

ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION**ANNUAL STATEMENT OF ACTIVITIES****1999 - 2000**

D.No. 11-4-660, 4th FLOOR, SINGARENI BHAVAN, RED HILLS HYDERABAD - 500 004.

Ph.No. 23397381 / 399 / 556 / 656 / 684 Fax No. 23397489

F O R E W A R D

The formation of the APERC on 31st March, 1999 is an important milestone in the Electricity sector Reform & Restructuring process taken up in the State of A.P. The tasks before the nascent Commission have been challenging and stimulating, given the complexities of the power sector and the status of the power sector in the state. In its first year of operation (i.e) 1999 - 2000 the APERC faced the challenges head on and took a number of far reaching steps to fulfill its mandate of improving the productivity and viability of the power sector and protecting the interest of the consumers.

As per the Reform Act (schedule - Part I) the Commission is required to publish an annual statement of its activities (simultaneously with an audited Annual Statement of Accounts). This is the first such report and pertains to its activities during 1999 - 2000.

Every effort has been made to make the report comprehensive and lucid to present to stakeholders the steps that have been taken by the Commission or planned to be taken to restore the health of the power sector in AP to make it vibrant and capable of meeting its obligations to the consumers and fulfill its role in the economic development of the State and the Country.

Sd/-
G P RAO
Chairman

Hyderabad
Dt.26th Apr, 2003

I N D E X
Contents
CHAPTER - I
Overview
About the Commission
Activities in 1999-2000
Licensing
Monitoring of Licensees' Performance
Captive Power Policy
Tariff Determination
Consumer Protection
Administration
Regulations & Practice Directions
CHAPTER - II : Licensing
CHAPTER - III : Monitoring of Licensees' Performance
CHAPTER - IV: Captive Power Policy
CHAPTER - V : Determination of Tariff
CHAPTER - VI : Consumer Protection
CHAPTER - VII : Administration
Annexure - A : List of Licences granted during the year 1999-2000
Annexure - B : Exemptions issued during the year 1999-2000 U/s 16 of APER Act,1998
Annexure - C : Organisation Chart of APERC
Annexure - D : Details of Chairman,Members and Officers of APERC (as on 31-03-2000)
Annexure - E : Details of Training programmes/Seminars attended by Officers of APERC
Annexure - F : Details of APERC Budget for the year 1999-2000 & Actual Expenditure

CHAPTER - I

OVERVIEW

About the Commission

Andhra Pradesh is the third State in India after Orissa and Haryana which has brought about a comprehensive reform of the electricity industry by

- ◆ unbundling the erstwhile vertically-integrated State Electricity Board and setting up separate entities for generation, transmission and distribution ;
- ◆ corporatisation of these entities;
- ◆ appointing an independent Regulatory Commission
- ◆ involve private sector participation in distribution.

The Andhra Pradesh Electricity Reform Act, 1998 (the Reform Act) became effective from 1st February 1999. Andhra Pradesh Electricity Regulatory Commission (the Commission) is established on 31st March 1999 under this Act as an independent statutory Commission to oversee the functioning of AP's electricity utilities. The main functions of the Commission are: -

- ◆ to aid and advise, in matters concerning generation, transmission, distribution and supply of electricity in the State;
- ◆ to regulate the working of licensees and to promote their working in an efficient, economical and equitable manner;
- ◆ to issue licences in accordance with the provisions of the Reform Act and determine the conditions to be included in the licences;
- ◆ to regulate the purchase, distribution, supply and utilisation of electricity, the quality of service, the tariff and charges payable keeping in view both the interest of the consumer as well as the consideration that the supply and distribution cannot be maintained unless the charges for the electricity supplied are reasonably levied and duly collected;
- ◆ to promote competitiveness and progressively involve the participation of the private sector, while ensuring a fair deal for the customers.

The Commission has three members appointed by the Govt. of A.P. on the recommendation of a Selection Committee. One member is designated as the Chairman. Each member has an equal vote and decisions are taken by a majority of votes.

The Commission considers licence applications, tariff applications, applications for setting up captive power plants under Section 21 (3) of the Reform Act proposals for power purchase agreement for its consent, steps to be taken for economy, efficiency and safety in the supply of power and other matters submitted by the electricity utilities of Andhra Pradesh and sets rules to promote healthy growth of Power Sector in Andhra Pradesh. All decisions of the Commission are supported by written orders to ensure transparency and can be appealed against in the High Court of Andhra Pradesh on questions of law.

Activities in 1999-2000 in brief

1. LICENSING

The Commission has issued 11 Nos. licences during the year 1999-2000. Of these 2 Nos. are issued to APTransco, one for Transmission and Bulk Supply and another for Distribution and Retail Supply. The balance 9 Nos. licences were issued to 9 Nos. Rural Electric Co-operatives operating in the State (Annexure A). In accordance with the objectives of the APER Act 1998, APTransco has moved in the direction of divestment of its distribution activity by forming four wholly-owned subsidiary Distribution Companies viz., (1) Andhra Pradesh Northern Power Distribution Company Limited, (2) Andhra Pradesh Eastern Power Distribution Company Limited, (3) Andhra Pradesh Central Power Distribution Company Limited and (4) Andhra Pradesh Southern Power Distribution Company Limited. These distribution companies have been incorporated in March 2000 under the Indian Companies Act, 1956. The Commission has permitted APTransco to assign its Distribution functions to these four Distribution Companies pending licensing of these entities with a direction that these companies should apply for independent licences by May 2000.

