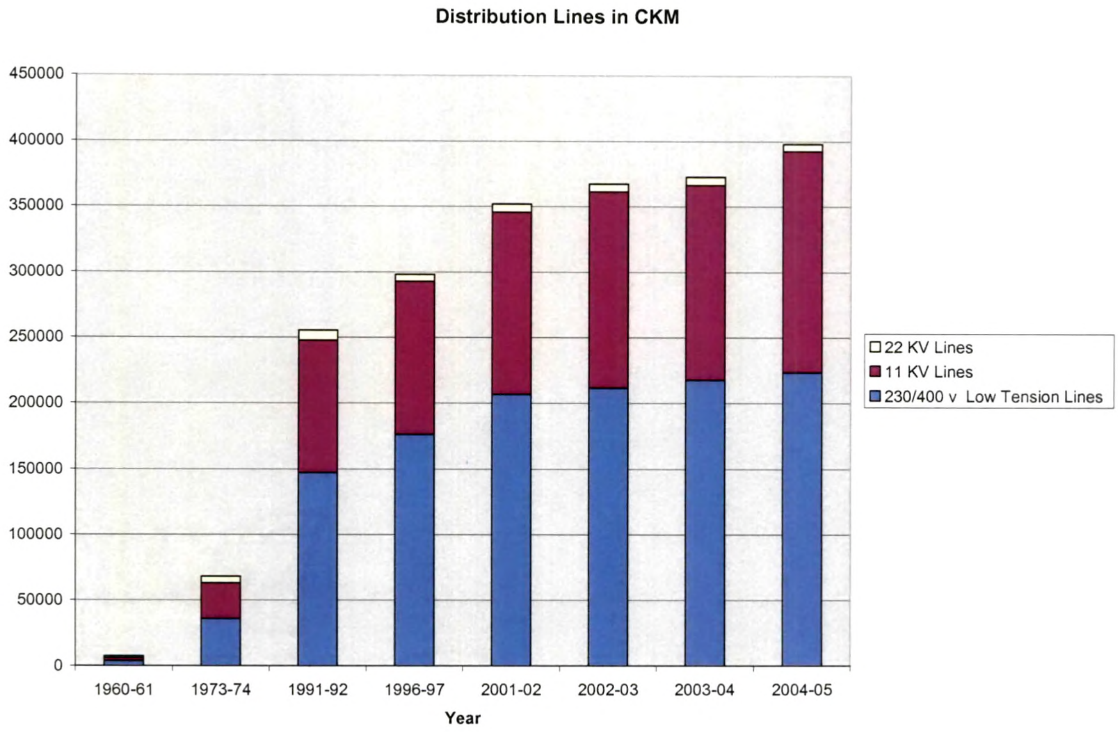


Table: 3.3

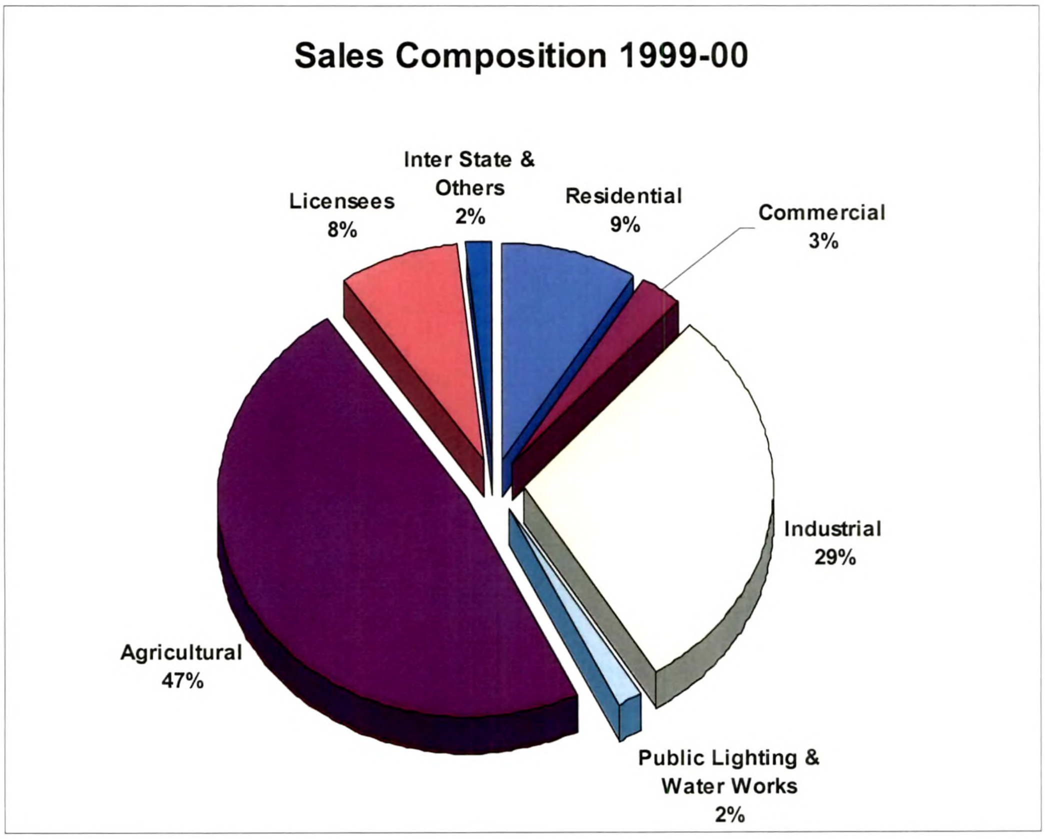
Distribution Lines in Circuit Kilometers (CKM)			
Year	**230/400 V Low Tension Lines**	**11 KV Lines**	**22 KV Lines**
1960-61	3802	2263	1413
1973-74	35960	26803	5263
1991-92	147304	100391	7650
1996-97	176308	116290	5497
2001-02	206544	139107	6266
2002-03	211655	149504	6130
2003-04	217745	148423	6332
2004-05	223395	168733	5706



