



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

4thFloor, Singareni Bhavan, Red Hills, Hyderabad 500004

FRIDAY, THE THIRTY FIRST DAY OF DECEMBER
TWO THOUSAND AND TWENTY ONE

:Present:

Justice C.V. Nagarjuna Reddy, Chairman
Sri P. Rajagopal Reddy, Member
Sri Thakur Rama Singh, Member

1. O.P. No.69 of 2021, O.P. No.71 of 2021 and O.P. No.79 of 2021

In the matter of modification of clause 8 (4) of Andhra Pradesh Electricity Regulatory Commission (Licensee's Duty for Supply on Request) Regulation, 2013

O.P. No.69 of 2021

Andhra Pradesh Central Power Distribution Corporation Limited ... Petitioner

O.P. No.71 of 2021

Eastern Power Distribution Company of Andhra Pradesh Limited ... Petitioner

O.P. No.79 of 2021

Southern Power Distribution Company of Andhra Pradesh Limited ... Petitioner

AND

2. O.P. No.68 of 2021, O.P. No.72 of 2021 and O.P. No.73 of 2021

In the matter of amendments to the schedule of development charges in Andhra Pradesh Electricity Regulatory Commission (Licensee's Duty for Supply on Request) Regulation, 2013

O.P. No.68 of 2021

Southern Power Distribution Company of Andhra Pradesh Limited ... Petitioner

O.P. No.72 of 2021

Eastern Power Distribution Company of Andhra Pradesh Limited ... Petitioner

O.P. No.73 of 2021

Andhra Pradesh Central Power Distribution Corporation Limited ... Petitioner

The original petitions, O.P. No.69 of 2021, O.P. No.71 of 2021 and O.P. No.79 of 2021 were first heard on 04.08.2021 through the web and the final hearing through the web was heard on 15.09.2021 in the presence of Sri P.Shiva Rao, learned counsel for the petitioners, objector Sri M.Venugopala Rao. Further, O.P. No.68 of 2021 was heard on 07.07.2021 and 04.08.2021 whereas O.P. No.72 of 2021 and O.P. No.73 of 2021 were heard on 04.08.2021 through the web and the final hearings of the above three OPs were heard through the web on 15.09.2021 in the presence of Sri P.Shiva Rao, learned counsel for the petitioners, i.e. APEPDCL, APCPDCL and APSPDCL, Sri M.Venugopala Rao; Senior Journalist & Convenor / Centre for Power Studies. After carefully considering the arguments of the learned counsel and the objector and the material available on record, the Commission passed the following common order as the reliefs sought by the petitioners pertain to amendments to Andhra Pradesh Electricity Regulatory Commission (Licensee's Duty for Supply on Request) Regulation, 2013.

COMMON ORDER

APCPDCL, APEPDCL and APSPDCL filed petitions on 19.04.2021, 19.04.2021 and 15.04.2021 respectively requesting the Commission to make suitable amendments to clause 8(4) of the Regulation 4 of 2013 to enable the DISCOMs to recoup the distribution transformer cost and erection arrangements from all the prospective LT consumers except agricultural consumers whenever dedicated distribution transformer is erected. The petitions of APCPDCL, APEPDCL and APSPDCL were taken on the file of the Commission on

17.06.2021, 17.06.2021 and 25.06.2021 as O.P. No.69 of 2021, O.P. No.71 of 2021 and O.P. No.79 of 2021 respectively. Separate Public Notices in respect of O.P. No.69 of 2021, O.P. No.71 of 2021 and O.P. No.79 of 2021 along with the copies of respective petitions were placed on the website of the Commission on 14.07.2021 inviting views/objections/suggestions of interested parties/stakeholders. Further, it was informed in the Public Notices that petitions will be taken up for public hearing at 11.00 AM on 04.08.2021 through the web and any interested person/organization desirous of being heard in person, may appear before the Commission on the said date of the public hearing. In response, four objectors namely; Sri S. Surya Prakasa Rao, Sri M.Venu Gopala Rao, Sri Hari Kishore Reddy and Sri Narasimha Reddy Danti filed their views/suggestions/objections in writing on 20.07.2021, 21.07.2021, 04.08.2021 and 04.08.2021 respectively.

Further, APSPDCL, APEPDCL and APCPDCL filed petitions on 15.04.2021, 19.04.2021 and 26.04.2021 respectively requesting the Commission to make suitable amendments to schedule of development charges of Regulation 4 of 2013. The petitions of APSPDCL, APEPDCL and APCPDCL were taken on the file of the Commission on 17.06.2021 as O.P. No.68 of 2021, O.P. No.72 of 2021 and O.P. No.73 of 2021 respectively. Separate Public Notices in respect of O.P. No.68 of 2021, O.P. No.72 of 2021 and O.P. No.73 of 2021 along with the copies of respective petitions were placed on the website of the Commission on 24.06.2021, 14.07.2021 and 14.07.2021 respectively inviting views/objections/suggestions of interested parties/stakeholders. Further, it was informed in the Public Notice of O.P. No.68 of 2021 that the petition will be taken up for public hearing at 11.00 AM on 07.07.2021 and in the Public Notices of O.P. No.72 of 2021 and O.P. No.73 of 2021 that the petitions will be taken up for public hearing on 04.08.2021 through the web and any interested person/organization desirous of being heard in person, may appear before the Commission on the said date of the public hearing. In response, two objectors namely; Sri M.Venu Gopala Rao and Sri S. Surya Prakasa Rao filed their views/suggestions/objections in writing on 19.07.2021 and 30.07.2021 respectively.

