



The Water and Sanitation Program is an international partnership for improving water and sanitation sector policies, practices, and capacities to serve poor people

71920

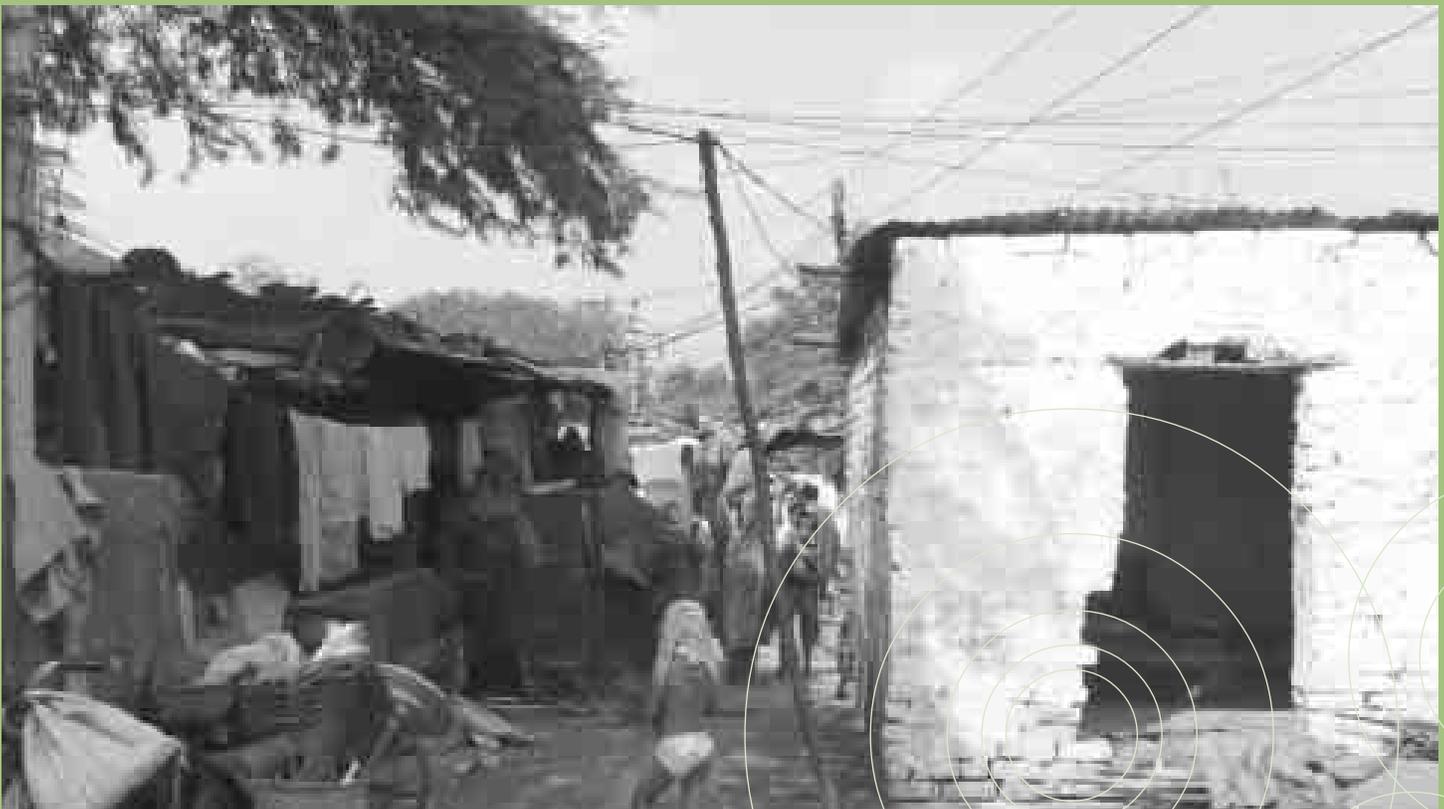
January 2007

Case Study

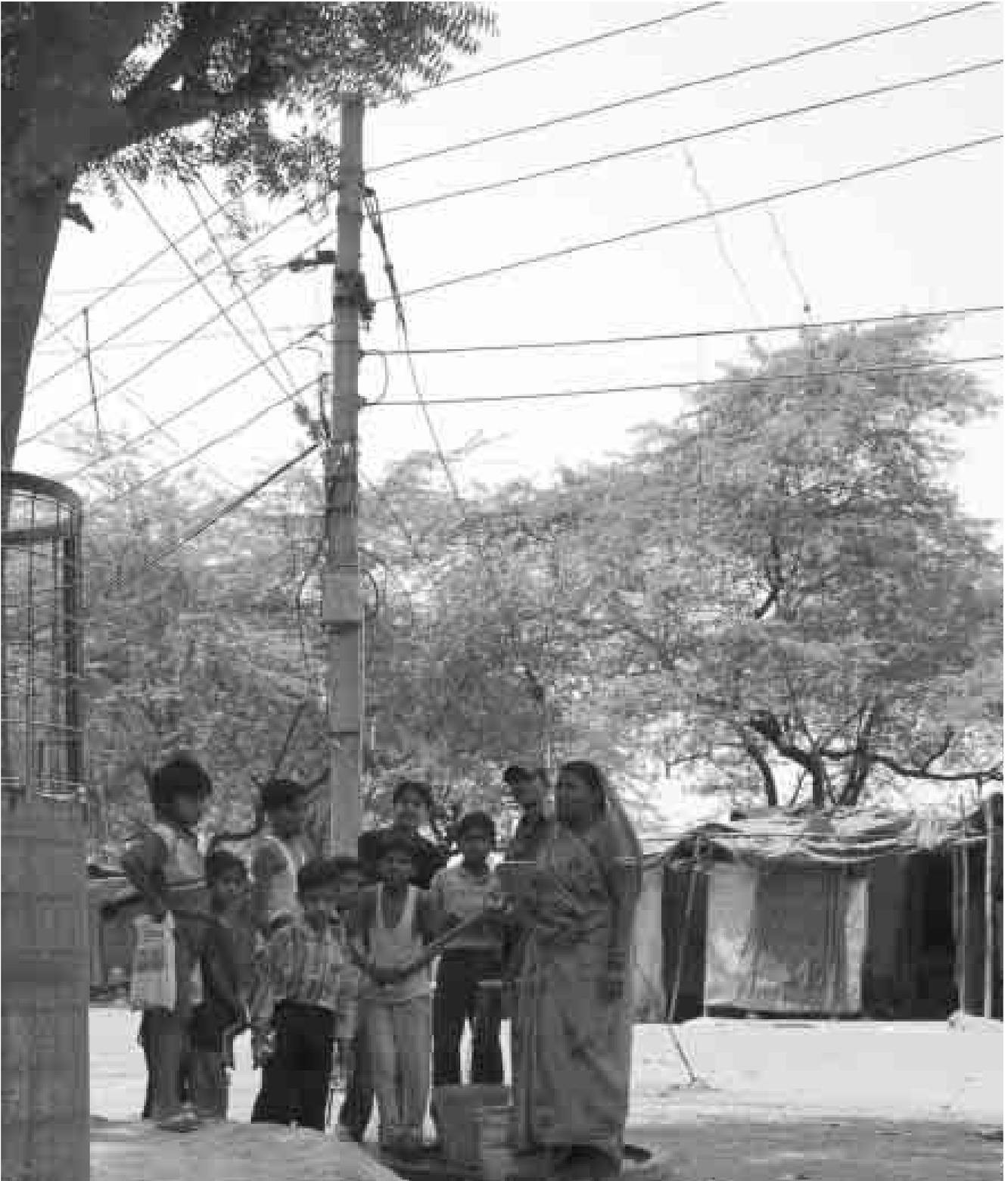
New Delhi Power Limited

Partnering for Power

A public-private partnership initiative to rationalize the distribution of power in Delhi has proved to be a success. From a situation where losses were humongous and power thefts were a norm, the privatization of power distribution has helped turn the situation around, especially in the city's slum and informal settlements. Approximately 11,000 slum cluster customers have been connected so far; 70 to 80 percent of these customers pay bills. The New Delhi Power Limited (NDPL), a joint venture between Tata Power and the Delhi Government to distribute power in the northern areas of Delhi, has already reached its five-year goal of reducing its losses from 51 percent to 31 percent in three years.



Customers already connected can, apart from the possibility of sending e-mails and letters, make complaints and receive other services through a 24-hour call center, a commercial call center, and a consumer care center.



