

Statement of Reasons

Sub: Amendments to existing Security Deposit Regulation (Regulation No 6 of 2004).

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1. Commission notified APERC (Security Deposit) Regulation, 2004 (Regulation No 6 of 2004) under section 47 of the Electricity Act, 2003, authorizing the licensee to collect Security from the consumers in respect of Electricity to be supplied. The clauses 4(1) and 4(2) of the Regulation states that both HT consumers and LT consumers shall at all times maintain with the licensee an amount equivalent to two (2) months consumption charges as security during the period the agreement for supply of energy is in force.

2) The relevant provisions of Section 47 of the Electricity Act, 2003 extracted hereunder:

“47. (1) Subject to the provisions of this section, a distribution licensee may require any person, who requires a supply of electricity in pursuance of section 43, to give him reasonable security, as determined by regulations, for the payment to him of all monies which may become due to him -

(a) in respect of the electricity supplied to such persons; or

(b) where any electric line or electrical plant or electric meter is to be provided for supplying electricity to such person, in respect of the provision of such line or plant or meter, and if that person fails to give such security, the distribution licensee may, if he thinks fit, refuse to give the supply of electricity or to provide the line or plant or meter for the period during which the failure continues.

(2) Where any person has not given such security as is mentioned in subsection (1) or the security given by any person has become invalid or insufficient, the distribution licensee may, by notice, require that person, within thirty days after the service of the notice, to give him reasonable security for the payment of all monies which may become due to him in respect of the supply of electricity or provision of such line or plant or meter.

(3) -----

(4) -----

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3) Section 47 of the Electricity Act 2003, deals with the power of the Licensee to require security from consumers towards amounts due to him in respect of the electricity supplied or towards the cost of providing any electric line / electric plant or electric meter for supply of electricity pursuant to Section 43 of the Act. The section also provides that the Licensee is entitled to refuse to give supply or provide the line / plant / meter to the applicant as long

as the applicant fails to give such security and where the security already given becomes invalid or insufficient, the Licensee can discontinue the supply of electricity if the consumer fails to provide reasonable security within 30 days after the service of a notice to this effect by the Licensee for the payment of all monies which may become due to the Licensee in respect of supplying electricity, etc.

4) In order to implement the provisions mentioned under section 47 of the Electricity Act, 2003 and to protect the interests of consumers at large and Distribution Licensees the present amendments are proposed to the APERC (Security Deposit) Regulation, 2004.