We shall first deal with O.P. No.69 of 2021, O.P. No.71 of 2021 and O.P. No.79 of 2021 relating to levy and recovery of cost of dedicated transformer.

2. In their petitions; APCPDCL, APEPDCL and APSPDCL (hereinafter referred to as DISCOMs) sought the following common reliefs.

- a. To consider for modification of clause 8 (4) in Regulation No.4 of 2013 to enable the DISCOM(s) to recoup the DTR cost and erection arrangements from all the prospective LT consumers except agricultural whenever a dedicated DTR is erected.
- b. To pass such an order as the Commission may deem fit and proper based on the facts and circumstances explained above.

3. In support of reliefs sought, APSPDCL stated the following reasons.

- "a. The Commission in Regulation No.4 of 2013 provided specific provision for collection of DTR cost and development charges in clauses 8(3) and 8(4) respectively and the same are extracted below.

Clause 8(3) of Regulation No.4 of 2013:

"The Distribution Licensee shall recover the full cost of transformer in case of commercial complexes, apartments and multi-storied buildings where a dedicated transformer is provided while extending new LT service connections. In such cases, the Distribution Licensee is not entitled to collect development charges and shall own the transformer and maintain it. The Distribution Licensee shall not extend power supply to any consumer from the dedicated transformer other than the consumer who has borne the full cost of the transformer."

Clause 8(4) of Regulation No.4 of 2013:

"In case of LT supply, the responsibility of erection of distribution transformer lies with the Distribution Licensee and shall not charge the cost of the transformer to any consumer except those consumers mentioned in para 3 above and levy only development charges"

- b. From the above clauses, the Distribution Licensee is not entitled to collect distribution transformer cost except from commercial complexes, apartments and multi-storied buildings.
- c. The Distribution Licensee is authorized to recover from an applicant requiring

supply of electricity, expenses on normative basis towards part of upstream network cost that the Distribution Licensee has already incurred or to be incurred in extending power supply to the applicant in accordance with the clause 8(1) & 8(2) of the above Regulation.

- d. The number of services released, development charges collected and expenditure incurred on the erection of DTRs in estimates with DTRs provided services except agriculture is given below:

S.No.	Particulars	Unit	2017-18	2018-19	2019-20	2020-21 (up to Dec)	Total
1	No of services released	Nos	17557	10881	11359	9569	49366
2	Contracted load released	KW	347062	195858	113704	87174	743798
3	Development charges collected	Rs. Cr	15.11	8.76	6.47	4.31	34.65
4	Total expenditure incurred on DTRs	Rs. Cr	71.95	56.02	41.22	21.02	190.21
5	Total (additional) expenditure incurred by APSPDCL (burden) (4-3)	Rs. Cr	56.84	47.26	34.75	16.71	155.56

- e. Hence, it is evident that the cost recovered from the consumer by way of development charges is very less compared to the expenditure on erecting new distribution transformers. Rs. 155.56 Crores is the additional burden incurred by APSPDCL towards providing of distribution transformer from the FY 2017-18 to FY 2020-21 (up to Dec'20).

- f. The DTR cost and the DTR structure cost is variable from time to time due to inflation on material cost, labour cost, etc.
- g. The licensee is erecting appropriate matching capacity DTRs to the load capacity. In this kind of arrangement, all the loads above 15 kW (20 HP) are provided with a dedicated distribution transformer which facilitates improved voltage and thereby reduces power consumption and ensures equipment safety.
- h. By providing appropriate matching capacity dedicated distribution transformers, the consumer is benefited by improved availability and reliability of power supply due to no LT line.
- i. Further, as per the tariff conditions specified in the Retail Supply Tariff Order, LT Industrial loads of 50 HP (37.5 kW) and above are to be provided with HT TVR Metering invariably. This condition mandates a dedicated DTR to be provided for each and every service so released.
- j. As shown in the above Table, the recovery of cost in the form of development charges from the services provided with DTRs is only 18.22% of its cost. Thus, it is to submit that, the provision of recovery of part of fixed charge through development charges is not sufficient, though the balance and other infrastructure costs are being allowed in the form of fixed charge in the tariff under Section 45 of the Electricity Act, 2003; but, in order to recoup the additional burden as explained supra, the collection of DTR cost from the relevant consumers only may be proper and just, instead of through tariff hike from all consumers”.

4. APEPDCL and APCPDCL also made similar averments as made by APSPDCL in support of the reliefs sought in their petitions. The Commission through web notice invited objections/suggestions from the interested persons.