While there has been growth and development of infrastructure, the same did not keep pace with the demand of electricity in the State. The supply demand gap increased due to non availability of resources to invest in Generation, Transmission and Distribution networks.

3.2 The Reasons For Unbundling

The Gujarat Electricity Board is no exception to the national phenomena of increasing losses owing to various reasons within and beyond its control. In fact, the GEB posted positive financial surplus as required under the Electricity Supply Act-1948 upto the year 1997-98. This was possible with the help of the State Government which provided subsidies and subventions to allow the GEB to earn a 3% return on capital employed as stipulated in the Electricity Supply Act. With the introduction of horse power based tariff to agricultural consumers in the year 1985-86 and removal of meters from the agricultural premises led to a gradual deterioration in financial performance coupled with inefficiencies in the Generation and T&D systems. The heavy cross subsidisation among other consumers led to the consumers seeking captive Generation and increase in theft of power. With no metering in place of agricultural, the agricultural consumptions increased to the huge levels of almost 47% of the total energy sold as shown below.

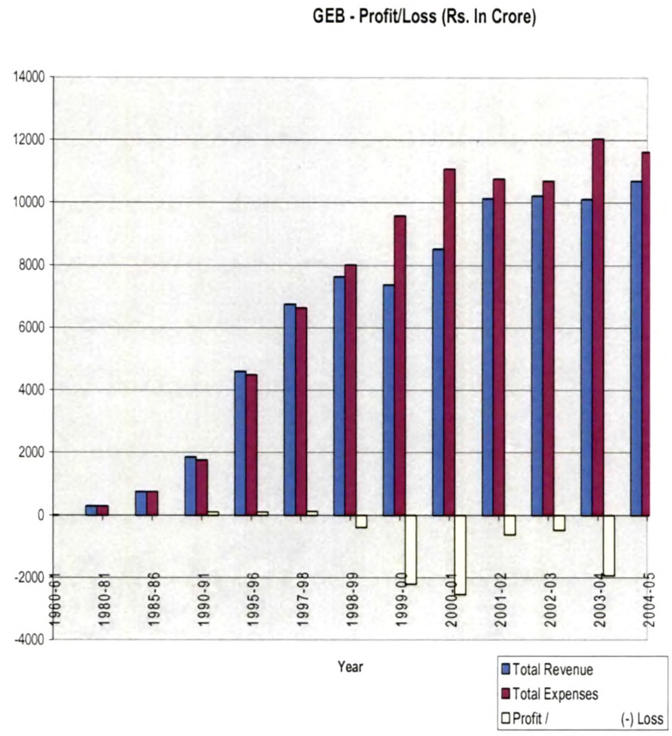


This led to lack of investment in the Power Sector and dependency on the State Government on subsidies and subventions. The electricity tariffs did not also keep pace with the increasing cost, resulting in the deficit being financed by the State Government which led to no tangible increase in neither the Generation capacity nor the Transmission and Distribution systems. In fact the State Government was also unable to fund the GEB requirement in time leading to heavy borrowings from the market with heavy interest rates. This was coupled with purchase of power at high costs through bilateral share from Central sector entities such as NTPC, NPC etc. and Power Purchase Agreements with private sector Generation from GEPC, ESSAR Power, GSEG etc. This led to heavy losses as mentioned below.

Table 3.4

Profit / Loss (Rupees in Crores)

Year	Total Revenue	Total Expenses	Profit / (-) Loss
1960-61	5.50	5.80	-0.30
1980-81	285.32	285.32	0.00
1985-86	746.44	748.13	-1.69
1990-91	1853.48	1753.20	100.28
1995-96	4592.02	4484.02	108.00
1997-98	6747.82	6628.34	119.48
1998-99	7625.60	8009.07	-383.47
1999-00	7369.69	9578.27	-2208.58
2000-01	8517.27	11060.25	-2542.98
2001-02	10129.18	10751.21	-622.03
2002-03	10211.79	10687.60	-475.81
2003-04	10104.21	12036.01	-1931.80
2004-05	10677.57	11604.63	-927.06



Year	Profit/Loss
1960-61	-0.3
1980-81	0
1985-86	-1.69
1990-91	100.28
1995-96	108
1997-98	119.48
1998-99	-383.47
1999-00	-2208.58
2000-01	-2542.98
2001-02	-622.03
2002-03	-475.81
2003-04	-1931.8
2004-05	-927.06

There are several reasons for urgent reforms mainly in the structure of organization, in overall working style and in the efficiency of GEB. These reasons are

1. Lack of efficiency in Generation of electricity
2. Higher Transmission losses
3. Ineffective performance in Distribution of energy
4. Political interference in internal functioning of the Board
5. Power sector reforms drive in India

In view of little investment coming form Government for investments in the Infrastructure for Transmission & Distribution areas, it became necessary for the State Government as well as the GEB to look to financing from foreign sources such as the Asian Development Bank (ADB).