One of the objectives of the Reform Act is to involve participation of private sector entrepreneurs in the electricity industry. Privatisation of distribution is considered as a major thrust area of reform both by the Govt. of India and Govt. of A P (GOAP). Accordingly APERC is preparing itself for private participation

2. MONITORING LICENSEES' PERFORMANCE

Another major responsibility of the Commission is monitoring the performance of the licensee.

In a significant departure from the practice of performance monitoring in detail, the Commission has prescribed various standards and codes for improvement of performance of the licensees and any departure from the codes will be taken note of by the Commission for remedial action.

3. CAPTIVE POWER POLICY

The APERC has evolved its Captive Power Policy and issued in October 1999 practice directions on procedure for obtaining consent of APERC for Captive Power Plants (CPPs) in terms of section 21 of Reform Act.

4. TARIFF DETERMINATION

One of the most important functions of the Commission is determination of tariffs of the Licensees. The Commission determines Bulk Supply Tariff (BST) applicable to purchases by distribution companies from the Transmission and Bulk Supply Licensee and Retail supply tariff for consumers who purchase electricity from the distribution companies.

Keeping in view the objective of bringing about economy and efficiency in the electricity sector, the Commission formulates a least cost combination of power purchase by the bulk supplier and critically scrutinises the cost centres of the licensees. In an effort to rationalise the retail tariff, the Commission has signaled a shift from the principle of determining tariff, from the basis 'nature and purpose of use', to the concept of 'true cost of supply'. Application of this principle would entail significant reduction of subsidies and cross-subsidies. Since this would impose sudden burden on the consumers, accustomed for long to below-cost rates, the Commission proposes to move in the direction of tariff rationalisation in a gradual manner.

5. CONSUMER PROTECTION

In its endeavour to attain the objectives of the Reform Act, the APERC is taking substantive steps for consumer protection. The following documents are under finalisation of the Commission prescribing standards etc., with regard to supply of electricity to consumers.

- (i) Regulations on Standards of Performance
- (ii) Regulations on Consumers Right to Information
- (iii) Licensee's Complaint Handling Procedure
- (iv) Code of Practice on payment of CC Bills
- (v) APERC's Complaint Handling Procedure
- (vi) Overall performance standards of the licensee

6. ADMINISTRATION

The Commission, which has initially started with a skeleton staff drawn on deputation from APTransco and other Govt. departments, has taken prompt action to recruit qualified personnel to fill up the sanctioned posts in October 1999.

The staff of the Commission is a mix of electrical engineers, economists, Cost Accountants, legal experts, information technology specialists and administrators, to provide specialist advice and professional inputs to the Commission.

Independent regulation of utilities being a totally new concept in India it requires intensive and extensive training in inter-disciplinary subjects. The specialist officials of the Commission are sent to various training courses and seminars organised by Administrative Staff College, Hyderabad, Tata Energy Research Institute, New Delhi South Asian Forum for Infrastructure Regulation (SAFIR) and other professional bodies. The Chairman and Members of the Commission have attended training programmes in USA on Regulatory issues during the year.

As per the Reform Act, the Commission's expenditure is chargeable to the Consolidated Fund of the State of A.P. In the year 1999-2000, while the budget released by the Govt. was Rs 2.07 Crores, the Commission's expenditure was only Rs.2 Crores. The Commission keeps a close watch over its own expenditure as it does on the licensee's expenditure.

7. REGULATIONS, GUIDELINES AND PRACTICE DIRECTIONS

During the year 1999-2000 the Commission has framed following Regulations, Guidelines and Practice Directions.

1. Regulations prescribing the guidelines for constitution of Commission Advisory Committee (CAC) and its functions.
2. Regulations for its conduct of proceedings and discharge of its functions (Business Rules of the Commission).
3. APERC Officers' / Staff Service Regulations.
4. Regulations relating to the Terms and Conditions of Appointment of Standing Legal Counsel (SLC) to the APERC.
5. Regulations relating to the Terms and Conditions of Appointment and remuneration to the Advocate -On -Record in Supreme Court for the APERC.
6. Practice Directions on Procedure for obtaining consent of the APERC for setting up of Captive Power Plants.
7. Guidelines for Revenue and Tariff filing by Transmission and Bulk Supply and Distribution and Retail Supply Licensees.
8. Guidelines for Load Forecast, Resource Plans and Power Procurement.
9. Amendment to Practice Directions No. 1 dated 08-10-99 on Procedure for obtaining consent of the APERC for Captive Power Plants.

CHAPTER - II

LICENSING

One of the main aims of reform in the power sector is to replace government ownership and direct control with a licensing system in transmission and supply of electricity so as to achieve greater efficiency, accountability and transparency. The first major task of the Commission after it has come into being is as to issue two licences for transmission and supply of electricity. After reconstitution of the Andhra Pradesh State Electricity Board, the Transmission & Bulk Supply (T&BS) and Distribution & Retail Supply (D&RS) activities are vested in the newly constituted APTRANSCO. Two provisional licences for 1) Transmission & Bulk Supply (T&BS) and 2) Distribution & Retail Supply (D&RS) have been issued to APTransco by Government of Andhra Pradesh prior to formation of the Commission. These are taken as licence applications by the Commission and two separate licences for Transmission & Bulk Supply and Distribution & Retail Supply are granted to APTransco vide Commission's order dated 31-01-2000. These licences have become effective from 1st February 2000, are issued for a period of 30 years subject to modification if any part of area of supply is divested.