5. The following is the gist of views/suggestions/objections received by the Commission.

Sri S.Surya Prakasa Rao while touching the points like scope and limitations of section 46 of the Act, specific installation to be brought under the purview, effect on industrial consumers, likely hesitation of high revenue yielding industrial/commercial for going for higher loads; made the following suggestions.

- (i) Individual applicants for LT supply be given the option to choose between:
 - (a) development charges under the common transformer, or
 - (b) cost of transformer with a dedicated transformer,
 depending on the requirements of nature of supply to their installations and their financial capabilities.
- (ii) Clause 8 (3) of Regulation 4 of 2013 which provides for dedicated DTRs, may be amended suitably to incorporate this option in respect of individual applicants, instead of making any major changes by invoking the powers under section 46.
- (iii) If however, the Hon'ble Commission feels that it is expedient to bring in major changes, the Commission staff may be asked to prepare a discussion paper with all relevant aspects for public consultation by the Hon'ble Commission.

Reply of APSPDCL: During the process of computation of Regulatory Rate Base on which RoCE is computed as part of wheeling tariff for distribution, the contributions made by applicant towards cost of service connection such as development charges, service line charges etc., and grants / subsidies are deducted from investments projected to be capitalized. Hence, if DTR cost is not collected from consumers concerned, it leads to higher Regulatory Rate Base and consequently higher RoCE and distribution cost, which in effect leads to higher tariffs. Hence, the recovery of cost of transformer from applicant instead of passing on all consumers is just.

The suggestion that individual applicants be given the option to choose between is incorrect as the requirement of the provision of DTR is to be based on technical feasibility rather than choices.

Sri M. Venugopla Rao while in principle supporting the proposal, however, urged that there must be consistency in adopting the policies in matters such as energy efficiency measures, summarized as follows.

- a. Collection of development charges and cost of transformer and its erection by the Discom from consumers requiring dedicated transformer be considered.
- b. For common network infrastructure for domestic and agriculture, cost can be part of fixed cost of tariff.
- c. For agricultural and domestic consumers, the State Government has to subsidise development charges and costs of measures for energy conservation/efficiency, but this should be clearly quantified and reported.
- d. For costs of transformers and their erection intended for agricultural consumers, the State Government has to subsidise, because it is pursuing the policy of free supply of power to agriculture.
- e. Discom should capitalise only what it has invested, not what is paid by the Government or the consumers.

Reply of APSPDCL: That due to adding of energy-efficient appliances like LED bulbs, fans, tube lights to domestic consumers and pump sets to agricultural consumers, energy is saved, resulting in the reduction of the power purchase cost. This benefit is being factored in Retail ARR throughout the life of such appliances over the payback period, which restricts the hike in tariff. Hence, the levy of expenditure in Retail ARR is reasonably just. Further, while according approval for DSM based Efficient Lighting Program (DELP) for implementation in Anantapur & Guntur districts vide Lr. No. APERC / E-211 / APSPDCL / 2014, the Honourable APERC has stated that the expenditure will be incorporated in the ensuing Tariff Order for arriving Aggregate Revenue Requirement of APSPDCL considering the overall benefits out of such projects. Hence, DISCOMs have been incorporating the expenditure on Energy Efficiency / Energy Conservation measures in Aggregate Revenue Requirement filings. As no expenditure is incurred by the DISCOM towards rooftop solar power no burden is borne by other consumers.

Reply of APEPDCL & APCPDCL: All Energy Conservation and Energy Efficiency programs are implemented through well organized and efficient planning in the usage of the appliances. Benefits/gains thus derived from such implementations are being indirectly shared by all categories of the consumers and will continue to benefit as long as those appliances are underutilization. Therefore, attributing the costs of these programs only to particular category/categories of consumers is not correct. As no expenditure is incurred by the DISCOM towards rooftop solar power no burden is borne by other consumers.

Sri Hari Kishore Reddy requested the Commission not to modify clause 8 (4) of Regulation 4 of 2013 to protect LT consumers from being burdened by additional costs.

Sri Narasimha Reddy Donti stated that DTR should be considered on par with electricity cable, and the costs have to be integrated into the revenue model. Separating out as if it's a choice of the consumer can have implications on the quality of supply and efficiency of the entire business of electricity. He requested the Commission to give more thought to the following.

- a. Regulation 4 of 2013, in its entirety, if modification is prayed for
- b. Not to modify clause 8(4) of Regulation No.4 of 2013.
- c. LT consumers should not be burdened by electricity infrastructure and its costs.

O.P. No.68 of 2021, O.P. No.72 of 2021 and O.P. No.73 of 2021 relating to hike of development charges.

6. In their petitions, APSPDCL, APEPDCL and APCPDCL (hereinafter referred to as DISCOMs) sought the following common reliefs.

- a. To consider issuing suitable amendments to the schedule of development charges to recover network cost incurred by the Licensee as proposed in Annexure-I (Regulation 4 of 2013) to reduce the deficit in the recovery of development charges.
- b. To pass such an order as the Commission may deem fit and proper based on the facts and circumstances explained above.