3.3 Asian Development Bank Intervention:

The Asian Development Bank (ADB) which showed interest in funding the State Government as well as the GEB for capital investment in Transmission and Distribution systems put heavy conditionalities before the release of both the programme loan of $ 150 million and $300 million for project loan covering the above areas. The ADB stipulated fiscal discipline in the State Government and pegged the agricultural subsidy at Rs.1100 crores and suggested doing away with the subvention. This led to the GEB recognising the resultant losses in the books of accounts which started increasing over the years for the reasons mentioned above. The ADB also suggested an unconventional adjustment of the State Government loans of about Rs.4000 crores with that of outstanding subsidies receivable from the Government. While this helped the Government in cleaning up its balance sheet, it in no way helped GEB to tide over its liquidity / cash requirements. In fact GEB could not pay the Central sector undertakings such as NTPC, NPC, PGCIL and Coal India in time leading to huge outstanding of more than Rs.1628 crores. The only silver lining to mitigate the outstanding payments to CPSUs came by way of the Ahluwalia Committee Report which allowed the State Government to issue tradable public bonds to the CPSUs with the stipulations of providing Letter of Credit (LC) facilities to these institutions. However, this also came at a price to GEB by way of back to back arrangement for interest payment and repayment of the bonds on due dates.

Table: 3.5

CPSU Bonds issued to following Central Sector PSUs	
	Rs. in Crores
NTPC	837.260
PGCIL	70.040
SECL	351.460
NPC	369.952
	1628.712

While the Gujarat Electricity Board had good track record of supplying power without much power cut, the mounting losses, the lack of adequate Generation capacity and system improvement in the T&D sector coupled with increasing T&D losses and theft of power, led the State Government and GEB to look to alternatives to make the sector viable and efficient.

While the erstwhile GEB had made significant progress over the last 45 years in terms of extending the electricity network to all corners of the State and supplying power to all categories of consumers, the Board had incurred huge losses due to various circumstances some beyond its control. Such loss levels were unsustainable and it was imperative that reforms be undertaken to arrest the deterioration in the financial position. Further the quality levels of power supply and customer orientation were required to be substantially improved.

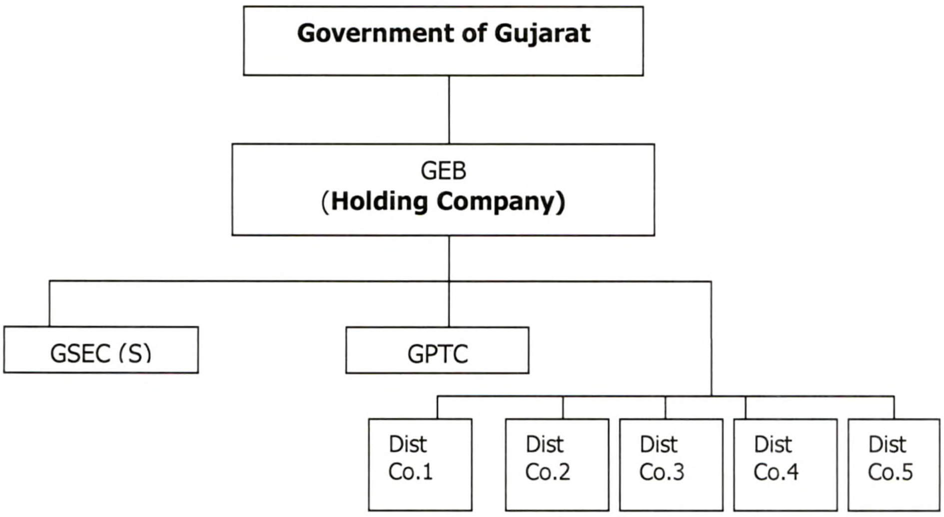
3.4 The process of unbundling

Gujarat has always been proactive and reformist in approach. With the opening up of the economy to the private sector especially in the electricity Generation, many players such as GPEC, ESSAR Power, came forward to enter into Power Purchase Agreements and supply power to the Electricity Board. Taking advantage of the model PPAs, the Gujarat Electricity Board created its own sister concern known as Gujarat State Electricity Corporation Ltd (GSECL) to ensure adequate investment in the Generation by the State monopoly and retain some of the profits emanating out of such arrangement. The Government also encouraged State undertaking such as Gujarat State Petroleum Corporation Ltd. (GSPCL) to set up generating unit by using the gas produced by GSPC named GSEG (Gujarat State Energy Generation Ltd.) the attempt was to ensure reform within the State sector.

In fact, GEB commissioned the Administrative Staff College of India to undertake a study on the status and structure of reform / restructuring requirements of GEB. The ASCI vide its report dtd. 30th October, 1999, gave the framework of the possible way of unbundling of the GEB. Consequently, they recommended the restructuring of GEB as follows:

The Gujarat Electricity Board will be restructured into:

- One or more Generation Companies
- One Transmission Company
- Five Distribution Companies
- Retain GEB as a holding company



The Restructuring is recommended to be implemented in two phases.

