



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
MINUTES OF THE 14th MEETING OF THE STATE ADVISORY COMMITTEE
HELD ON 09-07-2010 IN THE COMMISSION'S OFFICE

Present:

1. Sri A. Raghothama Rao, Chairman, APERC (Chairman)
2. Sri R. Radha Kishen, Member
3. Sri C.R.Sekhar Reddy, Member
4. Sri Y.Harish Chandra Prasad, Member
5. Sri T.Yogaiah Naidu, Member
6. Sri PMK Gandhi, Member
7. Sri K.V.V.Sathyanarayana, Member
8. Sri M.Balaram Reddy, Member
9. Sri N.Janardhan, Member
10. Sri JN Karamchetty, Member
11. Dr. M. Thimma Reddy, Member
12. Sri. R. Janardhan Reddy, Member
13. Sri P.V. Subbaiah Chowdary, Member
14. Sri N. Sreekumar, Member
15. Sri M. Ravindra Sai, Secretary, APERC/SAC
16. Sri. P.V.Subrahmanyam Director (Engineering), APERC
17. Sri K. Sanjeeva Rao Naidu Director/Law, APERC

INVITEES:

- 1) Sri Ajay Jain, CMD/APTRANSCO
- 2) Sri P.Gopala Reddy, CMD/APSPDCL
- 3) Sri Ch. Narasimha Reddy, CMD/APNPDCL
- 4) Sri Nadeem Ahmed, CMD/APEPDCL
- 5) Sri M.T. Krishna Babu CMD/APCPDCL
- 6) Sri Rajesh Kumar Madiratta from M/s Indian Energy Exchange Ltd.,

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The Secretary, APERC (Ex-Officio Secretary of the State Advisory Committee) welcomed the members and briefly recapitulated the important decisions taken at the last SAC meeting and the developments since then in APERC. New Members & 1st time Invitees to the meeting were (i) Representative from Indian Energy Exchange (ii) CMD of APTRANSCO

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2 In the earlier meeting, the issues discussed were-

- (a) The present system of Penalties & Incentives to the Industrial/Commercial Consumers,
- (b) The Power Purchases approvals provided in the Tariff Order issued by APERC.
- (c) The Power Cut positions in the Rural Areas of the state
- (d) two-part tariff system for Railways,
- (e) Policy regarding Merchant Power Plants
- (f) The report submitted by the sub committee of the SAC on the problems involved in fixing of capacitors to Agriculture Pump set Motors & Reasons for Failures of Motors. The CMDs of the DISCOMS, who attended the SAC as Invitees for the first time, joined the discussion and have given their feedback keeping their earlier experiences in connection with the fixing of capacitors to the Agricultural Motors.

3 Subsequent to the earlier SAC meeting, held on 27.11.2009, some of the important events that have taken place in the APERC are: -

(i) Issue of Orders in respect of

- (a) Sale of 20% of power by IPPs in market;
 - (b) Issue of order on the Fuel Surcharge Adjustment Claims of the DISCOMs for FY2008-09
 - (c) Order on reserving 0.25% of solar RPPO Within 5% RPPO FIXED for AP DISCOMS along with tariff.
 - (d) Order on Guidelines for evacuation of power from wind power projects.
- (ii) The process for passing of ARR AND TARIFF orders for the retail supply business of the DISCOMs for the year 2010-2011 is on. The DISCOMS have filed their ARR proposals on 20th of April'2010. These copies were sent to the honorable members of SAC. The Commission completed the public hearings on these filings as follows:- at Vijayawada on 23-06-10 in respect of APSPDCL, at Eluru on 24-06-10 in respect of APEPDCL, at Khammam on 28-06-10 in respect of APNPDCL & at Hyderabad on 30-06-10 in respect of APCPDCL.

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SUMMARY OF THE PROPOSALS MADE BY THE 4 DISCOMS

(a) A total revenue deficit of Rs 10118 Cr was shown by the 4 DISCOMS together as detailed below:-

Item	CPDCL	SPDCL	EPDCL	NPDCCL	Total
	(Rs.Cr.)				
ARR - Revenue Requirement	12408	6574	4717	4667	28366
Revenue	8598	4193	3455	2003	18249
Deficit	3811	2381	1262	2664	10118*

(b) The DISCOMS have proposed certain tariff hikes and the above deficit of 10118 Cr is, after considering these hikes.