7. In support of reliefs sought, APSPDCL stated the following reasons.
- a. "The Hon'ble APERC had issued Regulation No.4 of 2013 dated 29.07.2013 to enable the DISCOM to collect the development charges. As per Clause No.8 (1) of Regulation No.4 of 2013, the distribution licensee is authorized to recover from an applicant requiring supply of electricity, expenses on normative basis towards part of upstream network cost that the distribution licensee has already incurred or to be incurred in extending power supply to the applicant.
 - b. In pursuance of the above clause, the Hon'ble APERC has specified development charges to be paid by different categories of consumers towards network cost to the next immediate higher voltage level in the Schedule of the Regulation.
 - c. The development charges were not revised since 2013 but the cost of infrastructure is increasing year by year. Further, in order to extend the quality and reliable power supply to the consumers, the licensee has to incur huge costs on system improvements, such as the erection of substations, lines, augmentation of PTRs & DTRs, capacitor banks, reconductoring etc., and T&D costs at higher voltage levels also.
 - d. For LT consumers: At present, the cost of distribution transformers and its erection is much higher than the development charges collected. The details are as follows.
The cost of erection of 100 KVA and 63 KVA DTRs as per the latest cost data i.e. for FY 2015-16 is as follows (The per KVA cost of DTR is computed with 80% loading):
 - (i) Cost of 100 KVA DTR and erection = Rs. 2,49,546
 - (ii) Cost of 63 KVA DTR and erection = Rs. 2,15,701 /
 - (iii) Cost of 25 KVA DTR and erection = Rs. 1,01,869 / -
 - (iv) The per KVA DTR cost for 1KW consumer extended supply from 100 KVA DTR
= Rs. 249546 x 1/ (100x0.80)
= Rs. 3119 /-
 - v) Per KVA DTR cost for 1KW consumer extended supply from 63 KVA DTR
= 215701 X 1/ (63x0.80)
= Rs.4280 /-
 - (vi) Per KVA DTR cost for 1KW consumer extended supply from 25 KVA DTR
= 101869 X 1/ (25x0.80)
= Rs.5093 /-

e. For HT consumers: The expenses incurred to the next higher voltage level will be the cost of erection of 33/11KV substation at DISCOM level (the per KVA cost of PTR is computed with 80% loading):

(i) Cost of erection of 33/11KV substation with 5 MVA PTR capacity

= Rs.130.914 lakhs

(ii) The per KVA cost of consumer

= 13091400/ (5000 X 0.80)

= Rs.3273 /-

f. As seen from the above, the per KVA DTR/PTR cost for 1KW consumer ranges from Rs. 3119 /- to Rs. 5093/- whereas the recovery through development charges as per Regulation No.4 of 2013 is Rs.1200 /- only.

g. In view of the above, there is a dire necessity to revising the existing development charges. Accordingly, the amendment of the schedule of Development Charges in Annexure - I in Regulation No.4 of 2013 is proposed as shown below.

ANNEXURE-1			
Schedule of Development Charges			
Type of category	Category of service	Existing Development Charges	Proposed Development Charges
HT	HT Services	11 KV - Rs.1200 per KVA or part thereof of the Contracted Demand	11 KV - Rs 2000 per KVA or part thereof of the Contracted Demand
		33 KV - Rs.1200 per KVA or part thereof of the Contracted Demand	33 KV - Rs.1500 per KVA or part thereof of the Contracted Demand
		Above 33 KV - Rs.1000 per KVA or part thereof of the Contracted Demand	Above 33 KV - Rs.1200 per KVA or part thereof of the Contracted Demand
LT-I	Domestic Services		
	i) Upto 500 watts contracted Load	Rs.600/-	Rs. 1000/-
	ii) 501 watts to 1000 watts	Rs.1200	Rs.1500

	iii) Above 1000 watts	Rs.1200 + Rs. 1200 per KW or part thereof of Contracted Load	Rs.2500 + Rs. 2500 per KW or part thereof of Contracted Load
LT-II	Non- Domestic / Commercial Services		
	i) Upto 250 watts contracted Load	Rs. 300	Rs. 600
	ii) 251 watts to 500 watts	Rs.600	Rs. 1250
	iii) 500 to 1000 watts	Rs.1200	Rs.2500
	iv) Above 1000 watts	Rs.1200 + Rs.1200 per KW or part thereof of Contracted Load	Rs.2500 + Rs.2500 per KW or part thereof of Contracted Load
LT Agriculture		Rs.1,200 per KW or part thereof of Contracted Load	Rs.1500 per KW or part thereof of Contracted Load
All other LT categories		Rs.1200 per KW or part thereof of Contracted Load	Rs.2500 per KW or part thereof of Contracted Load

8. APEPDCL and APCPDCL also made similar averments as made by APSPDCL in support of the reliefs sought.

9. The following is the gist of views/suggestions/objections received by the Commission on the petitions filed by the DISCOMs.

Sri M. Venugopala Rao stated about the O&M expenditure allowed in the MYT orders, true up claims of DISCOMs, rates of depreciation allowed by the Commission etc and requested the Commission to exempt subsidized consumers partially or fully, and for high consumption HT and commercial consumers revision of development charges may be considered.