Phase-I

- Incorporation of Transmission Company (GPTC) as subsidiary of GEB
- Conversion of existing zones as cost/profit Centres.
- Transfer of some or all Generation facilities to GSECL
- Financial restructuring of GEB
- Valuation of assets
- Preparation of Opening balance sheets for GSECL and GPTC
- Transfer of assets to GSECL and GPTC
- Transfer of staff

Under Phase-I GEB may continue with some Generation facilities. Additional generating companies may be created even under Phase-I.

It is desirable to get the Electricity Reform Bill passed by the State legislature and get it enacted before Phase-I activities are completed.

Phase-II

- Incorporation of Distribution Companies as subsidiaries of GEB
- Incorporation of additional generating companies as subsidiaries of GEB
- Valuation of assets of generating companies and Distribution companies
- Preparation of opening balance sheets
- Transfer of assets to generating companies and Distribution companies.
- Transfer of staff to generating companies, Transmission company and Distribution companies.

In nut shell, ASCI had recommended the reform and restructuring implementation process as follows:

1. Communication with stakeholders
2. Reform legislation.
3. Establishment of State Electricity Regulatory Commission
4. Incorporation of Transmission company
5. Financial restructuring of GEB
6. Preparation of opening balance sheets
7. Incorporation of additional generating companies and Distribution companies
8. Transfer of assets and
9. Transfer of employees

The report was initially cold shouldered in view of the apprehensions of protest from stakeholders and in absence of any legislative compulsion to restructure the GEB.

However, when the Government of Gujarat ventured into taking the huge exposure to the Asian Development Bank's loan proposition amounting to about $450 million, it become imperative to look at both the fiscal measures and restructuring of the Electricity Board. In fact the ADB insisted on the reform agenda as a part of its conditionalities. The conditionalites stipulated by the ADB included the following:

First Tranche of $50 million

- Setting of the GERC
- Approval of the Bill by the State Cabinet and its submission by the State to the Government for its approval.
- First tariff award by GERC.
- Incorporation and establishment of GSECL and GETCL. Constitution of their Boards of directors, with at least two directors being from non-Governmental sector and who are experts in their related fields.
- Draft action plan for metering all consumers in the State Circulated by GEB to consumers in the State for consultations, in accordance with GERC's order of 10 October 2000.
- Payment by the State of all municipal dues owed to GEB upto 31-03-2000.

- Approval by the State, of the structure, human resources and budget of GERC for the next five years from the date of approval of the Loan by the Bank.

Second Tranche of $50 million

- Transfer of the assets and management of Gandhinagar and Utran Power Stations in the State from GEB to GSECL.
- Offset of subsidy and subvention arrears owed by the State to GEB till 31 march 2000 against dues of the State, and payment of outstanding municipality dues owing to GEB till 31 march, 2001.
- Introduction of the Bill in the State Assembly for its consideration.
- Rationalization and reduction of electricity duty in the State's budget for FY 2002, in an amount not less than Rs. 1500 Million.
- Filling by GEB before the GERC of the action plan to meter all consumers in the State, in a phase manner over a period of three years from 10th October 2000 that is the date of the GERC's order

Third Tranche of $50 million

- Transfer of the Transmission assets from GEB to GETCL.
- Agreement between the State, GEB and the Bank on the Reorganization Plan and solicitation for privatization of at least one identified Distribution area of the GEB, unless contrary of the agreed Reorganization Plan.
- The rules and regulations drafted under the Act laid before the State Assembly and published in the Official Gazette by the State.
- Second tariff submission by GEB to GERC.

- Establishment and operationalization of the GERC under the Act

While initially it was a painful exercise by the Government / GEB to fulfil the conditionalities stipulated above, the implementation of the above conditionalities has had far reaching impact on the sector as a whole. Not only the State Government was able to bring subsidies under control, but it also enabled GEB to get its debt restructured as well as bring about administrative and organisational reforms.

The initial model suggested by the ADB was to privatise the Distribution sector, but it relented later to agree to the process of unbundling as suggested by ASCI with some modifications.

While the GOG and the GEB were considering the proposed restructuring, States such as Orissa, Haryana, Andhra Pradesh, Delhi etc. had already gone ahead with the process of unbundling with varied results. In fact there was a lot of learning out of the experiences of the unbundling of the above State Electricity Boards, resulting in greater insight into the process and learn lessons from the same.

It was also important for the State Government to enact its own legislation as the Central Government has already gone ahead with the comprehensive legislation on electricity completely overhauling the existing legislation such as the Indian Electricity Act-1910, The Electricity Supply Act-1948 and its various amendments. The Central Government proposed a comprehensive legislation to include the opening of the electricity sector to private participation, to institutionalise regulation, to ensure unbundling of SEBs, to curb theft of power and rescind the earlier legislations this regard. It was thus important for the State 'Government to legislate its own comprehensive legislation to cover the processes under its own law and to safeguard the State's stakes in this regard.

