



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

MINUTES OF THE 17th MEETING OF THE STATE ADVISORY COMMITTEE HELD ON 06-03-2012 IN THE COMMISSION'S OFFICE

Present:

1. Sri A.Raghotham Rao, Chairman, APERC
2. Sri C.R.Sekhar Reddy, Member (Finance), APERC
3. Sri Devendra Surana, Member [FAPCCI]
4. Sri M.K.Patodia, Member [CII]
5. Sri Harikishore Kumar Reddy, Member [Bharathiya Kisan Sangh]
6. Sri T.V.S.R.Murthy, Member [Electricity Employees Union: 327]
7. Sri A.Rama Koteswara Rao, Member [ESCI]
8. Sri V.Ananda Reddy, Member [FAPSIA]
9. Sri R.Janardhan Reddy, Member [Electricity Employees Union: 1104]
10. Sri Gade Diwakar, Member [All India Kisan Mazdoor Sangh]
11. Sri N.Sreekumar, Member [PRAYAS Energy Group]
12. Sri S.K.Agarwal, Member [South Central Railways]
13. Sri M.D.Manohar Raju, Secretary, APERC/SAC
14. Sri D.R.Vishwanath Rao, Director (Engineering), APERC
15. Sri L.Manohar Reddy, Director (Tariff), APERC
16. Sri K.Sanjeeva Rao Naidu, Director (Law), APERC

Invitees:

- 1) Sri G.Anantha Ramu, CMD/APCPDCL
- 2) Sri Ch.Narasimha Reddy, CMD/APNPDCL
- 3) Sri Ahmed Nadeem, CMD/APEPDCL
- 4) Sri K.Vidya Sagar Reddy, CMD/APSPDCL

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1. The Secretary, APERC (Ex-Officio Secretary of the State Advisory Committee) welcomed the members and briefly recapitulated the important issues that were discussed and the decisions taken at the last SAC meeting. The Committee was also briefed about the important activities taken up by the Commission in the interregnum.
2. The 17th SAC Meeting then took up the various issues for discussion as per the agenda.
3. Hon'ble Chairman, APERC (Ex-Officio Chairman of the State Advisory Committee), while extending a hearty welcome to the gathering and inviting the views, suggestions and opinions of the SAC members on the ARR/Retail Supply Tariff filings submitted by the DISCOMs for FY2012-13, expressed that the power sector in the state is going through a tough

time. Hon'ble Chairman expressed that the role of State Advisory Committee has got a great significance in finalization of the Tariff Order for FY 2012-13. He said that while formulating the Tariff Order, the financial position of the DISCOMs would have to be taken into consideration. While informing the SAC that the Commission already obtained the opinions/objections of the consumers during the elaborate public hearings held during the month of February 2012, Hon'ble Chairman said that the effort of the Commission would be to see that the consumer gets power at a reasonable price while at the same time keeping the financial viability of the DISCOMs in view

4. While initiating the discussion on the ARR/Retail Supply Tariff filings of the DISCOMs for FY 2012-13, **Sri Harikishore Kumar Reddy, of Bharathiya Kisan Sangh (BKS)**, brought the following to the notice of the Commission:

- a) Creation of BPL sub-category under the Domestic category, along with the tariffs proposed by DISCOMs are not useful as many conditions are incorporated in the proposals; Existing slab pattern, may be retained under the Domestic category; the contracted load limit may be enhanced to 1000 Watt; deciding the eligibility based on 36 units consumption of previous year is difficult.
- b) Different tariffs under Domestic category for rural & urban areas as there are different tariffs under LT-VI for local bodies such as Panchayats, Nagarapalikas, Municipalities and Municipal Corporations.
- c) Prawn culture activity is to be classified under Agriculture (LT-V) since it is an Agriculture allied activity.
- d) Sugar cane crushing activity, with below 10 HP contracted load, should also be covered under Agriculture category as the farmer is making use of the same pump set motor for sugar crane crushing operations.
- e) In the Tariff Order for FY 2001-02, fixed charges were removed for fish ponds.
- f) Lift Irrigation Schemes at LT level in Prakasham Dist, being maintained by private societies, should be billed on par with HT private Lift Irrigation Schemes which have been availing power supply for more than 7 Hrs a day and paying for the power supplied beyond the 7 Hrs free power. This facility may be made available to all the Lift Irrigation Services at LT level in the entire state.
- g) In spite of the Commission's directions, the reconnection charges of Rs 50 are being collected without physical disconnection.
- h) The proposals of DISCOMs enhancing the default fee may be rejected since the proposals are baseless.
- i) Single phase supply for 24 Hrs shall be extended to all the rural house holds.