Reply of APSPDCL, APCPDCL & APSPDCL: “The Hon'ble APERC determines the capital expenditure required for the control period as part of the Tariff Order for Wheeling and Distribution Business. As per Clause 15 of Regulation No.4 of 2005, while determining the Regulated Rate Base on which RoCE is computed, the consumer contributions such as development charges and amounts received through grants and depreciation are deducted from the investments projected to be capitalized during the year.

As per the procedure contemplated in Regulation No.4 of 2005, part of the expenditure incurred towards infrastructure for providing supply is being provided through development charges and part of the expenditure is being provided through tariff (as distribution cost is loaded in retail supply tariff).

During distribution true-up also, the consumer contribution is deducted from fixed assets addition. If the development charges are enhanced, the consumer contribution will increase resulting in the reduction of RRB and ROCE at the time of true-up. The need for enhancement of development charges is to enable recovery of charges from the consumer to whom the expenditure is attributable and also to reduce the impact on tariff which all other consumers have to pay.

It is just that the expenditure attributable to a consumer for providing supply is recovered through development charges from the consumer instead of loading onto tariff. Further, as pointed out by the objector, the need for DISCOMs to take loans for expanding the distribution system decreased when some amount is collected from consumers through development charges.

Depreciation of various assets is charged as per the rates published by the Ministry of Power and as per the Companies Act wherever MoP rates are not applicable/available.

With reference to the remarks of the objector, DISCOMS submitted that it is incorrect to state that a distribution Licensee can recover all the expenditure determined by the Hon'ble Commission without development charges.

Collection of development charges at the time of giving service connection to the applicant leads to reduction of retail supply tariff indirectly.

APSPDCL & APCPDCL have filed an application for amendment of the Annexure - I of the petition for changing the last column from "Proposed Development Charges for FY 2020-21" to "Proposed Development Charges" before the Honourable APERC. The application for amendment obviates the prospect of retrospective effect.

Depreciation for various assets is charged as per the rates published by the Ministry of Power and as per Companies Act wherever MoP rates are not applicable/available”.

Sri S.Surya Prakasa Rao while mentioning the aspects such as the recovery of part of upstream network cost incurred pursuant to section 46 of the Act, increase of development charges during 1997 and further in 2013, the financial problem of licensees not to be attributed to inadequacy of development charges, suggested the following.

- “(i) Hon'ble Commission may allow only minimal increase in the development charges, so as to avoid adverse impact on prospective consumers and to facilitate natural load growth of subsidizing sectors for the revenue benefit of licensees.
- (ii) To the extent possible, LT supply may be spared from any increase, as it is charged on connected load which normally has a high diversity factor and further diversity among loads of different consumer categories incident on the system.
- (iii) In future, the development charges may be specified by a separate Order of the Commission on the petitions to be filed by licensees for each control period”.

Reply of APCPDCL:

The present development charges are being collected since 2013. The cost of all materials like cables, DTRs, conductors and poles have increased every year. The cost of labour has also increased a lot since 2013. As such, the proposed hike is Justified.

The distribution licensee is authorized to recover from an applicant, requiring supply of electricity on the normative basis, towards part of upstream network cost already incurred. As such all the consumers will have to pay the development charges.

While the financial status of the licensee cannot be a ground for the revision of development charges, the revision is necessary for the recovery of network cost already incurred or to be incurred.

10. Having regard to the respective stands of the licensees and the objectors, the following points arise for consideration.

O.P. No.69 of 2021, O.P. No.71 of 2021 and O.P. No.79 of 2021
Whether the request of the DISCOMs to amend Clause 8(4) of the Regulation so as to enable them to recover the cost of Dedicated Transformers from all the LT Consumers other than Agriculture Consumers deserves acceptance?

O.P. No.68 of 2021, O.P. No.72 of 2021 and O.P. No.73 of 2021
Whether the request of the DISCOMs for the amendment of Annexure (1) to Regulation No.4 of 2013 containing Schedule of Development Charges deserves acceptance?

11. Commission's analysis and decision:

Section 43 of the Electricity Act, 2003 (for short "the Act") casts a duty on the Distribution Licensee to supply electricity on request to any premises within one month after receipt of application from the owner or occupier of the premises. Where, however, such supply requires the extension of distribution mains or commissioning of new substations, the Distribution Licensee shall supply the electricity immediately after such extension or commissioning or within such a period as may be specified by the Commission.

Section 46 of the Act has vested the State Commission with the power to authorize the Distribution Licensee to recover the expenses reasonably incurred in providing any

electric line or electrical plant used for the purpose of giving supply to a person pursuant to Section 43.

In this regard, the erstwhile Commission of the undivided Andhra Pradesh notified Regulation No.3 of 2004 under sections 43 and section 46 of the Act. However, by a common order dated:24.08.2005, in R.P.Nos. 1 to 4 of 2005 filed by the Distribution Licensees, the Commission deleted clauses 5 to 11 of the said Regulation No.3 of 2004 permanently with effect from the date of the said Regulation coming into force. The Hon'ble High Court of AP vide its order in W.P. Nos. 4010, 4013, 4328, 24082 and 25597 of 2005 on 05.10.2010, declared that the said order is non-est in the eye of law and directed the Commission to make a fresh regulation under Section 46 of the Act.