Thus The Gujarat Electricity Industry (Regulation and Reorganisation) Act 2003 was passed by the State Legislature in May 2003 ushering in a new era of electricity management in the State. Salient features of the Act included:

1. Establishment and constitution of Gujarat Electricity Regulatory Commission
2. Setting up of powers and functions of the Commission
3. Regulations on tariff
4. Commission powers to pass orders and enforce decisions
5. Commission Powers to constitute the advisory committee, set standards of performance and disclosure of information by licenses.
6. Powers of the State Government to give directions and make rules.
7. To give effect to the existing central legislation
8. Reorganisation of Electricity Industry and its related sections

The passing of the bill was not very smooth and easy owing to the protests of the employees unions/ associations on certain clauses of the Act relating to the transfer scheme post unbundling of the GEB which was felt to be detrimental to the interests of the employees and introduction of privatisation in the sector. However due to deft handling and political farsightedness the issues were solved amicably by suitably amending the clauses of the Act dispelling all the doubts on the privatisation front.

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The Section – 28 to 31 prescribed the mode and method of reorganisation of the Government Electricity Industry i.e. GEB by way of transfer of such functions and duties power and obligations of such undertakings of the GEB or such portion thereof in a manner and on the terms and conditions as the Government may provide the transfer scheme. The State Government shall also by way of notification give effect to the transfer by first vesting it in the State to companies or corporate bodies owned or controlled by the State Government (called first transferee) and further the State Government may after consulting the first transferee published scheme to transfer and vest in any other company or body corporate call second transferee.

This clause was objectionable as this enable the State Government to vest the functions, duties, rights, power, obligations and undertakings of the first transferee to the second transferee who need not be a Government controlled or owned body corporate.

As pointed out above, the Government in its wisdom introduced an additional clause in Section–28, which provided for giving effect to the second transferee only with the prior approval by a Resolution of the State Legislature. This helped in mitigating the doubts raised on privatisation.

The Act also further provided for safeguard of the interest of the personnel affected due to the reorganisation of the GEB by way of assuring that the :

1. Terms and conditions of service in regard to emoluments and monitory benefits shall not in any way be less favourable than those applicable to them immediately after the transfer.

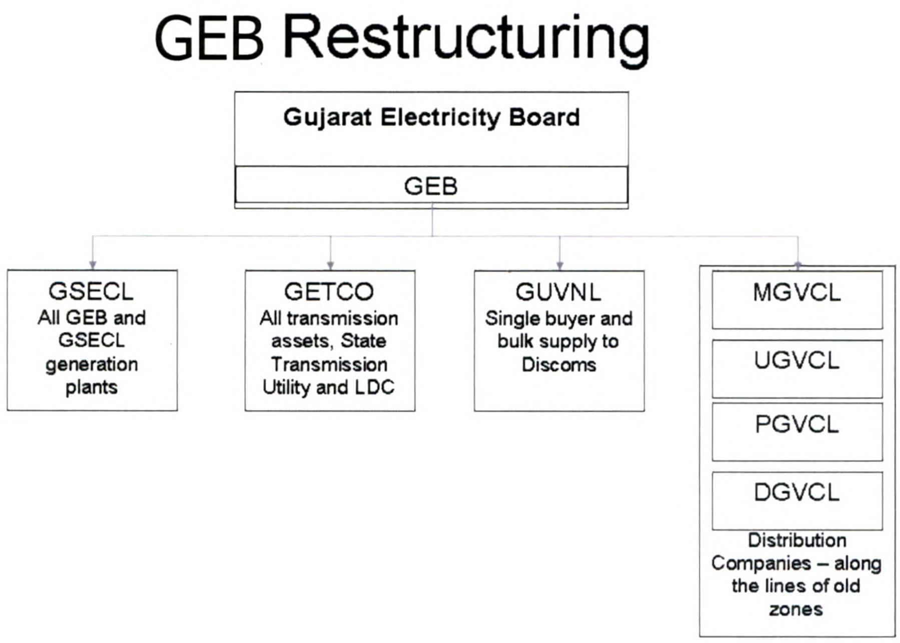
2. That the personnel shall have continuity of service in the first transferee and the second transferee and
3. All the benefits of service accrued before the transfer shall be recognised and appropriately provided for to secure the interest of the personnel.
4. The act provided for a transfer scheme to include the transfer of assets, liabilities, proceedings and personnel to the first or second transferee with all the debts, obligations and contracts shall be binding and deemed to have been incurred by them.

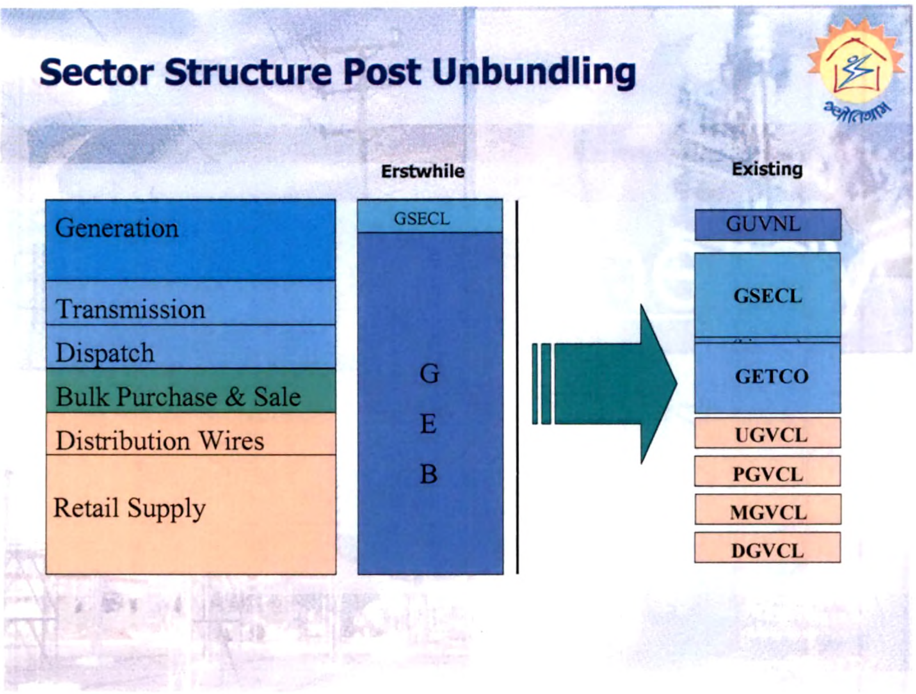
The Gujarat Act thus paved the way for the unbundling of the GEB. It was important though for the Government to identify the right structure keeping in view the experience in other States and the overall interests of the State. In fact Gujarat has always been considered a very progressive State and the electricity requirements well managed. Various models were examined keeping in view the ASCI report and the Asian Development Bank covenants.