(c) During the public hearings, the commission got a good response on issues ranging from quality and service to tariff proposals. Active participation came from Organizations, trade assns and FAPSIA, (Small Industries Association) ; Kurnool chamber of commerce and organizations like People's Monitoring Group on Electricity Regulation, Consumer Associations, political party representatives and some individuals who have taken interest in the sector in the last few years. Some of the following segments of industry / people gave suggestions on the tariff proposals were-

- I. Industry- ferroalloys, spinning mills, cold storage units etc.,
- II. Railways
- III. Poultry Farm Units
- IV. Small Traders Association like Barber shops
- V. Associations like Vishwakarma, representing Cottage Industries
- VI. Govt Bodies like APIIC, Municipalities, Devasthanams
- VII. Religious places and old age homes
- VIII. Various Farmers' Associations, representing the issues pertaining to agriculture sector.

5. The 14th SAC Meeting then took up for discussion the various issues as per the agenda, Views and Suggestions of SAC members on the ARR AND Tariff Proposals submitted by the DISCOMS for FY 2010-11

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- 6 To begin with, Hon'ble Chairman APERC has extended a hearty welcome to the gathering and invited the views and concerns of members on the burning issues in the power sector apart from the agenda item which discussion on ARR proposals by the DISCOMs
- 7 While initiating the discussion on the ARR/Tariff proposals of the DISCOMs for FY 2010-11, Dr M. Thimma Reddy of Peoples' Monitoring Group on Electricity Regulation pointed out that the DISCOMs abnormally delayed the submission of the present ARR filings and it should not be taken as a precedent by the DISCOMs to file next ARR filings. He further added that the Commission should direct the DISCOMs to file ARR & Proposed Tariffs on time as per the statute. He observed that the Conservative estimates of Agriculture consumptions & power purchase costs by the commission, during the course of finalization of the ARR/tariffs, is forcing the DISCOMs to resort to costly short term power purchases and is burdening the state at large. He suggested that the Commission should take a holistic view on the estimates of the Agriculture consumptions in the state by ordering for metering of all the DTRs feeding the Agriculture loads. Hon'ble member/Fin asked the CMDs of the DISCOMs about the feasibility
- 8 Responding on this, CMD/CPDCL informed that separation of agriculture loads at 11kV feeder level is under progress. He said that a pilot project has already been initiated in one Mandal in each circle and it is estimated that about Rs 3000Cr is required by all the DISCOMs to undertake this segregation which is being worked out in a phased manner
- 9 The CMDs of the DISCOMs were asked whether DTRs feeding the agriculture feeders exclusively can be metered and if so which of the options, Feeder metering and DTR metering, would be a better one for proper estimation of the Agriculture sector consumption in the state.
- 10 Sri PMK Gandhi said that there are about 40,000 DTRs feeding Agriculture Loads alone, which can be metered. Complete isolation of Agriculture Loads at DTR level is not done and hence metering can not be made effective, he said. To this, it was responded that since segregation of feeders involves cost, all the dedicated DTRs can be metered and extrapolated for Agriculture consumption estimates.