- j) Category change requests, from LT-III(A) to LT-V(A)(i): (salt farming units, if they de-rate load to 15 HP), shall be entertained based on merits. Officials of DISCOMs are creating problems to the farmers by demanding for development charges.
- k) In the event of occurrence of electrical accidents, exgratia is being given, which is supposed to be given out of grace. Even the GoAP enhanced the amount to Rs 1.5 Lakh. All prerequisites such as panchanama, postmortem, and report from the department should be avoided. Instead, third party compensations are to be arranged as are being arranged in respect of road accidents. If it is not possible, the affected parties may be allowed to file criminal cases against the electricity department to claim compensations.
- l) As there is no gap between 'bill date' & 'collection date', every consumer is compelled to pay the penal charges. Instead, if bills are collected every month in villages consumers can be protected from unnecessary payment of penal charges.
- m) As all the Electricity Revenue Offices (EROs) are computerized, the services of Private Accounting Agencies (PAAs), who have been offering the services pertaining the computerized billing & record keeping to the DISCOMs, may be dispensed with and these functions are entrusted to EROs as to avoid duplication of work and wastage of money.
- n) Failed DTRs are not replaced at free of cost and the consumers have been incurring the transportation costs and other overheads.
- o) O&M staff is not staying at the headquarters and accidents are increasing due to poor maintenance of lines.
- p) Officials of DISCOM are not pursuing the theft & malpractice cases further, if compounding fee is paid. The final assessment is to be issued in accordance with the provisions of the Act, and mere payment of compounding fee doesn't absolve the obligation of the defaulter to pay final assessed amount.
- q) DISCOMs shall take stringent action against the officers & staff who found to be guilty and involved in theft/pilferage of energy cases.

5. Joining the discussion, Sri Devendra Surana of Federation of Andhra Pradesh Chamber of Commerce & Industries (FAPCCI) expressed that:

- a) The DISCOMs and the Regulator are not acting independently.
- b) Industry is the biggest provider of employment after Agriculture. But, whenever tariff hike situation is arising, only the Industrial sector is taken to task. During the 'sufficient power availability situation', DISCOMs are treating Industrial consumers as highest revenue source for the company; but, when it comes to power shortages, Industrial Consumers are forced to share more shortage and feel the burnt.
- c) Industrial sector is forced to bear more cross subsidy; about 33% tariff hike, on an average, is proposed for the Industrial services, which is very high; the tariff hike shall be in proportion to the raise in the power purchase cost.
- d) Regulator has a bigger role to play in allocation of power to different sectors during shortage situations; shortages are not uniformly spread across different categories. Instead, more power cuts are being imposed on industry which results badly on cross subsidy amounts too.

- ✓ **Hon'ble Member (Finance)**, APERC said that the Commission, in its Tariff Order, has indicated the category wise allocations of power, in line with the proposals of the Licensees. To this, **Sri Devendra Surana** responded that the Regulator has to step in as the DISCOMs are taking away the share of the Industrial sector.
 - e) Prices of power in open market are double in Southern India when compared to Northern India.
 - f) Instead of increased tariff through out the year, seasonal tariffs like increased tariffs during a 4-month peak season and lower tariffs during the off-season can be adopted.
- 6. Continuing the discussion, **Sri V.Ananda Reddy of Federation of Andhra Pradesh Small Industries Associations (FAPSIA)** said that all the small scale industries are proposing to close the industry in lieu of unbearable load shedding & R&C measures; SSI units are loosing competitive edge with other states due to the load shedding and power holidays, being declared by the utilities. He expressed that SSI units are not able to stick to the delivery schedules and lay offs are issued to contain the sunk costs and that they cannot sustain without continuous power. He further pointed out that minimum demand charges are collected by the DISCOMs even though power is not made available for 80% of the time and that APERC may arrange for reimbursement of these charges. While expressing that tariff increase for SSI units cannot be more than 5%-6%, he suggested that the DISCOMs should improve financial performance and efficiency.
- 7. While accepting with the views of Sri Devendra Surana of FAPCCI, **Sri M.K.Patodia of Confederation of Indian Industries (CII)** pointed out that rates are higher for Industry and also, Industry is forced to absorb significantly more power cuts. If the situation continues like this, Industries cannot run. He suggested that DISCOMs should buy from market and supply to needy consumers during shortage situations at least. He too expressed that the proposed hikes in Industrial tariffs are very high.
- 8. **Sri Devendra Surana of FAPCCI** suggested that at least from this Tariff Order onwards, Commission shall provide for separate tariffs for Industrial consumers who need uninterrupted, quality power and this tariff shall be accompanied by the penal provisions. There are at least a few bigger HT consumers who may opt for such tariffs.