In accordance with the objectives of the Reform Act, APTransco is moving in the direction of divestment of its distribution activity by forming four wholly-owned subsidiary distribution companies for carrying out Distribution activity in the State. These subsidiary companies of APTransco Ltd., namely Northern Power Distribution Company Ltd., Eastern Power Distribution Company Ltd., Central Power Distribution Company Ltd., and Southern Power Distribution Company Ltd., are thus incorporated in March 2000.

After their formation, the APTransco has requested the Commission to permit them to assign their Distribution & Retail Supply functions to the 4 Distribution companies pending their licensing subject to the conditions laid down in paragraph 5.4 of the Distribution & Retail Supply licence issued to APTransco. The Commission has permitted the same on 31-03-2000 with a stipulation that the new distribution companies should apply for a licence within two months of the order.

In addition to the 2 Nos licences issued to APTransco, the Commission has issued licences on 31-01-2000 to 9 Nos. Rural Electricity Co-operatives (RESCOS) which are operating in the State since a long time.

As most of these co-operatives are not functioning properly the Govt. of A P requested the Commission to consider granting of licences to them for a period of one year pending decision on their continuance in the Reform and Restructuring scenario of the Power sector. In consideration of Govt's request the period of licences to the 9 Nos. RESCOS is limited to one year only.

The highlights of the licences issued to APTranco and Rescos are as follows:

- (i) The licensee should comply with all regulations and orders issued by the Commission.
- (ii) It is obliged to obtain prior approval of Commission to engage in any other business and shall maintain separate accounts and records in respect of such other business activity and shall comply with such guidelines, terms and conditions as the Commission may specify.
- (iii) The licensee is obliged to obtain clearances from the Commission with regard to disposal of its assets or investment equal to or exceeding Rs. 5 Crores.
- (iv) The licensee is prohibited from showing discrimination and undue preference to any category of consumers.
- (v) The licensee shall supply to the Commission any information as the Commission may direct in the manner and at times specified by it, including that relating to any major incident.
- (vi) The licence enumerates the conditions in conformity with Reform Act under which it can be revoked.
- (vii) The Distribution and Retail Supply licensees are obliged to comply with the Grid Code, the Distribution Code, Right to Information and Standards of Performance Regulations, Distribution System Planning and Security Standards, Operating Standards and Overall Performance Standards in addition to all other relevant acts, Rules and Regulations.
- (viii) With regard to consumer service, the Distribution & Retail Supply licensee is required to follow a Code of Practice on payment of Bills, Complaint Handling Procedure and Consumer Rights Statement approved by the Commission besides any other Regulations / Guidelines issued by the Commission.
- (ix) The Transmission & Bulk Supply licensee shall make arrangements for the use of the Transmission system by Third parties as specified in the licence.
- (x) The Transmission & Bulk Supply Licensee is obliged to observe the Grid Code, the Distribution Code, Transmission Planning and Security Standards, Power Supply Planning and Security Standards, Transmission Operating Standards and Power Supply Operating Standards as well as certain provisions regarding scheduling and despatch.
- (xi) The licensee shall purchase electrical capacity and / or energy in an economical and efficient manner and under a transparent power purchase

or procurement process and in accordance with Regulations, guidelines and orders made for the purpose by the Commission from time to time.
 (xii) The Commission shall act as arbitrator to adjudicate and settle disputes in accordance with Section 37 (1) of the Reform Act.
 (xiii) The licensee shall establish tariff and calculate the charges in accordance with the provisions of Section 26 of the Reform Act read with Regulations and the licence conditions.
 (xiv) In respect of the licensed business the licensee shall not without prior permission of the Commission give any subsidy or subvention to, or receive any subsidy or subvention from any person or any other business of the licensee except a subsidy granted by the State Govt. pursuant to Section 12 (3) of the Reform Act or a subvention pursuant to Section 12 (3) of the Reform Act or a subvention pursuant to Section 27 (1) of the Reform Act.

One of the objectives of the Reform Act is to involve participation of private sector entrepreneurs in the electricity industry. Privatisation of distribution has been considered as a major thrust area of reform both by the Govt. of India and Govt. of Andhra Pradesh (GOAP). Accordingly APERC is itself preparing for private participation.

Licences for Transmission & Bulk Supply and Distribution & Retail Supply to APTransco have been granted with an initial fee of Rs. 80 lakhs and an annual fee of Rs. 125 lakhs for Transmission & Bulk Supply licence and Rs. 160 lakhs initial fee and Rs. 250 lakhs annual fee for Distribution & Retail Supply licence. The annual fee is payable by 10th April of every year. The total licence fee payable per annum to the State Exchequer by APTransco and other Licensees has been determined on the principle that the costs of APERC charged to the Consolidated Fund of A.P Govt. shall be borne by the licensees.