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- 11 On this, CMD/CPDCL explained that objective of the pilot project for separating the Agriculture Loads from other rural loads is to extend 24 hour supply to rural areas and thereby facilitate convenience to rural industries. The pilot feeders are selected based on the incidence of predominant Agriculture & Industrial Loads, he added
- 12 Dr M. Thimma Reddy remarked that the DISCOMs claimed that above 90% implementation of the DSM measures in Agriculture is done, but in practice, the percentage penetration is not much.
- 13 On APGENCO's fixed costs, Dr M. Thimma Reddy pointed out that the fixed costs in respect of plants such as VTPS-IV, KTPS-VI, and Kakathiya-I are higher than the average fixed cost. Fixed cost of 68p of Simhadri project is to be taken as basis for tariff finalization of the GENCO plants, he suggested. He also suggested to (i) explore the possibility of procuring 50% of power from the expansion plants of existing IPPs who have PPAs with the DISCOMs (ii) Commission to interfere in the matter of Hinduja plant, which is envisaged to be an IPP and is converted in to a Merchant plant, and to recommend to the GoAP to come out with a merchant power policy, which is favorable to the electricity consumers of the state
- 14 CMD/APTRANSCO clarified that the fixed cost of Simhadri-I was 68p, whereas Simhadri-II is not completed. A remark was made that costs that were available to a 10 year old project cannot be compared with the present
- 15 It was clarified that the Commission cannot intervene in the matters of the GoAP and neither the Electricity Act nor the policy document confer such powers on the commission.
- 16 Sri Sreekumar of Prayas Group said that the commission can determine the power purchase cost for the portion of power allotted to APDISCOMs from the Merchant plants and that the tariff determination to such portion of power should be done through Public Hearing process
- 17 Sri Y Harishchandra Prasad of M/s Mahalaxmi Infra Ventures informed that the Government of AP is yet to come out with a policy on Merchant Power and as the State Government is providing all the facilities such as land, water and recommending for Railways sidings, fuel linkages etc, it should get the allotment of at least 25% from the merchant plants. CMD/APTRANSCO said that policy is under consideration

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- 18 Dr M. Thimma Reddy made a remark that when the DISCOMs are unable to achieve the specified RPP0, why they are not putting any efforts to get the power from projects like 25MW Dummugudem Mini Hydel in Khammam district. While accepting this as a good suggestion, CMD/CPDCL said that the DISCOMs would put efforts to get some power from such projects when the GoAP gives the approvals.
- 19 Mentioning about the 350MW of bilateral power purchases by the DISCOMs @ Rs 5.50p/unit, Dr M. Thimma Reddy suggested that instead the DISCOMs should purchase the same from the Power Exchanges which is more transparent. Responding to this, CMD/CPDCL said that the purchase prices from the exchanges are very volatile, only a day ahead is possible, and availability of transmission system is a major problem for resorting to such transaction. However, DISCOMs are purchasing from power exchanges, whenever it is convenient, he said.
- 20 The representative from the Indian Energy Exchange (IEX), Sri Rajesh Mediratta was then invited to explain the process at the Exchange. Participating in the discussion, the representative from the Indian Energy Exchange explained the following to the SAC: *Presently power purchase is possible for only two weeks ahead. More time by way of Monthly or Quarterly terms in advance, is under consideration and is awaiting CERC's approval. During January and June 2010, the rates of power traded through exchanges were very low compared to bilateral purchases. There are many small generators connected to the grid who have taken membership in the exchanges. Purchase bids are lower than the sale bids during the last 6 months resulting in lower prices at the exchanges. There is no transmission congestion experienced so far in this year*
- 21 To a question posed, the representative of IEX replied that there are about 150 Nos of individual customers at IEX. The DISCOMs were advised to make best use of the power exchange platform for economical procurement of short term power. CMD/APTRANSCO informed that AP is the biggest buyer of power from IEX. To this, Sri PMK Gandhi added that during the rainy seasons AP used to sell power outside the state and the DISCOMs can make use of the Power Exchanges to sell their seasonal surplus. CMD/APTRANSCO replied that they are selling excess power thru' Exchanges.

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- 22 Responding on the tariff hikes in respect of Industrial Sector proposed by the DISCOMs, Sri Y. Harishchandra Prasad said *'the Industry, slowly coming out of recession, is still in a bad shape and the sector has already been bearing lot of cross subsidy. New Industries are not coming up in the state. Tariff hike proposed in the filings should be moderated. DISCOMs should ensure uninterrupted supply to Industries during shortage situations, as is being done in the state of Tamilnadu by way of reliability charges, which would help the Industry to revive'*
- 23 It was expressed that a dedicated Industrial feeder with a special tariff is a good suggestion, but it was queried about what happens to the power purchase costs when new players enter in a scenario where the demand is more & supply is less. To this, Sri Harishchandra Prasad replied that the DISCOMs of AP have already studied the scenario in Tamilnadu state. He also suggested that state should see to it that more of Transmission Projects of PFC & REC come to AP so that they would be useful in efficient Power evacuation.
- 24 Responding to the remarks of Sri Y. Harishchandra Prasad, it was said that the DISCOMs cannot purchase power at a premium for Industries during the shortage situations and sell them at a lower rate. If the DISCOMs are to purchase power, equal opportunity should be given to all the consumers in sharing of the benefits of the costly power. DISCOMs shall act as facilitators rather than providers of premium reliability power, supply extra power during the times of power shortages in the form of third party sales wheeled through their network.
- 25 Sri Y. Harishchandra Prasad pointed out that the Cross subsidy surcharge should be moderately fixed so that Industry is not to put difficulty when it buys its own power. He also requested that advance action be taken with regard to the likely Load Sheddings this year; prior intimation is to be issued to the Industry and the DISCOMs shall adhere to the schedule intimated, he insisted. Responding to the remarks of Sri Y. Harishchandra Prasad, on behalf of all the Licensees, CMD/CPDCL informed that an Action Plan is being worked out and all the effected parties would be involved in the discussions

