



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
4th Floor, Singareni Bhavan, Red Hills, Hyderabad 500 004

O.P.No. 22 of 2016
Dated: 26-11-2016

Present
Sri Justice G. Bhavani Prasad, Chairman
Dr. P. Raghu, Member
Sri P. Rama Mohan, Member

Between:

Eastern Power Distribution Company of
Andhra Pradesh Limited

... Petitioner

AND

-NIL-

... Respondent

The petition has come up for hearing finally on 19-11-2016 in the presence of Sri P. Shiva Rao, learned Standing Counsel for the petitioner. Sri M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation, Objector is present and there is no other representation by any other stakeholder. After carefully considering the material available on record and after hearing the arguments of the learned Standing Counsel for the petitioner and considering the comments / views of Sri M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation, the Commission passed the following:

ORDER

1. Eastern Power Distribution Company of Andhra Pradesh Limited (APEPDCL/Distribution Company) filed the petition requesting for allowing it to implement the Domestic Efficient Fans Programme (DEFP) as part of Demand

Side Management (DSM) measures with the financial support of M/s. Energy Efficiency Services Limited (EESL), New Delhi and for consequential reliefs.

2. The petitioner stated that M/s. Energy Efficiency Services Limited, New Delhi submitted a programme for implementation of Domestic Efficient Fans Programme (DEFP) for implementation in its licensed area (except Narasapuram Revenue Division of West Godavari District) promising to make the capital investment required, recovering the cost from the consumers through the Distribution company in 24 (twenty four) monthly instalments. Under this programme, the DISCOM with the technical and financial support of EESL will undertake distribution of BEE 5 star rated fans, viz., upto maximum 2 (two) Energy Efficient (EE) fans on Bill Financing (OBF) and upto 4 EE fans on Upfront Payment Option (UPO) to domestic consumers and as per requirement basis to commercial consumers and industrial consumers on only Upfront Payment Option (UPO). Only domestic consumers with no arrears in last three consecutive billing cycles are eligible for availing OBF option. Under UPO, consumer can buy 5 star rated fans by paying entire amount upfront i.e., Rs.1100-00 per fan. Under OBF, the total cost will be recovered through monthly electricity bill over 24 instalments of Rs.52-08. EESL will submit the list of consumers opted for On Billing Finance and list of consumers opted for Upfront Payment Option to APEPDCL. The actual price will be discovered through open competitive bidding and any benefits realized during price discovery will be passed on to consumers. The number of fans proposed to be offered are around twelve lakhs fans. The estimated annual saving of energy for twelve lakhs fans is around 126 million units per annum. EESL will invest Rs.104.48 crores to distribute twelve lakhs fans. Against the investment of Rs. 104.48 crores, the total payout to EESL by APEPDCL will be Rs.150 crores including O & M charges, service tax etc. The annual reduction in power procurement cost will be around Rs.49.77 crores. The project benefits the society through energy security, mitigates climate changes and protects the environment. The tariff rates for the cross subsidizing categories will progressively reduce due to higher energy efficiency and corresponding reduction in cross subsidy costs. The project also aids the distribution utility in reducing demand and supply gap, minimizing demand for power supply

requirement during peak hours; meets demands of other cross subsidizing consumers like commercial & industrial establishments and generates additional revenue through sale of saved energy.

3. The petitioner stated that the fans will be distributed from designated counters set up in various locations in the area of APEPDCL. These locations will be identified in consultation with the distribution company and could include billing centers of DISCOMs, e-seva kendras, prominent locations like schools etc. EESL will engage distribution agency that will help to set up the distribution counters and ensure smooth distribution of fans.

4. EESL will undertake procurement of fans using the technical specifications of BEE 5 star rated ceiling fans and will ensure the quality of fans with 2½ year technical warranty. EESL shall extend the guarantee for replacement of the faulty fans due to technical defects free of cost for 2½ years from the date of distribution of fans. Physical damage will not be considered as technical defect. EESL will replace the defective fans within a period 5 (five) working days from the date of receipt of complaint from a consumer.

5. The petitioner desired that the programme be approved, the capital investment also be approved, the petitioner be permitted to recover the cost through monthly bills in 24 months, approve the normative parameters, allow the benefits/modifications/additions in the electricity bills of consumers and accordingly, permit to treat any defaulting consumer with respect to monthly instalment of fan price as a defaulter under Section 56 of the Electricity Act, 2003 and the Andhra Pradesh Electricity Supply Code and the annual payout to be recovered through Aggregate Revenue Requirement. The petitioner also requested for permission to make monthly payout to M/s. Energy Efficiency Services Limited and to issue an irrevocable and revolving Letter of Credit to EESL.

6. After the petition was taken on file, a Public Notice was given to all interested persons/stakeholders through placing the petition on the websites of the Commission and the petitioner calling for responses/objections and also intimating about the hearing on 19-11-2016.