It may not be out of place to mention here that the existing GEB was properly organised into appropriate departments such as Generation, Transmission and Distribution. The field units were also well defined into Transmission and Distribution Circles, Divisions and Subdivisions with Zonal set up to cover major regions of central, south, north and western parts of Gujarat covering a total number of 1500 offices including substations.

The Organisational chart of GEB is kept in Annexure – A.

In order to discuss and strategise the unbundling process the Govt of Gujarat constituted a strategy group called high power committee consisting of MOSE (as Chairman) Chief Secretary, Principal Secretary(FD), Principal Secretary(EPD), Chairman (GEB) and other officials of the Board. Detailed discussions were held on the various alternate structures of the Board and based on the overall viability of the unbundled entities, the restructuring was proposed as under:





Thus the unbundling was done keeping in view the existing setup in the erstwhile GEB. The five zonal offices were converted into four Distribution companies to cover major regions of central, south, north and western parts of Gujarat. The two zonal offices with headquarters at Rajkot and Bhavnagar were merged into one Distribution company namely, Paschim Gujarat Vij Company Ltd. It may be worthwhile to mention here that the incorporation of the Distribution companies was done in a record time of fifteen days. The other companies GSECL & GETCO were already in existence at the time of unbundling.

The Gujarat State Electricity Corporation Ltd was set up even before unbundling as a sister concern of GEB in 1993. This arrangement was done to keep pace with the private sector Generation that came up fast in Gujarat post the liberalisation and the opening up of the Generation through the PPA route. This reflected the acumen and foresightedness of the management of GEB as well as the Government to ensure retention of profits in the State sector and investment under the ambit of GEB. The Power Purchase Agreement was entered into with GSECL for the power stations under its control namely, Wanakbori VII and Gandhinagar V of 210 MW each and Utran Gas based Power Station.

Similarly, the Gujarat Energy Transmission Corporation Ltd was set up in 1999 much before the Government order on unbundling as a strategy to carve out Transmission business from GEB to attract investments in this sector. It was also necessary to create a company to undertake the STU (State Transmission Utility) function in the long run which otherwise was being undertaken by the GEB.

The creation of both these companies demonstrates the desire of the Government and the GEB to keep pace with the changing scenario in the country. The Government of Gujarat also set up the Gujarat Electricity Regulatory Commission in 1999 as a part of the statutory requirement under the 1998 amendment to the supply act 1948.

The above unbundling paved the way for focussed and balance development of each of the companies being smaller & manageable units. The reform milestones in nutshell would look like under:

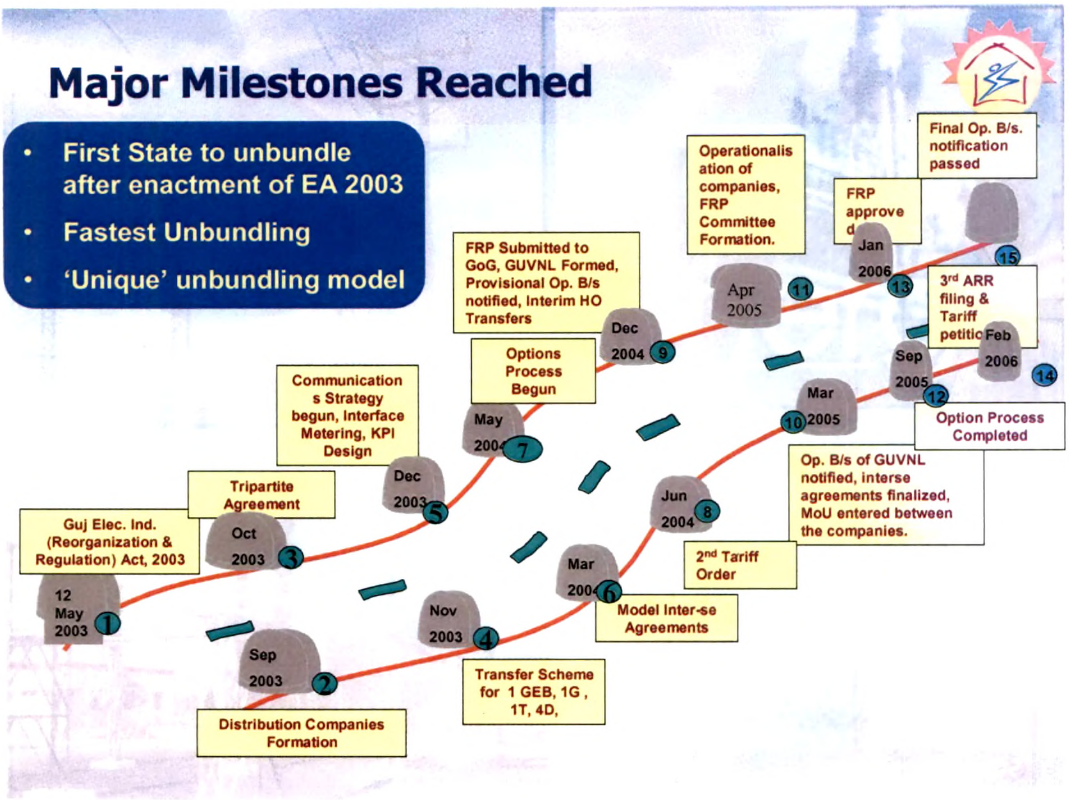
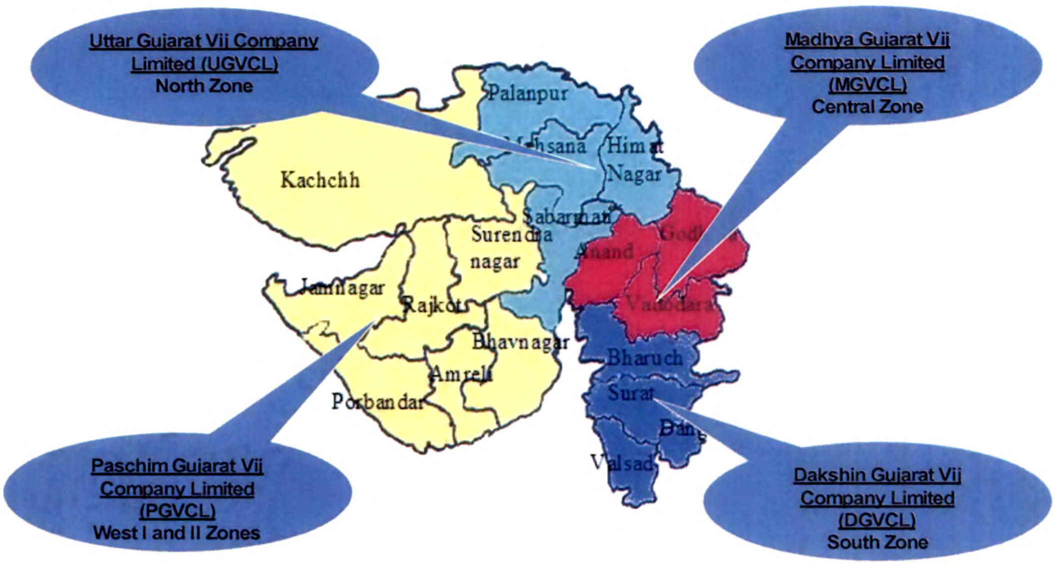


Table: 3.6

Sl. No.	Name of the Company	Function	Date of Incorporation
1.	Gujarat State Electricity Corpn. Ltd	Generation Company	12.08.1993
2.	Gujarat Energy Transmission Corpn. Ltd.	Transmission Company	19.05.1999
3.	Madhya Gujarat Vij Co. Ltd.	Distribution Company covering Central Zone	15.09.2003
4.	Uttar Gujarat Vij Co. Ltd.	Distribution Company covering North Zone	15.09.2003
5.	Dakshin Gujarat Vij Co. Ltd.	Distribution Company covering South Zone	15.09.2003
6.	Paschim Gujarat Vij Co. Ltd.	Distribution Company covering West Zone-I and II	15.09.2003
7.	Gujarat Urja Vikas Nigam Ltd.	Residual GEB and Power Trading Function	22.12.2004



The assets, liabilities, employees and proceedings have been transferred to the above Companies through a comprehensive transfer scheme notified by the GoG. (Annexure – B).

In order to ensure a smooth transition into the unbundled entities of the employees, a Tripartite Agreement was entered into by GEB, Government of Gujarat and the Unions / Associations protecting the rights of the employees. (Annexure – C). The employees were also allocated through an option process wherein the employee was allowed to choose their companies based on certain norms concluded jointly by the Unions/Associations and the management of erstwhile GEB.

The principle objectives of the unbundling of GEB included:

Objectives of reforms

- Unbundled State Electricity Boards into Generation, Transmission and Distribution entities
- Establish autonomous Regulatory Commission (SERC)
- Provide operational, managerial and functional autonomy to successor entities
- Enable entities to operate in a commercially driven, performance oriented environment
- Increase competition through private sector participation
- Phase out Government budgetary assistance gradually

Focus of reforms

- Corporatisation
- Commercialization
- Institutional strengthening
- Strategic business thrust
- Financial restructuring
- Revenue Generation
- Customer service
- Organizational and employee development

3.5 Strategies For Reformations

The key strategies undertaken for improving the performance of erstwhile GEB are:

