

Performance Award Scheme for Rural Distribution Franchisees (RDFs) (Consideration Year 2010-2011)

1.0 Preamble

The electricity distribution sector has been identified as a key area for the improvement of economy of the whole country. In the 10th plan and beyond it had been decided to provide access to electricity to all the households in the country. This Award scheme is intended to promote, encourage and recognise the efforts of the **RURAL DISTRIBUTION FRANCHISEES (RDFs)** in improving the efficiency of electricity distribution and revenue management in rural areas.

This scheme has been *formulated* in which the awards are proposed to be given every year to three best performing RDFs *in the country* operating in the rural areas on the basis of predefined specific criteria.

2.0 Background

2.1 Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY)

Central Government has launched a scheme "Rajiv Gandhi Grameen Vidyutikaran Yojna of Rural Electricity Infrastructure and Household Electrification" on 4th April, 2005 for the attainment of the National Common Minimum Programme (NCMP) goal for providing access to electricity to all households in the country in five years. RGGVY is being continued in 11th plan (2007-12) also. In order to ensure revenue sustainability of the scheme, maintain the infrastructure being created and to provide uninterrupted quality power, deployment of rural distribution franchisees has been made mandatory under the scheme for management of rural distribution. RDF could be Non-Governmental Organisations (NGOs), Users Association, Cooperative or individual entrepreneurs. The Panchayat institutions will be associated as they have an important role of overseeing in advisory capacity, the delivery of services by the rural distribution franchisees according to their identified responsibilities. The rural distribution franchisees arrangement could be for system beyond and including feeders from sub-station or from and including Distribution Transformer(s).

The State Governments can also consider *assigning* the responsibility of rural distribution franchisees to the Panchayat institutions if these have developed in the State to the extent that they can undertake contractual obligations. Rural distribution Franchisees are appointed following a transparent process on the basis of clearly laid down criteria.

All the States have agreed to deploy rural distribution franchisees for distribution management, which is one of the clause in the Quadripartite/Tripartite Agreements, signed by all the States. REC has circulated rural distribution franchisee guidelines to all the State

Governments/State Power Utilities covering various models of rural distribution franchisees to be selected by respective power utility in line with the decision of concerned State Government. These guidelines also cover the major issues e.g. responsibilities, obligations and rights, qualifications, selection process, tariff determination, business plan of rural distribution franchisees and involvement of Panchayat etc. States can also take help from REC/Power CPSUs in the formulation of the rural distribution franchisee agreement. The rural distribution franchisee should be in position by the time the village is electrified.

2.2 Revenue sustainability

Based on the consumer mix and the prevailing consumer tariff and likely *demand*, the Bulk Supply Tariff (BST) for the rural distribution franchisee would be determined after ensuring commercial viability of the rural distribution franchisee. Wherever feasible, bidding may be attempted for determining the BST. This Bulk Supply Tariff would be fully factored into the submissions of the State Utilities to the State Electricity Regulatory Commissions (SERCs) for their revenue requirements and tariff determination. The State Government under the Electricity Act, 2003 is required to provide the requisite revenue subsidies to the State Utilities if it would like tariff for any category of consumers to be lower *than* the tariff determined by the SERC. While administering the scheme, prior commitments may be taken from the State Government regarding revenue sustainability and providing for subsidy upfront.

3.0. Nature of Award

Three best performing rural distribution franchisees in the country will be awarded every year with shields (Gold, Silver and Bronze *respectively*) in recognition of their performance to improve electricity distribution *in their jurisdiction*.

Their performance would be judged on the basis of the evaluation criteria as laid down in **Annexure-I**. These parameters would be reviewed from time to time based on the progress made by the rural distribution franchisees in respect of improvement of their electricity distribution system and revenue management to make it viable and revenue sustainable. The criteria would be valid till it is modified by *Central Electricity Authority (CEA)*.

4.0 Eligibility

The eligibility criteria are as follows:

- 4.1 Only rural distribution franchisee for the villages which have been declared electrified as per the definition of the village electrification shall qualify for this award scheme.