7. Sri M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation in his comments stated that in para 8 of the petition it was mentioned that a state wide multi-media campaign will be designed and implemented jointly by M/s. EESL and AP Energy Conservation Mission and equally funded to support the programme. The amount of Rs. 22 per fan mentioned in Sl.No. 4 will be spent on media and awareness and expressed his concern that it is not clear whether this amount will go to EESL only or will be shared by the two organizations. He opined that since the pilot project with one lakh energy efficient fans was already implemented and the present programme aims to install twelve lakhs efficient fans in the rest of the DISCOM area, to ensure efficient implementation and better service and considering the size of the programme, the Electricity Service Companies (ESCO) should have been selected through competitive bidding process. He mentioned that inclusion of income tax on Return on Equity @ 34.61% is not correct. He further stated that, income tax cannot be expected to be paid by those who are going to purchase the fans being supplied under this programme. He opined that the total tax of 21.41% is higher and should be less than 19% and the energy saving agreement shall also include provisions for monitoring and evaluation of the programme.

8. Sri Bhaskar Rao, Sri B V S Sastry from Visakhapatnam and M. Krishna Murthy from Vijayanagaram stated that regulators are not being supplied and the total cost of fan including regulator costs around Rs. 1500. Ceiling fans of reputed make are available in the market for the same or much lesser price. They also mentioned that if lakhs of fans are purchased, Rs. 1250 fan can be supplied at much lesser price, say around Rs. 800. They further stated that in the Energy conservation week exhibition conducted by APEPDCL, a high energy efficient super fan of 35 Watts capacity was exhibited and requested to consider this aspect and defer the present proposal.

9. Sri S. Surya Prakasa Rao, a former Secretary of the erstwhile Andhra Pradesh Electricity Regulatory Commission submitted that the petitioner appears to be a mere service provider for billing and collection of the Instalments payable by the consumers to EESL, doing "other business" as

defined in Regulation 3 of 2005. He also requested not to permit disconnection of supply for defaulting consumers and creation of first charge in favour of M/s. Energy Efficiency Services Limited may sacrifice the interests of the petitioner.

10. On the comments of Sri M. Thimma Reddy, the petitioner explained that EESL was formed as a joint venture of four public sector undertaking units of Ministry of Power for implementation of Energy Efficiency programmes in the country. EESL is also calling for national wide competitive bidding for price discovery of energy efficient fans. With regard to media campaign and awareness programme, the petitioner stated that the expenditure will be borne by both EESL and State Energy Conservation Mission. Further, petitioner mentioned that 34.61% income tax is allowed as per the norms.

11. On the comments of Sri Bhaskar Rao, Sri B V S Sastry and M. Krishna Murthy, the petitioner in its reply mentioned that if a super efficient fan costs 2 times more than the conventional ceiling fan or a 5 star rated fan, the consumers may not be enthusiastic to respond to the programme and it is also doubtful as to how many consumers would have the financial capacity and economic comfort to pay such higher sum, as such beneficial programmes are intended more for the low end consumers and not high profile users. Providing regulators with fans may not be a good proposal as regulators in the market are not of standard design and shape and may not fit in the existing electrical boxes.

However, the copies of representation made by Sri Bhaskar Rao, Sri B.V.S Sastry and Sri M. Krishna Murthy are forwarded to APEPDCL for taking appropriate action considering the merits of the suggestions following the due procedure under the law.

12. The petitioner in its reply answer to the comments of Sri S. Surya Prakasa Rao, said that while the petitioner is only a service provider, defaulting consumer is made liable.

13. The petitioner claimed that the costs indicated in the petition are only estimates and any reduction in costs through open competitive bidding will be passed on to the consumers. Interest for Debt Servicing, Return on Equity and

Annual Maintenance Charges are kept at the same level as approved by this Commission for Narasapuram Revenue Division of DEFP programme.

14. The point for consideration is whether the request for approval of the project has to be positively considered and if so, subject to what terms and conditions.

15. The petitioner does not incur any financial liability due to implementation of this project and payment security mechanism provided at Article-4 of the draft Energy Savings Agreement provides for such security mechanism being provided through consumer bills opted on bill financing scheme for obtaining fans in the form of Irrevocable and Revolving Letter of Credit in favour of M/s. Energy Efficiency Services Limited. Any burden on the petitioner due to implementation of this Article cannot be perceived, as the consumer, who opts for this benefit is sought to be made liable under Section 56 of the Electricity Act, 2003 read with the Andhra Pradesh Electricity Supply Code in the event of any default. While M/s. Energy Efficiency Services Limited acts as a facilitator, the petitioner in effect and substance acts only as a distributor with the additional responsibility of collecting monthly instalments from the benefitted consumers through regular monthly electricity consumption bills. Being a public utility, it is laudable that the petitioner undertakes such a responsibility to promote energy conservation with consequential benefits to the consumers, the petitioner and all other stakeholders in Electricity sector.

16. The programme costs, viz., cost of fans, Distribution, Insurance, Storage and other costs are clearly stated to be subject to what has to be determined through competitive bidding and any reduction in the estimated costs as shown in the petition was assured to be passed on to the consumers.