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- 26 Participating in the discussion, Dr M. Thimma Reddy pointed out that some industrial consumers are violating the captive power rules under electricity act and on account of that DISCOMs are losing the revenue. To this, CMD/CPDCL clarified that the issue is under legal examination.
- 27 On the issue of arresting the 'theft of energy', Sri Janardhan, Secretary of 327 Union said that the Distribution losses can be brought down by arresting the 'theft of energy'. He pointed out that when electricity theft is controlled in naxal infested areas of certain regions in AP, why it cannot be controlled in certain parts of the Hyderabad city. He suggested that the Government of AP should reimburse the DISCOMs for such commercial losses also, as a special subsidy. Adding to this, the General Secretary of 1104 Union, Sri Janardhan Reddy said that Electricity staff in old city area getting threats, there is no protection to them and they are not able to discharge their duties due to a political intervention. About 12000 Nos of posts are vacant in APTRANSCO & DISCOMs, he added.
- 28 On the issue of the 'theft of energy', CMD/CPDCL was advised to appraise the GoAP on the seriousness of the issue and take corrective measures
- 29 Regarding the other issues related to the ARR/tariff filings submitted by the DISCOMs, Dr M. Thimma Reddy pointed out that (a) the Cost of Service (CoS) calculations are distorted and there is no consistency (b) Minimum charges in Domestic category are to be fixed at Rs 25, with the restriction on connected load, as it leads to discretion at filed level and ignorant consumers are being penalized for (c) There are about 700 Nos of deaths due to electrical accidents in the last year alone. Safety and Security aspects in power distribution need to be taken care. Commission should take appropriate steps. As an immediate step, all the vacancies at the filed level, should be filled up on top priority
- 30 CMDs of the DISCOMs were reminded that the APERC already issued clear directions in respect of Accidents & safety measures and the DISCOMs are expected to comply with the directives issued by the Commission.

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- 31** Responding to the remarks of Dr M. Thimma Reddy, CMD/SPDCL clarified that most of the non-departmental accidents cannot be attributed to the departmental faults; wiring and earthing systems at consumer premises are faulty; there is no periodical checking at consumer level; consumers have to take up such responsibility; responsibility of the DISCOMs ends up at the point of connection
- 32** CMD/CPDCL said it is noticed that where the consumers are bearing the part of the erection costs, they are using materials with inferior standards. CMDs of the DISCOMs were advised that they should make a wide campaign with regard to safety aspects at consumer premises to make the consumers aware of the problems and precautionary measures to be taken and for this the DISCOMs should chalk out a plan and inform the commission on the actions taken up by them
- 33** Drawing the attention of the State Advisory Committee on to the problems being faced by the rural electricity consumers, farmers in particular, Sri M. Balarama Reddy of Farmers' Association said that the distribution system is in poor shape in rural areas with loose spans, tilted poles causing accidents to the farmers and the general public and refurbishment of lines should be done on 'top priority'. Dedicated staff with a mobile van for each mandal, for continuous rectification of such problems, in line with Central Breakdown (CBD) gangs in City Areas, may be arranged, he suggested. Also, he pointed out that the non-availability of sufficient materials is coming in the way of releasing of Agl services. He also sought an increase in the Exgratia amounts in the event of electrical accidents.
- 34** CMD/CPDCL explained to the SAC, as follows: the DTR earthing is being checked for all the DTRs in rural and urban areas and rectifications are being made on a regular basis; if proper earth resistance is not observed, other advanced materials like chemical compounds are being applied to achieve proper earth resistance; DISCOMs are spending about Rs 25,000 per DTR also in some cases for rectification of faults and improving the safety; Inspection of consumer wiring is a big issue, which can be done by levying some charge like verification of gas connection done by gas supply agencies; most of accidents are occurring on illegal agriculture connections; within next 6 months DISCOMs are making arrangements to have centralized call centers for the entire DISCOM area in R-APDRP scheme