In accordance with the directions of the Hon'ble High Court, a comprehensive regulation namely, APERC (Licensee's duty for supply of electricity on request) Regulation, 2013 (Regulation 4 of 2013) was made by repealing Regulation No. 3 of 2004 duly conducting a public hearing, making provisions for supplying electricity on request under Section 43 of the Act and to recover the expenses reasonably incurred under Section 46 of the Act in providing any electric line or electrical plant used for the purpose of giving supply to a person pursuant to Section 43 of the Act.

The present APERC which was constituted on 01.08.2014 post bifurcation of the Andhra Pradesh State, adopted, inter alia, Regulation 4 of 2013 vide Regulation 4 of 2014 which was notified on 29.11.2014. First Amendment to APERC (Licensee's duty for supply of electricity on request) Regulation, 2013 (Regulation 5 of 2014) with certain amendments were issued on 29.11.2014.

In the above backdrop, the Commission has examined in depth the request of the DISCOMs in O.P. Nos. 69, 71 and 79 of 2021 for recovery of distribution transformer cost including erection cost wherever dedicated DTR is provided from all the consumers except agricultural consumers by modification of clause 8 (4) in the Regulation No.4 of 2013 and the request of DISCOMs in O.P. Nos. 68, 72 and 73 of 2021 to consider issuing suitable

amendments to the Schedule of Development Charges in Regulation No.4 of 2013. We shall discuss each point separately.

Point 1:

The following are the relevant clauses of Regulation No.4 of 2013.

8(3): The Distribution Licensee shall recover full cost of transformer in case of commercial complexes, apartments and multistoried buildings where a dedicated transformer is provided while extending new LT service connections. In such cases, the Distribution Licensee is not entitled to collect development charges and shall own the transformer and maintain it. The Distribution Licensee shall not extend power supply to any other consumer from the dedicated transformer other than the consumer who has borne the full cost of the transformer.

8(4): In case of LT supply, the responsibility of erection of distribution transformer lies with the Distribution Licensee and shall not charge cost of transformer to any consumer except those consumers mentioned in para 3 above and levy only development charges.

As per the Regulations extracted above, the Commission has allowed the Licensees to collect DTR costs from commercial complexes, apartments and multi-storied buildings without development charges and to collect only development charges from other LT service connections. The question is whether to permit the collection of the transformer cost from the other LT service applicants also excluding agricultural consumers or to pass on the burden to all the consumers through distribution tariff.

The Commission has given its earnest consideration on this point.

In the process of computation of Regulatory Rate Base on which RoCE is computed as a part of Wheeling Tariff for Distribution Business, the contribution made by the applicants for new connections towards the cost of service connection such as development charges, service line charges etc., and grants/subsidies are deducted from investments projected to

be capitalized. If DTR cost is not collected from the consumers concerned, it leads to a higher Regulatory Rate Base and consequently to higher RoCE and distribution cost which in effect leads to higher tariffs.

In the light of the above, the Commission is of the considered view that it is desirable to collect the cost of the transformer installed to supply power to individual consumers rather than loading the same in the tariff and then burdening all other consumers unconnected with such transformer. As no development charges are collected in such cases, the cost of the transformer will not be factored in the tariff which will result in overall tariff relief to the consumers. Further, in this process voltage profile improves and even if there is a breakdown in the transformer, its effect will be confined only to the individual consumer without affecting other consumers as in the case of a common transformer supplying power to a group of consumers. The Commission is, therefore, inclined to accept the plea of the licensees.

There is however one aspect to be considered in allowing the plea of the licensees, i.e., whether it is necessary to stipulate minimum load as a condition precedent for insistence on the installation of dedicated transformers? The Commission's view in this regard is in the affirmative. There may be several domestic consumers who require small and medium loads. Insistence on a dedicated transformer in such cases may cause financial burden to them. To avoid such contingencies, the Commission thinks it imperative to stipulate minimum loads for a dedicated transformer. In its view, the licensees shall not insist on a dedicated transformer on the applicants up to and inclusive of 20 KW load. Where the dedicated transformers are installed and the cost thereof is recovered, the licensees shall not recover development charges from such consumers and the cost of such transformers shall not be factored in the preparation of ARR.

Accordingly, the Commission amends clause 8 (4) of the Regulation as indicated below.

“All consumers of LT services other than agriculture services whose contracted load exceeds 20 KW shall be provided with dedicated transformers by the licensees on collecting the full cost of the transformer. Where dedicated transformers are

provided, the Distribution Licensee shall not collect development charges and shall own the transformer and maintain it. The dedicated DTRs shall be installed within consumers' premises only. The Distribution Licensee shall not extend power supply to any consumer from the dedicated transformer other than the consumer who has borne the full cost of the transformer. The cost of such transformers shall not be factored in the ARR of the licensees. Consumers who are supplied with power from common DTRs shall pay development charges as prescribed by the Commission from time to time".