- 4.2 All the rural distribution franchisees in villages of the country irrespective of whether the villages have been electrified under RGGVY or any other scheme shall be eligible under this award scheme.
- 4.3 Rural distribution franchisees that have provided metered service connections to 80% or more consumers in the consideration year shall be eligible under this scheme.
- 4.4 Rural distribution franchisee *achieving 80% or more revenue* collection of billed amount *in* the consideration year shall be eligible under this scheme.
- 4.5 Rural distribution franchisees that are operating as franchisee for the *complete financial* year (April to next March) shall be eligible under this award scheme.
- 4.6 *Rural distribution franchisees having less than 1000 number of consumers shall not be eligible under this award scheme.*

5.0 Evaluation Criteria

- 5.1 The evaluation criteria has been kept as simple as possible based on the following parameters:

Sl. No.	Particulars	Maximum Marks
1	Type of Activity undertaken by RDF	18
2	<i>Metered</i> service connections (metered connection as percentage of total service connections)	12
3	Revenue Management	70
	Total	100

- 5.2 In case partial data is received from any rural distribution franchisee through their distribution licensee no marks shall be assigned to the parameter for which full data is not received.
- 5.3 *Ministry of Power has suggested that the number of consumers of RDFs should be taken into account in finalizing the awards. Accordingly, the marks awarded for revenue management will be given weightage depending upon the number of consumers of the franchisee while finalizing awards after receipt of data from distribution utilities/SEBs/State Electricity Departments in CEA. A multiplying factor in the range of 0.9 to 1.0 shall be given on pro-rata basis depending upon the number of consumers of the franchisee i.e. the marks for revenue collection shall be multiplied by 0.9, in case, the franchise has minimum number of consumers and would be multiplied by 1 if the franchisee has maximum number of consumers*
- 5.4 These parameters have been further sub-divided into various factors as detailed in **Annexure-I**. The assessment shall be made on the basis of

performance related parameters indicated in evaluation criteria at Annexure-I.

6.0 Data Requirement/Submission and Evaluation

6.1 It shall be responsibility of the appropriate distribution licensees or State Electricity Boards/Electricity Departments to obtain the data from the RDFs in the proforma given at **Annexure-II**, analyse the same as per the criteria laid down in **Annexure-I** and identify the best three RDFs in their area of supply/jurisdiction .

6.2 The statement of marks as per **Annexure-III** is to be submitted to CEA (by a specified date) by Distribution licensees/SEBs/Electricity Departments in respect of the best three RDFs for each licensee along with complete set of proposal of best three RDFs and data as indicated in **Annexure-II**.

6.3 All the proposals (after completion of steps 6.1 and 6.2) thus received from Distribution licensees/SEBs/Electricity Departments by CEA would be evaluated in CEA for deciding the best three RDFs at country level. In case of tie between two or (among) more RDFs, other things being equal, the RDF handling a larger number of consumers would be ranked higher.

7.0 Time Schedule for Submission of Data

The year for which award is being considered shall be hereafter called consideration year. Last date for submission of data for consideration year 2010-11 is 31st August, 2011 unless extended.

8.0 Nodal Division

All correspondence pertaining to the scheme shall be made in electronic form as well as in hard copy form to:

Chief Engineer (DP&D)
Central Electricity Authority
6th Floor (North wing), Sewa Bhawan, R.K. Puram-I
New Delhi-110606
Tel.No.011-26102793(O),011-29943257(R),Mobile 9868913762
Email: cedpdcea@yahoo.co.in
award201011@gmail.com

Evaluation Criteria for Performance Award Scheme for Rural Distribution Franchisees (RDFs)

1.0 Bench Mark Parameters for the Award Scheme

- 1.1 Rural distribution franchisees that have provided metered service connections to 80% or more consumers in the consideration year shall be eligible under this scheme.
- 1.2 Rural distribution franchisees *achieving 80% or more revenue collection of billed amount* in the consideration year shall be eligible under this scheme.
- 1.3 *Rural distribution franchisees having less than 1000 number of consumers shall not be eligible under this award scheme.*

2. Type of Rural Distribution Franchisee: (Maximum marks = 18)

- 2.1 *Depending upon the activities covered by Rural Distribution Franchisee a total of 18 marks have been distributed as indicated in **Table** below:*

Table: Activities Covered by Rural Distribution Franchisees

Sl. No.	Type of activity covered by Rural Distribution Franchisee	Maximum Marks
1.	Procurement of power through Bulk Supply Tariff arrangement based on transparent process of bidding	2
2.	System augmentation	2
3.	Maintenance of assets (sub-station, lines etc)	2
4.	Meter installation and service connections	2
5.	Meter reading	2
6.	Preparation of bills	2
7.	Disbursement of bills	2
8.	Revenue collection	2
9.	Consumer Complaints (fuse off call etc)	2
	Total	18

Example: Let an RDF who has under taken the meter reading, preparation of bills, disbursement of bills and revenue collection (i.e. four out of 9 activities listed in 2.1) shall be awarded 8 marks.