In addition to licences issued to APTransco and the RESCOs, 22 Nos. persons/organisations are exempted from having a supply licence in terms of section 16 of Reform Act as it is felt that there is no necessity for detailed regulation of the supply business being carried out by these persons/organisations (Annexure - B).

Any power developer (Developer) who wants to supply power to persons other than a licensee (termed as Third Party Sale) has to take a licence from Commission under section 15 of Reform Act or an exemption from having a licence in terms of Section 16 of the Reform Act. The Commission has addressed the question of impact of third party sales on the licensee i.e. APTRANSCO in the background of the present poor financial state of APTRANSCO. The Commission after careful consideration took the view that allowing third party sales by private energy developers in the Licensee's (APTRANSCO) area of operation affected the working of the Licensee and the organised development of the electricity industry and it is not in public interest. This is particularly so because there exists at present, a significant element of cross-subsidization and the industrial /commercial consumers are paying substantially higher charges as against some classes of consumers paying significantly less than average cost of supply. The third party sales will be only to some of the higher tariff bracket industrial consumers and this will mean that the effect of the cross-subsidization will have to be shared more acutely by the remaining industrial consumers. This will also affect the ability of the Commission to progressively reduce the cross-subsidization. The Commission has therefore the important function to ensure that the third party sales are regulated and the electricity distribution and supply are carried out efficiently by the Licensee. The Commission has therefore considered it necessary to make a departure from the principles laid down in GOAP GOMs. dt 17-11-97. Considering these aspects and other relevant issues the Commission has issued order prohibiting third party sales. Under Proceedings No. 5 dated 06-03-2000 Non-conventional Energy Projects were prohibited from sale to third parties. The Commission has also disposed of an application of M/s. GBR Power Projects Ltd., (a Mini Power Plant) directing them to sell power to APTRANSCO only, from 01-07-2000.

CHAPTER - III

MONITORING OF LICENSEES' PERFORMANCE

Another major responsibility of the Commission is monitoring performance of the licensee by prescribing standards through various codes. Any departure from these ground rules are to be taken note of by the Commission for remedial action.

In the licence order issued, the Commission has prescribed the following standards and codes, detailed proposals of which shall be submitted by the licensee in consultation with all the persons concerned within a period of six months, that is before 31-07-2000.

A. Transmission & Bulk Supply Licence

- (i) transmission planning and security standards
- (ii) power supply planning and security standards
- (iii) transmission operating standards
- (iv) power supply operating standards
- (v) grid code

B. Distribution & Retail Supply Licence

- (i) distribution code and construction practices
- (ii) distribution system, planning and security standards
- (iii) distribution system operating standards
- (iv) overall performance standards
- (v) code of practice on payment of bills
- (vi) complaint handling procedure
- (vii) consumer rights statement

On receipt of necessary proposals from the APTransco the Commission will approve the same, subject to such modifications as the Commission considers appropriate.

CHAPTER - IV

CAPTIVE POWER POLICY

With the imposition of crippling power cuts since 1986-87 which sometimes went as high as 60 per cent both on energy and peak demand and also on account of the need to have uninterrupted and quality power by continuous process industries, a number of industries have begun installation of generating sets of their own.

The State Government and the State Electricity utilities which are aware of their inability to meet the needs of the industry in the immediate future have taken various policy initiatives to promote captive power production. At the same time, they are also concerned with the impact of the high growth of captive power production on the deteriorating finances of the State Electricity utilities, the environment and the optimal growth of the power sector in the long run. By 1999-2000 the installed capacity of captive power plants in the State of Andhra Pradesh has gone up to 1600 MW. Out of these about 1200 MW is accounted for by Captive Power Plants of over 1 MW.

In such a scenario, the Commission has decided to evolve a Captive Power Policy and also to issue clear cut Practice Directions on the procedure for obtaining consent of the Commission for Captive Power Plants in terms of Section 21 (3) of the Reform Act. The Commission has prepared a consultation paper giving the background on the issues that are to be decided, and published a notice on 06-06-99 inviting comments and suggestions of interested parties on the issues identified in the consultation paper and on the policy to be adopted for granting of consent for setting up Captive Power Plants.

38 organisations have sent their views to the Commission on the consultation paper. After taking note of the written comments and suggestions received, the Commission has held a series of meetings with

- (i) APTransco, APGenco, Principal Secretary, Dept. of Energy, Government of Andhra Pradesh on 01-07-99,
- (ii) APTransco, APGenco, Principal Secretary, Department of Industries Government of Andhra Pradesh and Representatives of Industry on 03-07-99,
- (iii) Principal Secretary, Industries, GOAP on 06-07-99,
- (iv) APTransco on 07-07-99,
- (v) APTransco and Principal Secretary, Dept. of Energy, GOAP on 11-10-99

After these detailed deliberations it has become evident to the Commission that

- (1) APTransco has adequate power now to meet the power requirement of Industrial units without requiring any need for installation of CPPs by the industrial establishment
- (2) Cost of generation of power by APSEB/GENCO or central generating stations etc., is far more cheaper than most of the CPPs and that there is no economic justification to allow Captive Power Plants as the APTransco is in a position to supply the requisite power.

Accordingly, the Captive Power Policy for the State of Andhra Pradesh is evolved by the Commission and the Practice Directions on the Procedure for obtaining consent of the Commission for CPPs were issued on 08-10-99.