The Challenge

Till 2002, in the pre-New Delhi Power Limited (NDPL) scenario, the power distribution and management in Delhi was in a shambles, having to cope with a burgeoning population of 14 million plus, a sixth part of which lived in slums and informal settlements.

At the time when the NDPL took over the management, losses from electricity distribution had touched nearly 51 percent. This was apparently due to illegal connections in the network. Slum areas were being provided with electricity through a Single Point Delivery (SPD) contractor model. In the pre-NDPL scenario, many customers were not satisfied with the service and claimed they were not billed properly. Therefore, the company developed the franchising model and implemented it in new areas. It is now also trying to transfer areas with SPD contractors to this new model.

Project Design

The NDPL—a joint venture between Tata Power and the Government of the National Capital Territory (NCT) of Delhi—was formed as a result of the privatization of electricity distribution in Delhi. It was designated to distribute power in the northern areas of Delhi. Tata Power Company Limited acquired 51 percent stake in the NDPL and took control of the management effective July 1, 2002.

The NDPL set for itself a target of reducing its energy losses from 51 percent to 31 percent within five years. This was to be achieved partly by building up the customers' trust and convincing them that good, reliable, and affordable electricity is available if they



connect legally to the network, and partly by other means, such as technical upgrading.

The company adopted a three-step strategy to reach its objective. In the first year, it created confidence among the consumers by ensuring technical improvements in the network. The second year saw work initiated in areas where many illegal connections existed and a need had been identified for connecting to the electricity network. In the third year, the NDPL focused on consumer satisfaction in the areas where the strategy had already been implemented.

Institutional Arrangements

The NDPL applies two models for connecting slum areas to the electricity network:

SPD Contractor Model. The NDPL provides a distribution transformer from which a number of customers are connected. A meter is placed at the distribution transformer but each household is also individually

metered. The responsibility of reading the individual meters, billing the customers and collecting the money is with an SPD contractor, who makes payments to the NDPL as per agreement.

Franchising Model. The responsibility for billing is with NDPL. A contractor is responsible for reading the meters and distributing the bills. The customer can make the payment at NDPL's consumer collection center. There the customer can also make complaints and collect information. The three types of contracts within the franchising model are with operation and maintenance; without operation and maintenance; and *jhuggi jhopdi* (or JJ) clusters (illegal squatters on public land) that are not metered.

The NDPL has preferred to have NGOs as contractors in slum areas.

Mobilization and Communication

The NDPL organizes campaigns in identified areas, informing households of



various possibilities and encouraging them to get legal connections. The company also advertises in newspapers, especially emphasizing the legal issue as

Highlights

- No proof of ownership for land property is asked for.
- The contractor will also watch out for illegal actors.
- No bidding process is necessary.
- Limited political interference helps in speeding up the actions.

well as describing the simplicity of payments and other practical issues.

Customers already connected can, apart from the possibility of sending e-mails and letters, make complaints and receive other services through the following options:

- A 24-hour call center. As soon as a complaint is received, an SMS is sent to a person in the field at the specific location.
- A commercial call center open from 9 a.m. to 9 p.m.
- A consumer care center.

Project Costs and Finance

The NDPL estimates a Rs. 5,700 million (US\$127 million)¹ capital investment in the first three years. Nearly Rs. 3,360 million (US\$75 million) has been spent in the last two years towards improving system reliability and reducing losses.

Connection Fees

Normal customers:

- Deposit: Rs. 600 (US\$13).
- Development charge: Rs. 4,000 (US\$90).
- Service charge: Rs. 2,000 (US\$45).

Slums (not JJ clusters):

- Deposit (refundable): Rs. 600 (US\$13).
- Connection charge: Rs. 2,000 (US\$45).

JJ cluster customers:

- Deposit: Rs. 600 (US\$13).
- Connection charge: Rs. 1,250 (US\$28). Can be paid in installments of Rs. 25 (US\$0.56).
- No metering.

Progress So Far

Approximately 11,000 JJ cluster customers had been connected till September 2005. Of these, 70 to 80 percent customers pay bills. The NDPL has already reached its five-year goal of reducing its losses from 51 percent to 31 percent.

¹US\$1 = Rs. 44.54 (as of December 15, 2006). Conversion rates from www.xe.com. All conversions from Rs. to US\$ are approximate.

References

- Meeting with New Delhi Power Limited. 2005. www.ndplonline.co
- Tata Power Company Limited. www.tatapower.com