9. **Sri Harikishore Kumar Reddy of BKS** pointed out that the APPCC, instead of purchasing power directly from the producers, is forcibly involving intermediaries like traders, and thereby burdening the sector; which should be addressed. He suggested that a lot of energy can be saved by arresting wastage in streetlights and by other means. He further suggested that field staff shall be directed to stay at the Headquarters to minimize the power supply interruptions, accidents, etc, to improve the consumer services in villages.
10. **Sri V.Anand Reddy of FAPSIA** expressed that when DISCOMs are not supplying power at Unity power factor, how can they expect the industries to maintain Unity power factor. He further expressed that consumers are being penalized even for the faults of DISCOMs.
11. **Sri Gade Diwakar of All India Kisan Mazdoor Sangh (AIKMS)** said that the old system of tariff slabs in Domestic category be retained and advised the Commission to write letters to appropriate Governments with regard to increase of fuel charges (Coal & Gas) and short supply of required quantum of fuels for power generation in the state. Also, pointed out that if the directions of the Central Government with regard to deemed open access status to 1 MW and above consumers, with effect from 1st April, as reported in media is implemented, the DISCOMs would be in further troubles as the majority of the cross subsidizing consumers would go away from the fold of the DISCOMs. He suggested that APERC may conduct field surveys to study Quality of power supply.
12. **Sri T.V.S.R.Murthy of 327 Union** expressed that APGENCO should be allowed to construct new projects to reduce the prevailing deficit situation. Further, he informed SAC that the Workers' Unions have been advising their members at filed to stay at the Headquarters and be friendly with the consumers in rendering O&M services.
13. Joining the discussion **Sri R.Janardhan Reddy of 1104 Union** also shared similar views. He suggested that the Regulatory Commission has to take initiative to pursue with the Government and utilities to enhance capacity. He further stated that, due to supply of free power to Agriculture sector DISCOMs are incurring additional burden in terms of additional power purchase and the Commission should pursue the matter

with GoAP and to arrange to reimburse the amounts to the DISCOMs, so that they can come out of existing financial problems.

14. While referring to the present crisis of shortage of power in the state, **Sri A.Rama Koteswara Rao of Engineering Staff College of India (ESCI)** suggested that optimization of the existing generating sources of all sorts such as hydel, thermal, captive, Non-conventional, Liquid Fuel based, etc., is the need of the hour. He has stated that since transmission congestion is limiting the power import capability of the state from other regions, maximizing of the generation is required to soothe the existing crisis. He emphasized that regular power planning, proper reactive power management are necessary for improvement in voltage profile and for ensuring quality power supply to the consumers.
15. **Sri S.K.Agarwal of South Central Railways (SCR)** brought to the notice of the SAC that the proposed increase in traction tariff by 30% is stringently high and that the Railways have several social objectives to fulfill. He has pointed out that increase in CoS is only 7 to 10% for Traction category. He also brought the issue of increase in non-traction tariff to the notice of the SAC.
16. Joining the discussion, **Sri N.Sreekumar of Prayas Energy Group** suggested that the interests of small and marginal consumers in domestic sector shall be protected and consumption at certain higher level, which is used for luxury purpose, shall be charged higher. He has pointed out that there are three vital dimensions to the present crisis in power supply and they are: Supply side constraints, Network limitations and Efficiency of end use. **Sri N.Sreekumar** also suggested that an independent exercise has to be undertaken by the utilities in compliance with the regulations/directions of the Commission, with regard to Resource Planning, Quality of power supply, Energy efficiency improvement, harnessing of renewable sources and a public debate/hearing should take place to decide on these issues, as development of power sector is associated with long time horizons. He further pointed out that there are a lot of pending issues in rural power supply which need to be resolved. He suggested a separate and exclusive Public Consultation on Quality of Power Supply in the state.

17. At this point, **Hon'ble Chairman** suggested that the members of SAC may take up any further points for discussion.
18. Re-initiating the discussion, **Sri Devendra Surana of FAPCCI** requested for the immediate intervention of the Commission on power cuts, being imposed by utilities, and requested for equitable distribution of the available power to different sectors, instead of burdening the industry alone.
19. **Sri V.Ananda Reddy of FAPSIA** stated that higher quantum of power has to be allocated to CPDCL owing to its vast area and several industrial loads existing in and around twin cities. He further informed that power cuts are not so severe to small and medium industries sector; advised that the power allocations to the DISCOMs in the state by GoAP through 3rd transfer scheme shall be re-looked into.
20. Adding to the above, **Sri M.K.Patodia of CII** expressed his concern that there is no guarantee of power supply to install new industries in the state. He urged that there shall be a policy on the power supply position; otherwise, what message would go to the industries, he wondered. He suggested that industry should be allowed to purchase power from outside, on long term basis, by allowing hassle free open access.
21. **Hon'ble Member (Finance)**, APERC shared his views with the SAC stating that the existing crisis in the power sector is due to supply side issues; Electricity Act 2003, being a commercial Act, DISCOMs are unable to implement the act in true commercial spirit as they are under the control of Government. He agreed with the representative of CII that Policy matters with reference to power supply are very important. Further, he said that supply of power to all at lowest cost cannot always be supplied as it is observed that capacity additions to generation is coming at higher costs, unlike the historical costs of generation. Referring to the enviable position of Tamilanadu state in commissioning of the Wind Power Projects, **Hon'ble Member (Finance)** expressed that NEDCAP should play a pro-active role in encouraging the setting up of Wind Power Projects in Andhra Pradesh.