CHAPTER - V

DETERMINATION OF TARIFF

Determination of Tariff is one of the main functions of the Commission. The Commission is required to specify the methodologies and procedures to be observed by the holder of each licence in calculating the expected revenue from charges which it is permitted to recover pursuant to the terms of its licence and in designing tariffs to collect those revenues. The proposals furnished by the licensee are to be analysed and the charges to be levied on all types of consumers are to be determined by the Commission. In determining the tariff the Commission is bound mainly by three parameters, namely (1) the financial principles and their applications provided in the 6th schedule to the Electricity Supply Act, 1948 read with Sections 57 & 57 (A) of the said act. (2) the factors which would encourage efficiency, economic use of the resources, good performance etc., and (3) the interest of the consumers.

However, the Commission has been given the power to depart from the factors specified in the 6th schedule of the Electricity Supply Act, 1948 and when it does so it shall record the reasons there for in writing.

The Commission has prepared draft Guidelines for Revenue and Tariff filing for Transmission & Bulk Supply Licence and Distribution & Retail Supply Licence in September 1999 and furnished them to APTransco. Subsequently, a meeting has been held to provide an opportunity to the licensee to comment on the drafts. APTransco has been able to indicate the data they would be able to provide in the first year and their plans for collecting information in compliance for subsequent years. The licensee has also suggested areas where the forms should be amended to better describe the A.P Transmission and Distribution system. The Commission has then modified the forms suitably and communicated final guidelines to APTransco on 9th October 1999 (Guidelines No. 2) for Revenue and Tariff Filing.

In determining tariff there should be an underlined philosophy and in pursuance of this a consultation paper entitled "Issues of Tariff Philosophy" has been circulated during October 1999 to licensees, economists, power experts, user groups and general public, inviting written comments / suggestions on the following conceptual issues.

- (i) What is the best plan for reducing technical and non-technical losses and installing new and upgraded metering?
- (ii) What general method of price regulation should the Commission employ for Andhra Pradesh licensees, in both the short and long term?
- (iii) How will the licensees' revenue requirement and allowed revenue be determined?
- (iv) What should be the allowed rate of return on the licensees rate base?
- (v) How will licensee revenue requirements be allocated to service classes/tariff schedules?
- (vi) If cost variations are significant and metering is cost-effective, should seasonal and time-of-day tariffs be instituted for wholesale and retail sales?
- (vii) How should the Commission interpret the Reform Act's provision that there should be uniform retail tariffs throughout the state "to the extent possible"?
- (viii) Should the Commission consider the paying capacity of consumers in setting electricity tariffs and, if so, how should the paying capacity be determined and cross subsidisation be accomplished?
- (ix) How should the external subsidy from the Government of Andhra Pradesh be treated?

44 Nos. written comments / suggestions have been received in response. In addition to this the Commission arranged public hearings to consider representations in person from the public on the various issues identified in the consultation paper. These hearings have been held at Tirupati 25-11-99, Hyderabad 29-11-99 and Visakhapatnam 01-12-99. During these meetings the Commission heard the views and suggestions of the representative bodies of different sectors and the licensee on the substantive issues of tariff policy. Subsequent to this the tariff philosophy paper has been discussed in the CAC meeting on 04-01-2000 and views of the CAC have been obtained on each of the issues. The Commission has proposed to consider the comments provided through all these avenues in determining the Tariffs for FY 2001.

APTransco has filed its initial ERC/ARR filings on 29-12-99. For the Transmission & Bulk Supply business its calculated Aggregate Revenue Requirement is Rs. 7968.69 Crores and for the Distribution & Retail Supply business, the projected revenue requirement is Rs. 9463.67 Crores. After a review of the filing, the Commission has come to the conclusion that a revision of Tariff is necessary and since APTransco has not filed any proposal till February 2000, has given a direction to APTransco on 19th February 2000 to file proposals for revision of Tariffs. By 31st March 2000 the staff of the Commission has made queries on all aspects addressing both missing data and questionable assumptions and has obtained all the information which the Commission required for bringing analysis of the revenue requirement to a closure, so that it can form the basis for the redesign of the tariff for FY 2001 for supply of Electricity in the State of Andhra Pradesh.

CHAPTER - VI

CONSUMER PROTECTION

The Commission has the mandate under sections 11(1) (e), 26(2) (c) and 33(1) of the Reform Act to protect the interests of the consumers. The Act states that regulation of the purchase, utilisation, distribution and supply of electricity, quality of service and tariff and charges payable shall be set keeping in view the interest of the consumer. The Reform Act does not allow any undue preference to any consumer of electricity but a difference in treatment is permissible basing upon consumers' load factor or power factor, total consumption during any specified period or the time at which supply is required or paying capacity of category of consumers and need for cross subsidization. The Commission is also required to ensure minimum standards of performance and uphold the right to information of the consumer. It must determine and enforce standards of overall performance by the licensee.