3. Metered Service Connections: (Maximum marks = 12)

As per the Electricity Act, 2003 all the consumers are to be metered, unless exempted by the Appropriate State Electricity Regulatory Commission. Cut-off level of metered service connections is 80%. Rural distribution franchisees having metered service connections below 80% at the end of consideration year shall not be considered for award. The marks for metered service connections shall be awarded based on the *percentage of metered service connections to total number of service connections* achieved at the end of consideration year over and above the cut-off level on pro-rata basis as per the following **example**:

Marks obtained = Maximum marks x (% metering achieved by RDF – 80%)/(% Max metering achieved by RDF - 80%)

Rural distribution franchisees (RDFs)	Metered service connections (%)
A	90
B	100
C	95
D	50
E	0

Franchisee B having highest percentage of metered service connections shall get full *marks* (12). Franchisee D and E shall not be eligible for the award. Marks of other franchisees shall be awarded on pro-rata basis as under:

Rural distribution franchisees (RDFs)	Marks obtained (Out of 12)
A	$12 \times (90-80) / (100-80) = 6.0$
C	$12 \times (95-80) / (100-80) = 9.0$

4. Revenue Management: (Maximum marks = 70)

The following criteria shall be applicable:

- a) *revenue collection as a percentage of the billed amount for the consideration year (50 marks); and*
- b) *Improvement in percentage revenue collection over previous year (20 marks).*

4.1 Revenue Collection in the Consideration Year (%): (Maximum marks = 50)

Rural distribution franchisee with 100% (say) of revenue collection as a *percentage of the billed amount* for the *consideration year* would be

awarded full marks (50). Rest of the RDFs would be given marks on pro-rata basis as explained below:

Rural distribution franchisees (RDFs)	Revenue collection as a percentage of the billed amount for the consideration year (%)
A	100
B	90
C	95

Rural Distribution franchisee A shall get full marks (50). Marks of other franchisees shall be awarded on pro-rata basis as under:

Rural distribution franchisees (RDFs)	Marks obtained (Out of 50)
B	$50 \times (90-80)/(100-80) = 25$
C	$50 \times (95-80)/(100-80) = 37.5$

The marks awarded for revenue collection in the above manner will be given weightage depending upon the number of consumers of the franchisee while finalizing awards after receipt of data from distribution utilities/SEBs/State Electricity Departments in CEA. A multiplying factor in the range of 0.9 to 1.0 shall be given on pro-rata basis depending upon the number of consumers of the franchisee i.e. the marks for revenue collection shall be multiplied by 0.9, in case, the franchisee has minimum number of consumers and would be multiplied by 1 if the franchisee has maximum number of consumers. In other cases, the multiplying factor will be calculated as under:

$\text{Multiplying factor} = 0.9 + 0.1 \times (\text{No. of consumers of the RDF} - \text{Minimum No. of consumers of all eligible RDFs}) / (\text{Maximum No. of consumers of the eligible RDFs} - \text{Minimum No. of consumers of the eligible RDFs})$

4.2 Improvement in percentage Revenue Collection Over Previous Year: (Maximum marks = 20)

Marks distribution shall be as follows:

- i. Rural distribution franchisees having revenue collection of 95% or more in the consideration year shall get full marks (*i.e.* 20) even if they have maintained or shown an improvement in revenue collection percentage as compared to previous year.
- ii. Rural distribution franchisee having revenue collection 80% or more and *less than* 95% in the consideration year must show improvement in consideration year over the previous year. These franchisees shall be awarded 15 marks in case of improvement.

- iii. RDFs that have not done any operations in the year *just preceeding the consideration year* shall get 10 marks.
- iv. RDFs showing reduction (in *percentage of revenue collection to the billed amount in the corresponding year*) as compared to previous year will get zero mark.

Annexure-II(1)

Parameters for Performance Award Scheme for Rural Distribution Franchisees (RDFs)

(To be submitted to Distribution licensee/SEB/Electricity Department by the franchisees)

Consideration year:-----

Sl. No.	Particulars	Remark/Response
1	Name of the village, district and state	
2	Name of the franchisee	
3	Village declared electrified	Yes/No
4	Date of commencement of franchisee operation	
5	Type of Activity covered by Rural Distribution Franchisee	
5.1	Procurement of power through Bulk Supply Tariff (BST) arrangement based on transparent process of bidding	Yes/No
5.2	System augmentation	Yes/No
5.3	Maintenance of assets (sub-station, lines etc)	Yes/No
5.4	Meter installation and service connections	Yes/No
5.5	Meter reading	Yes/No
5.6	Preparation of bills	Yes/No
5.7	Disbursement of bills	Yes/No
5.8	Revenue collection	Yes/No
5.9	Consumer Complaints (fuse off call etc)	Yes/No
6	Total input energy in franchisee area in consideration year (Million Units)	
7	Total input energy in franchisee area in previous year (Million Units)	