22. **Sri N.Sreekumar of PRAYAS Energy group** stated that the capacity of APGENCO is not sufficient. He said that someday the per 1 MW prices of coal & solar may become equal. He suggested that unless a holistic view is taken on long term basis, the crises on supply side, similar to the present one, do occur in future too.
23. **Sri Harikishore Kumar Reddy of BKS** remarked that, why gas based projects are allowed in the state, when there is no gas. He suggested that APGENCO should be encouraged by infusing the required finances by the GoAP, to construct more power plants. Private plants operate with a profit motto by trying to sell generation outside state in open access, whereas APGENCO devotes entire available generation to the consumers of the state, he expressed. Even though for certain GENCO plants like RTPP, variable cost is more, it is still cheaper than the market power, he said. He further reiterated that, Regulator should improve power supply conditions in rural areas.
24. At this juncture, **Hon'ble Chairman** sought for the views of members of the SAC with regard to the recent clarification issued by Ministry of Power, Govt on 1 MW and above consumers, to be treated as deemed Open Access (OA) consumers and that the regulator has no jurisdiction to determine tariff for such consumers. He emphasized that there is a sense of urgency in this matter and that the issue is very important as the Industrial sector gets affected.
25. Initiating the discussion on this issue, **Sri Devendra Surana of FAPCCI** has responded that the option is good, at least in the industry point of view, as they could get quality power supply. He pointed out that presently, the supply agreements are one sided and there are no penalties if the utilities fail to supply. He expressed that at least there will be obligations on the part of supplier also in the new regime in OA. He reiterated that in the present system of supply from utilities, the industry is affected both ways, in terms of Tariffs and as well as Load shedding. He hoped that in the new scenario since market forces would be in operation in determining the prices, it would be helpful for the industry to sustain in the long run. He remarked that the Industries would be happy if they are taken out of the total entity which is highly

influenced by political preferences. He suggested that the forth coming Tariff Order of the Commission shall be closer to the market conditions.

26. **Hon'ble Member (Finance)**, APERC remarked that the idea of the Ministry of Power, Govt of India is to de-link the Industrial services from the fold of the DISCOMs.
27. To a remark made by the **CMD of APSPDCL** that the industries have the liberty to fix the prices to their products, **Sri Devendra Surana of FAPCCI** responded that the prices of Industrial products are decided by the market conditions. He further informed that attracted by the prevailing Tariff structure in the state, a lot of industries have come to AP state.
28. **Sri N.Sreekumar of Prayas** opined that power sector in India is in transition and if this new concept is implemented, there would be operational problems; timing of implementation of the new regime has to be decided after thorough examination of the ground realities.
29. To this, **Sri Devendra Surana of FAPCCI** reiterated that deemed OA status to >1 MW consumers is good and it would certainly improve the power sourcing capabilities of the industry. Even if they pay a bit higher price, there would be assurance of quality power supply, which is very much lacking in the present system of power supply by the DISCOMs, he opined.
30. Responding to the opinions, **Hon'ble Chairman** stated that the Electricity Act, 2003 contemplated unfettered open access to >1 MW consumers. **Hon'ble Chairman** stated that there are several infrastructural constraints that have to be tackled before implementing the Gol directive. He pointed out that the recent clarification of Gol taking away the jurisdiction of SERC's from fixation of tariff for deemed open access consumers of > 1 MW has far reaching consequences.
31. **Sri M.K.Patodia of CII** suggested that more and more dedicated feeders have to be laid to provide open access to >1 MW consumers; presently most of the consumers are on mixed/express feeders. As per the present rules a particular feeder can not be earmarked as dedicated unless the consumer takes certain higher quantum of demand, since the DISCOMs

have the right to extend power supply to other consumers from all feeders including dedicated ones, he informed the SAC.

32. **Hon'ble Member (Finance)**, APERC responded and said that there are right of way problems in the field to lay more and more feeders and it is also techno economically not feasible to lay number of distribution lines.
33. **Sri Harikishore Kumar Reddy of BKS** opined that once private suppliers come and start playing in the market, they would grab the market by luring the consumers initially with lower tariffs and subsequently they jack up the prices which is deterrent to the industry. Further, he opined that regulatory regime is relatively better.
34. **Hon'ble Chairman** thanked all the participants for their valuable suggestions and views and hoped that they would be useful to the Commission during ongoing tariff setting exercise.

**Sd/-
Secretary**