Consequent to the above amendment, clause 8(3) of the Regulation is deleted.

Point 2:

Section 46 of the Electricity Act, 2003 entitles DISCOMs to charge expenses reasonably incurred in providing electric line or plant to extend power supply to a consumer requiring power supply. The service line charges to be incurred to extend power supply to a consumer can be established as per the actual line lengths and material involved and are being charged accordingly and there is no dispute in levying service line charges. So also, section 46 of the Act provides for the recovery of network costs and equity demands the costs attributable to individual consumers be recovered from the respective consumers. However, the network is complex and encompasses the erection of transmission and distribution lines, transformers and other associated equipment for orderly transmission of electrical power from generating stations to the end consumers and as such it is difficult to attribute the cost to any particular consumer. Further, as per the past practice, to encourage the setting up of new industries it is envisaged to collect upfront, only a part of network cost using a shallow approach limiting the network cost to the next immediate higher voltage level. It is proposed to continue to adopt the said approach to avoid the steep rise in charges, despite the increase in the cost of the network over the years.

The following are the relevant clauses of Regulation No.4 of 2013 on point 2.

(8) (1): The Distribution Licensee shall collect development charges to the provisions of the Act and this Regulation and subject to such directions, orders or guidelines, the Commission may issue from time to time. The Distribution Licensee is authorized

to recover from an applicant, requiring supply of electricity, expenses on normative basis towards part of upstream network cost that the Distribution Licensee has already incurred or to be incurred in extending power supply to the applicant.

(8) (2): The development charges on a normative basis are arrived at using a shallow approach limiting the network cost to the next immediate higher voltage level. The Distribution Licensee shall levy development charges on per KVA/KW basis as per the schedule (Annexure -I enclosed).

As per clause 8 (8) of Regulation 4 of 2013, the Distribution Licensee shall file revised development charges, if required, for approval, once in five years along with MYT proposals. The development charges were last revised during the year 2013.

While some of the objectors have fairly suggested a reasonable increase for development charges, they have however suggested that development charges relating to agricultural and domestic services shall be borne by the Government. In the Commission's considered view this aspect falls outside the scope of the Commission's jurisdiction. The limited jurisdiction of this Commission is to prescribe the development charges. To what extent the Government bears the consumers' burden depends on the former's policies and the Commission cannot intrude into this domain.

In the petitions, the DISCOMs have pleaded the following reasons for enhancement of the development charges.

- a. The development charges were not revised since 2013 but the cost of infrastructure is increasing year by year.
- b. The per KVA DTR/PTR cost for 1 KW consumer ranges from Rs.3119 to 5093 whereas the recovery through development charges as per the existing Regulation is Rs. 1200 only.

Though the licensees were entitled to seek an increase in development charges once in five years, they came out with such a request after eight years, after the last increase of

the development charges. Hence, the Commission finds every justification in the request of the licensees for revision of development charges. While accepting this request, the Commission has taken into consideration the interests of the consumers so as to ensure that they are not overburdened while at the same the Discoms recover at least a reasonable part of the enhanced cost of the network. Accordingly, the development charges are revised as shown below.

Type of category	Category of service	Existing Development Charges	Proposed Development Charges	Approved by APERC
HT	HT Services	11 KV - Rs.1200 per KVA or part thereof, of the Contracted Demand	11 KV - Rs 2000 per KVA or part thereof, of the Contracted Demand	11 KV - Rs 1800 per KVA or part thereof, of the Contracted Demand
		33 KV - Rs.1200 per KVA or part thereof, of the Contracted Demand	33 KV - Rs.1500 per KVA or part thereof, of the Contracted Demand	33 KV - Rs.1500 per KVA or part thereof, of the Contracted Demand
		Above 33 KV - Rs.1000 per KVA or part thereof, of the Contracted Demand	Above 33 KV - Rs.1200 per KVA or part thereof, of the Contracted Demand	Above 33 KV - Rs.1200 per KVA or part thereof, of the Contracted Demand
LT-I	Domestic Services			
	i) Upto 500 watts Contracted Load	Rs.600/-	Rs. 1000/-	Rs. 800/-
	ii) 501 watts to 1000 watts	Rs.1200/-	Rs.1500/-	Rs. 1500/-
	iii) Above 1000 watts	Rs.1200 + Rs. 1200 per KW or part thereof of Contracted Load	Rs.2500 + Rs. 2500 per KW or part thereof of Contracted Load	Rs.1500 + Rs. 2000 per KW or part thereof of Contracted Load
LT-II	Non- Domestic / Commercial Services			
	i) Upto 250 watts Contracted Load	Rs. 300	Rs. 600	Rs. 600

	ii) 251 watts to 500 watts	Rs.600	Rs. 1250	Rs. 1000
	iii) 500 to 1000 watts	Rs.1200	Rs.2500	Rs.1800
	iv) Above 1000 watts	Rs.1200 + Rs.1200 per KW or part thereof of Contracted Load	Rs.2500 + Rs.2500 per KW or part thereof of Contracted Load	Rs.1800 + Rs.2000 er KW or part thereof of Contracted Load
LT Agriculture		Rs.1,200 per KW or part thereof of Contracted Load	Rs.1500 per KW or part thereof of Contracted Load	Rs.1500 per KW or part thereof of Contracted Load
All other LT categories		Rs.1200 per KW or part thereof of Contracted Load	Rs.2500 per KW or part thereof of Contracted Load	Rs.2000 per KW or part thereof of Contracted Load

13. Accordingly, Andhra Pradesh Electricity Regulatory Commission (Licensee's duty for the supply of electricity on request) Regulation, 2013 is amended as shown in the Annexure. The amendments shall come into force with effect from the date of its publication in the Andhra Pradesh Gazette.