35 In connection with the ARR filings of the DISCOMs and referring to their experiences during the field visits, Sri Sreekumar said that (a) there are shortcomings on the part of DISCOMs and Farmers as well regarding the accidents; neutral wires are not being provided for connections to Agriculture pump sets; farmers keep on tinkering with the equipment because of desperate need for power supply; DTR committees would come in a long way in improving the situation. (b) Compared to many other states, public participation in the public hearings in regulatory process in AP state is good but it needs to be improved; advocacy is to be provided to consumers and user associations in understanding the issues in power sector. (c) Predictability of load shedding by way of prior intimations and sticking to the schedules, equitable distribution of load relief need to be carried out (d) though AP Utilities are relatively performing well, the financial deficits of the DISCOMs are increasing year after year (e) APERC should initiate a third party inspection of Metering & Billing, SoP compliance etc; credibility of the information filed with the Regulator needs to be checked through a third party auditing (f) APDRP & RGGVY schemes are grounded for providing electricity to 1/3 rd households, without any regulatory intervention; commission should conduct public hearings on implementation of these schemes by the DISCOMs

36 Sri KVV Sathyanarayana, representing the Railways brought to the notice of the SAC that the distribution lines crossing the railway tracks at various points have to be inspected by the respective DISCOMs. In the recent past there are several breakdowns on these lines due to the snapping of conductor and it falling on to the tracks, he said. Further, he stated that whenever Railway traction supply points exceed their Contracted Demand on account of breakdowns in one section and extension of supply to the other sections, it shall not be considered for billing purpose. Railways networks should be provided with the dedicated staff with no regular operations like revenue collections and disconnections.

37 Responding to the issues pointed out by the Railways' representative, DISCOMs were advised to intervene and rectify the problems associated with the crossing distribution lines at the earliest

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- 38 Sri PMK Gandhi said that (a) ARR is being filed by the DISCOMs every year on time except this year; (b) AP Power sector is performing well and it brought down the system losses from 39% in the year 2000 to about 18% in 2010, which is a remarkable achievement; (c) AP is the second biggest power system in the country after Maharashtra and is supplying to the highest number of agricultural pump sets compared to any other state in India; (d) Time of the Day Tariff (ToD), which is good for the system, is to be introduced to Industry and also to HT Commercial categories; (e) Commission is required to check the availability of fuel by Gas based power plants in Long term procurement through bidding process because as per the present estimates, gas is available for about 12 years only in the KG basin; Gas plants shall be allowed to participate in the medium term bids only
- 39 Representative of IEX informed the SAC that in certain states RPPO is levied on Captives & OA consumers also and same can be done in AP too. Further, he suggested that APERC may issue the Regulation on Renewable Certificates at the earliest
- 40 Sri Yogaiah Naidu of FAPCCI has suggested that the lower level of HT incentive is to be removed and once HT consumer meets the eligibility criteria the entire consumption shall be incentivized.
- 41 Further, he said that (a) Industrial & Commercial Sectors in the state are already reeling under perennial power cuts and now with the proposed tariff hikes along with the introduction of ToD in 2 spells, these sectors received another jolt. He suggested that DISCOMs should offer incentives for maximizing operations during the non-peak hours to balance the supply & demand and the Industry sector should be provided with the 'dedicated feeders' for a greater degree of uninterrupted power supply. Apart from this, the FSA proposed for FY2008-09 should be deferred, he added.
- 42 Finally, pleasure was expressed over the way the discussions took place and the active participation of all the members in the meeting. The meeting ended with the vote of thanks by the Secretary

SECRETARY