1. Optimization of power purchase cost
2. Overall improvement in operational efficiency

    a. Structural reforms

- Unbundling of GEB
- Corporatisation of GEB

b. Reforms to reduce AT & C Losses

- Curbing Transmission and Distribution losses

I. Bifurcation of feeders

II. Distribution transformer's review

III. Increase in number of substations

IV. Curbing Power theft

V. Sealing of connections

VI. Provision of Metal Meter Boxes

VII. Grievance redressal through effective appellate procedure

VIII. Optimum use of Information Technology

i. Installation of Geographical Information System

ii. Introduction of Enterprise Resource Planning

3. Significant improvement in Cash collections.

4. Human Resource Management

a. Augmentation in Manpower Efficiency

b. Enhancement and Human assets development

5. Focus on rural electrification by unique scheme "Jyoti Gram"

6. Savings in interest cost by debt restructuring - Financial Restructuring

Financial Restructuring Plan

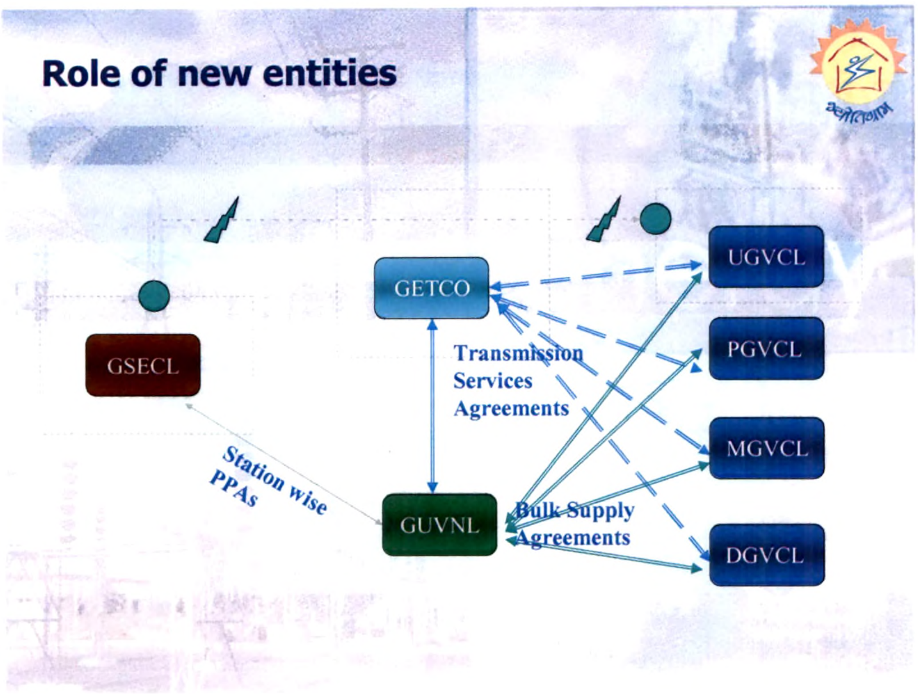
The Financial restructuring Plan (FRP) discussed later in Chapter-V is one of the most critical component of the reform and restructuring exercise. The FRP envisages a detailed road map for all the successor entities for the turn around within a stipulated time period. The major assumptions include aggressive efficiency parameters in the field of Generation, Transmission & Distribution losses, economy in expenditure etc, tariff revisions based on the relative position each category of consumers and capacity to pay with the approval of GERC and the continued support from the Government of Gujarat (GoG) by the way of subsidies and capital infusion. The Opening Balance-sheets of the successor entities were notified by the GoG. The Companies have become fully operational from 01.04.2005 and all the activities are now being conducted in these Companies.

3.6 Inter-se Agreements

Inter-se agreements were entered into between the successor entities maintaining a commercial relationship. The agreements include:

Table: 3.7

Sr No	Agreement	Successor Entities Involved
1.	Bulk Supply Agreements	GUVNL (Trading Company) and Distribution Companies
2.	Transmission Agreement	GETCO (Transmission Company) and GUVNL jointly with Distribution Companies
3.	Power Purchase Agreements	GSECL (Generating Company) and GUVNL



The new industry structure envisages GUVNL as a trading company procuring power from State Generating Companies, Central Generating Companies (CGS) and other sources. All the existing plants of GEB have been transferred to GSECL and hence GSECL has signed a power purchase agreement with GUVNL to sell the power generated by its plants. The power so procured from GSECL, State IPPs, and Central Generating Stations etc will flow through the GETCO's Transmission network and is sold to the Distribution Companies at Bulk Supply Tariff. For sale of this bulk power GUVNL has signed a Bulk Supply Agreement with the Distribution companies. GUVNL jointly with the Distribution companies has also signed a Transmission Agreement with GETCO on the payment terms for Transmission charges and to also delegate the responsibility of installing and maintaining interface metering system. The GETCO is further entrusted the functions of the Load Dispatch for both Inter and Intra State dispatches.

An Apex Co ordination Committee has been constituted to sort out the issues arising out of operational matters and ensuring a common approach in all the Companies.

Process to Reforms

- First Transfer scheme lays down broad scheme of unbundling
  - Assets, liabilities and proceedings transferred
  - 1 Genco, 1 Transco, 4 Discoms, 1 Residual GEB
  - Personnel on “as-is-where-is basis”
- FRP to determine the opening balance sheets and other details for final transfer scheme
- Representation process to finalize HR transfers (Option Scheme)
- Key areas include commercial arrangements, Regulatory, treasury, etc.
- Set up decentralized Delegation of Powers.
- Monitor the key performance indicators of each of the companies