As a first step to carry out its mandate, the Commission has prepared two sets of regulations (i) on Standards Of Performance in Connection with Electricity Supply to Consumers and (ii) on Consumers' Right to Information. As per section 33 (1) Reform Act, the Commission has to finalise these regulations after consultation with (a) holders of supply licences (b) other persons or bodies appearing to the Commission to be representative of persons and categories of persons likely to be affected and (c) the Commission Advisory Committee (CAC). As required in the Reform Act a notice has been published in daily newspapers on 25-03-2000 inviting objections from general public. Copies of the draft regulations were sent to consumer bodies and organisations like CORE, ASCI, TERI, Confederation of Andhra Pradesh Consumers Forum, People's Monitoring group of electricity regulation and Confederation of Consumers Forum, Visakhapatnam. A meeting has been convened with 9 Rescos on 27-03-2000 and the meeting with APTransco and the Commission Advisory Committee has been programmed on 04-04-2000. These regulations are to be finalised after review of comments received from all concerned and after consultation with Commission Advisory Committee and APTransco.

In addition to above the Commission is in the process of finalising the following documents.

- (i) Licensee's complaint handling procedure
- (ii) Licensee's code of practice on payment of bills
- (iii) APERC's complaint handling procedure
- (iv) Overall performance Standards of the licensee

Commission Advisory Committee

On all matters relating to consumer's interest, the Commission has to consult with the Commission Advisory Committee which has to be constituted as per Section 32 of the Reform Act. As required under Section 54(h) of the Reform Act the Commission has framed regulations (Regulation No. 1 dated 17-06-99) on constitution and functioning of Commission Advisory Committee. In consultation with the Govt. of Andhra Pradesh the Commission has established the Commission Advisory Committee on 24-11-99 with 17 members initially. During the year 1999-2000 the Commission has held one CAC meeting on 04-01-2000 wherein the issues in the Consultative Paper on Tariff Philosophy have been discussed.

CHAPTER - VII

ADMINISTRATION

A. Organisation

The Commission is a statutory body comprising three members including a Chairman appointed by the State govt. from a panel of names recommended by a Selection Committee in accordance with the procedure laid down in the Reform Act. It is supported by 21 Nos. trained officers appointed by the Commission, comprising electrical engineers, economists, financial analysts, legal experts, administrators and information technology specialists. The organisation chart of the Commission is at (Annexure - C).

The Commission is organised into five divisions namely Secretariat, Engineering, Tariff, Law and Administration. In the year 1999-2000, the Commission filled up most of its sanctioned posts including officers on deputation and became fully functional by October '99.

The details of the members of the Commission and the officers of the Commission as on 31-03-2000 is given at (Annexure - D).

B. Training

The Commission officers are regularly sent to the Power sector Training Programmes organised in India in order to keep themselves in tune with the recent developments in the power sector. They are also nominated to national/international seminars/workshops on Energy related topics. The details of Training programmes attended by officers of the Commission during FY 1999-2000 are given at (Annexure- E).

During this year the Chairman and Members of the Commission have attended training programmes in Regulatory issues in USA as follows:

1) Sri G.P.Rao, Chairman	: 41st Annual Regulatory Studies Programme at Michigan State University, Michigan - August 1999.
2) Sri D.Lakshminarayana, Member	: USAid Training Programme in Portland Maine - Oct/Nov 1999.
3) Sri A.V.Subba Rao, Member	: USAid Training Programme in Portland Maine - Oct/Nov 1999

C. Computerisation

I. Existing Systems

During the year 1999-2000 the APERC procured 10 Nos. Pentium III systems which are being used, for office Automation.

(a) Applications

On these stand alone systems packages for monitoring CPP applications (used by Engg. wing) and monitoring cases pending hearing (used by Law wing) are developed. Pay bills are carried out on EXCEL. A package on RDBMS is proposed to be developed for Pay Bills. A package for internal accounting is developed and a Package is being implemented for recording in ACCESS Database, details of visitors to the Office of the Commission. This Package is being upgraded by including on-line printing provision for printing visitors gate pass.

(b) Internet

At present dial-up connections are available for browsing on INTERNET.

(c) Website

Website is being developed and will be operational shortly.

II. Proposed Systems

It is decided to procure two servers and also establish a Lan as detailed below:

Server 1:

A SERVER with

- ◆ 256 GB RAM
- ◆ 2 x 18 GB HDD
- ◆ 500 MHZ speed

This will be connected to existing 18 + additional 4 NODES in a LAN. The system will operate with WINDOWS 2000.

Applications on this System

The main application on the system will be DOCUMENT MANAGEMENT

Server 2:

Another SERVER with the same configuration is also proposed to be installed.

Application on this system

On this server it is proposed to install ORACLE 8i. The system will be provided with INTERNET 64 KBPS leased line connection.

The main application on this will be Regulatory Information System (RIS) on ORACLE, RDBMS. The data base with all details of licensees will be maintained on the system. A virtual Private network (VPN) with all necessary securities with Proxy Server will be maintained. This virtual private network is connected to INTERNET. The licensees can log on to the Server of the Commission through INTERNET and update the database with information pertaining to their organisation. The information so updated will be utilised by the Commission to monitor the performance.

Lan:

The two servers will be connected to LAN through a switch. The LAN connection enables INTERNET connectivity to all nodes.

The Hardware and Software for above system is being procured.

D. Finance & Accounts

In accordance with the provisions of Section 8 (3) of the Reform Act, the salaries and allowances payable to the members of the Commission and the administrative expenses shall be charged to the consolidated fund of the State. According to the procedure laid down, the State Govt. is required to provide the funds for a financial year on the basis of statement of estimated expenditure furnished by the Commission to the Govt. The budgetary provisions for the year 1999-2000 vis-à-vis the actual expenditure made during the year are given at (Annexure - F).