Annexure-II(2)

Sl. No.	Particulars	
1	Total No. of consumers at the end of consideration year	
2	No. of metered service connections at the end of consideration year	
3	Metered consumer as percentage of total consumers at the end of consideration year (100*Item 2/Item 1)	
4	Total No. of consumers at the end of previous year	
5	No. of metered service connections at the end of previous year	
6	Metered consumer as percentage of total consumers at the end of previous year (100*Item 5/ Item 4)	
8	Total amount billed in consideration year (Rs Lac)	
9	Total amount collected in consideration year (Rs Lac)	
10	Revenue collection as a <i>percentage of the billed amount</i> for the consideration year (100*Item 9/Item 8)	
11	Total amount billed in the year just prior to consideration year (Rs Lac)	
12	Total amount collected in the year just prior to consideration year (Rs Lac)	

13	Revenue collection as a <i>percentage of the</i> billed amount in the year just prior to consideration year (100*Item 12/Item 11)	
14	Percentage point improvement (in revenue collection as a <i>percentage of the</i> billed amount) in consideration year compared to the year just prior to consideration year (Item 10-Item 13)	

Annexure-III

Statement of marks in respect of the best three Rural Distribution Franchisees (RDFs) for Performance Award Scheme for consideration Year 2010-11 (To be submitted by Each Distribution Licensee/SEB/ED to CEA)

Name of Distribution Licensee/SEB/ED

Sl. No.	Particulars	Response and marks awarded in respect of RDF			Remark
		Ranked I	Ranked II	Ranked III	
1	Name of the village, district and state				
2	Name of the franchisee				
3	Village declared electrified				
4	Date of commencement of franchisee operation				
4.1	Area covered by RDF (Sq km)				
4.2	Whether the area covered by RDF is plain, hilly or a difficult terrain				
5	Type of Activity covered by Rural Distribution Franchisee (marks 18, 2 marks for each of the activities from 5.1 to 5.9)				
5.1	Procurement of power through Bulk Supply Tariff (BST) arrangement based on transparent process of bidding				
5.2	System augmentation				
5.3	Maintenance of assets (sub-station, lines etc)				
5.4	Meter installation and service connections				
5.5	Meter reading				
5.6	Preparation of bills				
5.7	Disbursement of <i>bills</i>				
5.8	Revenue collection				
5.9	Consumer Complaints (fuse off call etc)				
6	Total input energy in franchisee area in consideration year (Million Units)				
7	Total input energy in franchisee area in previous year (Million Units)				
8	Metering of Service connections				
8.1	Total No. of consumers at the end of consideration year				

8.2	No. of metered service connections at the end of consideration year				
8.3	Metered consumer as percentage of total consumers at the end of consideration year (100*Item 8.2/Item 8.1) (marks 12)				
8.4	Total No. of consumers at the end of previous year				
8.5	No. of metered service connections at the end of previous year				
8.6	Metered consumer as percentage of total consumers at the end of previous year (100*Item 8.5/ Item 8.4)				
9	Revenue Management				
9.1	Total amount billed in consideration year (Rs Lac)				
9.2	Total amount collected in consideration year (Rs Lac)				
9.3	Revenue collection as a <i>percentage of the</i> billed amount for the <i>consideration year</i> (100*Item 9.2/Item 9.1) (marks 50)				
9.4	Total amount billed in the year just prior to consideration year (Rs Lac)				
9.5	Total amount collected in the year just prior to consideration year (Rs Lac)				
9.6	Revenue collection as a <i>percentage of the</i> billed amount in the year just prior to consideration year (100*Item 9.5/Item 9.4)				
9.7	Percentage point improvement (in revenue collection as a <i>percentage of the</i> billed amount) in consideration year compared to the year just prior to consideration year (Item 9.3-Item 9.6) (marks 20)				
10	Total marks (100)				

Note:

- a) A brief write-up indicating the highlights of operation, management, maintenance practice, other innovation etc may be submitted in respect of the RDFs ranked I, II and III. Salient points of the village served, type of load, consumer categories, type of irrigation, climatic conditions, water table, usual hours of power supply, historical and geographical importance of the area may also be furnished along with the evaluation sheet in respect of RDFs ranked I, II and III.

b) Total number of Rural Distribution Franchisees (RDFs) operating as on date and number of RDFs who have submitted the proposal in each Distribution Licensee/SEB/ED may also be submitted.