The OPs shall accordingly stand disposed of.

Sd/-
Thakur Rama Singh
Member

Sd/-
Justice C.V. Nagarjuna Reddy
Chairman

Sd/-
P. Rajagopal Reddy
Member

(Annexure)

ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

[Regulation No. 6 of 2021]

**SECOND AMENDMENT TO THE ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
(LICENSEE'S DUTY FOR SUPPLY OF ELECTRICITY ON REQUEST) REGULATION, 2013**

The present Andhra Pradesh Electricity Regulatory Commission, vide APERC (Adaption) Regulation, 2014 (Regulation 4 of 2014), adopted the Andhra Pradesh Electricity Regulatory Commission (Licensee's duty for supply of electricity on request) Regulation, 2013 (Regulation No.4 of 2013) (hereinafter referred to as 'the Principal Regulation') which was notified by the erstwhile APERC of the undivided AP State. The First Amendment to the Principal Regulation was notified on 29.11.2014 vide Regulation 5 of 2014.

The DISCOMs filed petitions (O.P. No. 69 of 2021, O.P. No. 71 of 2021 and O.P. No.79 of 2021) requesting the Commission for modification of clause 8 (4) of the Principal Regulation. Further, the DISCOMs filed petitions (O.P. No. 68 of 2021, O.P. No. 72 of 2021 and O.P. No.73 of 2021) requesting the Commission to consider issuing suitable amendments to the schedule of development charges in the Principal Regulation. The Commission conducted public hearings on the above petitions and issued an order after considering the views/objections/suggestions of the stakeholders, the arguments of learned Advocate for DISCOMs and objectors and the material available on record. In the order, the Commission approved the proposals of DISCOMs with certain modifications.

Accordingly, the Commission, in the exercise of the powers conferred on it under clause (t) of subsection (2) of section 181 read with subsection (1) of section 43, and subsection (1) of 181 read with section 46 of the Electricity Act, 2003 (36 of 2003) and all powers enabling it in that behalf, hereby makes the following Regulation to amend the Principal Regulation, namely:-

1. Short title, extent and commencement

- i. This Regulation may be called the Andhra Pradesh Electricity Regulatory Commission (Licensee's duty for supply of electricity on request) Second Amendment Regulation, 2013.
- ii. This Regulation shall extend to the whole State of Andhra Pradesh.
- iii. This Regulation shall come into force with effect from the date of its publication in the Andhra Pradesh Gazette.

2. In the Principal Regulation:

a) Clause 8(3) is deleted.

b) Clause 8(4) shall be replaced with the following text.

"All consumers of LT services other than agriculture services whose contracted load exceeds 20 KW shall be provided with dedicated transformers by the licensees on collecting full cost of the transformer. Where dedicated transformers are provided, the Distribution Licensee shall not collect development charges and shall own the transformer and maintain it. The dedicated DTRs shall be installed within consumers' premises only. The Distribution Licensee shall not extend power supply to any consumer from the dedicated transformer other than the consumer who has borne the full cost of the transformer. The cost of such transformers shall not be factored in the ARRs of the licensees. Consumers who are supplied with power from common DTRs shall pay development charges as prescribed by the Commission from time to time".

c) The table under Annexure-I (Schedule of Development Charges) shall be replaced with the following table.

Tariff category	Category of services	Development Charges
HT	HT services	11 KV - Rs. 1800 per KVA or part thereof of the contracted demand
		33 KV KV - Rs. 1500 per KVA or part thereof of the contracted demand
		Above 33 KV - Rs. 1200 per KVA or part thereof of the contracted demand

LT-I	Domestic services	
	i) Upto 500 watts contracted load	Rs. 800
	ii) 501 to 1000 watts	Rs. 1500
	iii) Above 1000 watts	Rs. 1500 + Rs. 2000 per KW or part thereof of contracted load
LT-II	Non-domestic/commercial services	
	i) Upto 250 watts contracted load	Rs. 600
	ii) 251 to 500 watts	Rs. 1000
	iii) 501 to 1000 watts	Rs. 1800
	iv) Above 1000 watts	Rs. 1800 + Rs.2000 per KW or part thereof of contracted load
	LT Agriculture	Rs. 1500 per kW or part thereof of contracted load
	All other LT categories	Rs. 2000 per kW or part thereof of contracted load

(BY ORDER OF THE COMMISSION)

Place: Hyderabad
Date: 31-12-2021

P. Murali Krishna
Commission Secretary(i/c)