The Commission is not mandated to collect any revenue and therefore, the entire resources are limited to the budgetary grant charged to the consolidated Fund of the State.

E. Proceedings before the Commission

252 no. of petitions have been filed before the Commission during the year 1999-2000 of which 58 nos. have been disposed off. 194 nos. of cases are pending by the end of the year. In most of the cases APTransco is the opposite and /or affected Party. The Law Division has examined and scrutinised petitions / applications and advised the other Divisions of the Commission in all legal matters concerned for initiation and proper conduct of the proceedings. The major cases heard by the Commission include the petition nos. 3 & 4 regarding issuing licences to APTransco for Transmission and Bulk Supply and Distribution and Retail Supply and petition No. 212, wherein definitions of 'Sister concern' and 'Captive Consumption' have been finalised.

F. Writ petitions and appeals

7 Nos. writ petitions are filed in the Hon'ble High Court of Andhra Pradesh against the orders/decisions of the Commission in the year 1999-2000, questioning the Practice Directions No. 1 dated 08-10-99 of APERC on Procedure for obtaining consent of the Commission for setting up Captive Power Plants. All these cases are pending for disposal by Hon'ble High Court of Andhra Pradesh.

G. International Cooperation

The Commission is pursuing with USAID to establish an Energy Partnership Programme (EPP) being implemented by the United States Energy Association (USEA) in cooperation with the US Agency for International Development (USAID), office of Energy, Environment and Technology. This partnership aims at mutual transfer of experience and information between the two partners in all areas of regulatory activity which will be achieved through participation in seminars, visits and exchanges. The focus areas of long-term cooperation are consumer interaction, tariffs and decision-making processes.

ANNEXURES

1. Annex - A List of Licences issued during 1999-2000
2. Annex - B List of Licence Exemptions issued during 1999-2000
3. Annex - C Organisation Chart of APERC
4. Annex - D Details of Chairman, Members and Officers of APERC (as on 31-03-2000)

5. Annex - E Details of Training Programmes/Seminars/Workshops attended by the Officers of APERC
6. Annex - F Details of APERC Budget for the year 1999-2000 & Actual Expenditure

Annexure - A

LICENCES GRANTED DURING THE YEAR 1999-2000

S.No	Licence No.	Name of the Licensee	Licence Granted	
			From	To
1	1/2000	APTRANSCO for Transmission and Bulk Supply	01-02-2000	31-01-2030
2	2/2000	APTRANSCO for Distribution and Retail Supply	01-02-2000	31-01-2030
3	3/2000	M/s.Anakapalle Resco for Distribution and Retail Supply	01-02-2000	31-01-2001
4	4/2000	M/s.Chipurupalli Resco for Distribution and Retail Supply	01-02-2000	31-01-2001
5	5/2000	M/s.Sircilla Resco for Distribution and Retail Supply	01-02-2000	31-01-2001
6	6/2000	M/s.Kuppam Resco for Distribution and Retail Supply	01-02-2000	31-01-2001
7	7/2000	M/s.Sanjay Resco for Distribution and Retail Supply	01-02-2000	31-01-2001
8	8/2000	M/s.Rayachoti Resco for Distribution and Retail Supply	01-02-2000	31-01-2001
9	9/2000	M/s.Atmakur Resco for Distribution and Retail Supply	01-02-2000	31-01-2001
10	10/2000	M/s.Kadiri East Resco for Distribution and Retail Supply	01-02-2000	31-01-2001
11	11/2000	M/s.Kadiri West Resco for Distribution and Retail Supply	01-02-2000	31-01-2001

Annexure - B

EXEMPTIONS ISSUED DURING THE YEAR 1999 - 2000 FROM THE REQUIREMENT TO HAVE LICENCE FOR SUPPLY OF ELECTRICITY VIDE SECTION 16 OF ANDHRA PRADESH ELECTRICITY REFORM ACT 1998

S.No.	Licensee exemption No.	Name of the Exemptee	Licence Exempted	
			From	To
1	1/2000	M/s. Singareni Collieries Co.Ltd	01-02-2000	31-01-2010
2	2/2000	M/s. Usha Kiran Movies	01-02-2000	31-01-2002
3	3/2000	M/s. Sanghi Polysters Ltd	01-02-2000	17-11-2002
4	4/2000	M/s. Gowthami Solvents Ltd	01-02-2000	17-11-2000
5	5/2000	M/s. Harsha Power Projects Ltd	01-02-2000	17-11-2000
6	6/2000	M/s Trident Power Ltd	01-02-2000	17-11-2000
7	7/2000	M/s. SKJ Power Projects Ltd	01-02-2000	17-11-2000
8	8/2000	M/s. Dhanalaxmi Cotton & Rice Mill	01-02-2000	17-11-2000
9	16/2000	M/s. Sagar Power Ltd	01-02-2000	17-11-2000
10	9/2000	M/s. RPP Ltd	01-02-2000	17-11-2000
11	10/2000	M/s. Renewable Energy System	01-02-2000	17-11-2000
12	11/2000	M/s. Sree Rayalaseema Power Corporation Ltd	01-02-2000	17-11-2000
13	12/2000	M/s. Sree Rayalaseema Alkalies & Chemicals Ltd	01-02-2000	17-11-2000
14	13/2000	M/s. NILE Ltd	01-02-2000	17-11-2000
15	14/2000	M/s. Nagarjuna Electric Generating Co Ltd	01-02-2000	31-01-2001
16	15/2000	M/s. Rain Calcining Ltd.,	01-02-2000	31-01-2001
17	17/2000	M/s. Vasavi Industries	01-02-2000	17-11-2000
18	18/2000	M/s. Weizmann	01-02-2000	17-11-2000
19	19/2000	M/s. Espar Pak Ltd	01-02-2000	17-11-2000
20	20/2000	M/s. Sri Jayalaxmi Corporation Ltd	01-02-2000	17-11-2000
21	21/2000	M/s. RCI Ltd	01-02-2000	17-11-2000
22	22/2000	M/s. Exhibition Society, Hyderabad	01-04-2000	31-03-2005