17. It should be made clear that the question of recovery of any amount through Aggregate Revenue Requirement by the petitioner does not arise, as no financial commitment by the petitioner is involved in implementation of the project.

18. The interest for Debt Servicing, Return on Equity and Annual Maintenance Charges are kept at the same level as approved by this Commission in respect of DEFP programme implemented in Narasapuram Revenue Division.

In the petition, the Commission noticed the following issues:

- i) Annual maintenance charges are levied for 2½ years instead of 24 months.
- ii) Inclusion of Media, awareness and software of fan cost of Rs. 22.00 for which Rs. 5 was provided.
- iii) Return on Equity (RoE) @ 21.41% per annum was included even for Upfront Payment Option (UPO) consumers. If, UPO charges are to be included, the charges should not be levied for more than two months.
- iv) Sales tax is to be levied only on base cost of the fan, whereas in the petition sales tax was levied apart from base cost of fan, Distribution cost, Media and awareness cost, Annual Maintenance Charges and Debt Interest cost.
- v) Return on Equity should be limited to 24 months only.

19. The Government of Andhra Pradesh has constituted Andhra Pradesh State Energy Efficiency Development Corporation Limited (APSEEDCO Ltd), a joint venture/Special purpose Vehicle with APTRANSCO, APGENCO, APDISCOMs, EESL and Government of Andhra Pradesh, exclusively for implementation of energy efficiency activities in the State, under Go.Ms.No. 18 Energy, Infrastructure & Investment (Power.II.2) Department, Dated 01-06-2016. The Government directed that the APSEEDCO shall perform the functions of EESL at the state level. The principal objectives mentioned in the Annexure-II, Go.Ms.No. 18, Dated 01-06-2016 include procurement and distribution of energy efficient appliances/equipment at affordable price by aggregating the demand and create wide spread consumer awareness. In this regard, it would be in the fitness of things that EESL shall prefer APSEEDCO as the distribution agency positively.

20. Therefore, the petitioner is permitted to implement the Domestic Efficient Fans Programme (DEFP) in the licensed area of APEPDCL with the

financial support of M/s. Energy Efficiency Services Limited, New Delhi, subject to the following:

(a) the cost of Distribution and Awareness and Registration in respect of each fan shall be limited to Rs.55/- (Rs 50-00 towards Distribution, Transportation Storage and Registration and Rs 5-00 towards awareness cost).

(b) the total cost of the fan in the event of upfront payment by the consumer shall be subject to a maximum of Rs.1020-00 with the benefits of any reduction in the cost through open competitive bidding being passed on to the consumer. The details of price breakup of per fan are furnished below.

Cost of fan	Rs. 796-95
Distribution, Transportation, Storage and Registration	Rs. 50-00
Awareness	Rs. 5-00
Annual maintenance charges for two years (1.5% of fan cost)	Rs. 23.91
Debt interest cost	Rs. 17.41
Return on equity for 2 months	Rs. 8.80
Sales Tax (14.5%) of total amount	Rs.115.56
Grand total (Rounded to)	Rs.1020.00

(c) if consumer opts to pay in monthly instalments, he shall have to pay a maximum of Rs.47/- per month subject to the benefit of any reduction in the cost through open competitive bidding being passed on to the consumer.

(d) M/s. Energy Efficiency Services Limited shall during the period of warranty of 2 years be responsible for observance of warranty and the consequential maintenance.

(e) the installation of the new fans shall be by the consumer himself for which every possible assistance may be extended by the petitioner and M/s. Energy Efficiency Services Limited.

(f) Implementation of this project has nothing to do with the Aggregate Revenue Requirement of the petitioner in any year.

(g) The project can cover a maximum of 2 (two) Energy Efficient (EE) fans On Bill Financing (OBF) and upto 4 EE fans on Upfront Payment Option (UPO) for

domestic consumers and as per requirement basis to commercial consumers and industrial consumers on only Upfront Payment Option (UPO).

(h) M/s. EESL shall prefer APSEEDCO as the distribution agency to undertake distribution of fans in the State of Andhra Pradesh. If EESL proposes any other agency/agencies for undertaking distribution activity of fans, the same has to be done with prior approval of the Commission.

21. While making the payment to M/s. EESL, M/s. APEPDCL shall pay the financial costs, such as interest on debt, return on equity for actual duration period only.

22. The petition is allowed accordingly subject to the above directions and the petitioner shall enter into and submit an Energy Savings Agreement with M/s. Energy Efficiency Services Limited, New Delhi accordingly incorporating all the necessary details as per the directions detailed above and submit the same to the Commission for approval. The petitioner and M/s. Energy Efficiency Services Limited can proceed to take steps for implementation of the programme.

This order is corrected and signed on this the 26th day of November, 2016.

Sd/-
P. Rama Mohan
Member

Sd/-
Dr. P. Raghu
Member

Sd/-
Justice G. Bhavani Prasad
Chairman