Annexure - C



Annexure - D

-
Details of Chairman, Members and Officers of APERC (as on 31st March 2000)

S.No.	Name (S/Sri)	Designation
1	G. P. Rao	Chairman
2	D. Lakshminarayana	Member
3	A.V.Subbarao	Member
4	T. B. Narasimha Rao	Commission Secretary
5	T. Ranga Rao	Deputy Director (Consumer Assistance)
6	Dr. Smt. Geeta Gouri	Director (Tariff)
7	R.V. J. Srinivasan	Jt. Director (Tariff Accounts & Financial Analysis)
8	G.Veera Mahendar	Jt. Director (Tariff Engineering)
9	M.N.Ravi Shankar	Deputy Director (Tariff Accounts & Financial Analysis)
10	Dr. P. Rama Rao	Deputy Director (Tariff Economics)
11	V. Rama Rao	Director (Engineering)
12	B.Sethuram	Jt. Director (Engineering)
13	P.Ashok Kumar	Deputy Director (Transmission)
14	K. Sreedhar Reddy	Deputy Director (Distribution)
15	P. Solomon Herme	Deputy Director (Planning & Power Procurement)
16	V. Veera Raghavan	Director (Law)
17	◆Nagaraj Naram	Deputy Director (Law)
18	A. Sreenivas	Deputy Director (Legal Procedures)
19	S.Venkata Narayana	Director (Administration)
20	M. Hanumantha Sastry	Jt. Director (Information Technology)
21	Smt. P.Sarada	Deputy Director (Information Technology)
22	G. Venkateshwarlu	Deputy Director (Pay & Accounts)
23	N. Balasubramanyam	Deputy Director (Personnel)
24	Murahari	Personnel Officer

Annexure - E

Details of the Training Programmes / Seminars attended by Officers of APERC.

S.No	Name S/Sri	Designation	Details of Training Programme/Seminar/Workshop
1	S. Venkata Narayana	Dir/Admn	Attended Training Programme on Core Training Infrastructure Regulation and Reform at Agra from 7 th Feb. to 18 th Feb '2000
2	V. Veera Raghavan	Dir/Law	Attended Training Programme on Consumer Advocacy at ASCI from 22 nd Nov.99 to 26 th Nov. 99.
3	T. Ranga Rao	DD(CA)	i) Attended Training Programme on Energy Efficiency Promotional Policies at ASCI from 2 nd to 6 th August '99 ii) Attended Training Programme on Consumer Advocacy at ASCI from 22 nd to 26 th Nov. 99
4	A. Sreenivas	DD(LP)	Attended Training Programme on Managing Transition and Distribution Management at ASCI from 13 th to 17 th Dec ' 99.
5	N. Nagaraj	DD(Law)	Attended Training Programme on Core Training Infrastructure Regulation and Reform at Agra from 7 th to 18 th Feb '2000
6	P.Sarada	DD(IT)	Attended Training Programme on "E" Commerce from 8 th to 9 th March '2000 at Hyderabad
7	P.Solomen Herme	DD(PPP)	Attended Training Programme on Core Training Infrastructure Regulation and Reform at Agra from 7 th to 18 th Feb '2000.
8	K. Sreedhar Reddy	DD(D)	i) IETP/Captive Power and Industrial Co-Generation at ASCI from 29.11.99 to 3.12.99 ii) Attended Training Programme on Captive Power and Industrial Co-Generation at ASCI from 29 th to 3 rd Dec. 99 iii) Attended Training Programme on Managing Transition and Distribution Management at ASCI from 13 th to 17 th Dec ' 99
9	P. Ashok Kumar	DD(TRA)	i) Attended Training Programme on Workshop on Regulatory Responses to Force Majeure Conditions 29 th Feb to 1 st March'2000 organised by TERI at New Delhi.

Annexure - F

STATEMENT SHOWING THE BUDGET RELEASED BY THE GOVERNMENT OF ANDHRA PRADESH, EXPENDITURE INCURRED BY THE ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION FOR THE YEAR 1999 ♦ 2000.

Sl.No.	Particulars	Amount
1	Budget released by the Govt. of A.P.	2,07,24,105
2	Expenditure incurred by the Commission during the financial year 1999-2000	1,90,82,120

