



**ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION**  
4<sup>th</sup> Floor, Singareni Bhavan, Red Hills, Hyderabad 500 004

O.P.No.17 of 2016  
Dated: 04-06-2016

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

**Between:**

Southern Power Distribution Company of  
Andhra Pradesh Limited

... Petitioner

**AND**

-NIL-

... Respondent

The petition has come up for hearing finally on 16-05-2016 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 not 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**

Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL / 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. In the original petition, it was mentioned that the scheme will be implemented in its licensed area. The petitioner has filed an application for amendment to substitute the area of implementation of the proposed scheme as Krishna District only, against its licensed area of operation. The said application

was heard and I.A. No. 6 of 2016 was allowed vide order dated 11-05-2016. In compliance with the orders, the amendment was carried out.

3. The petitioner stated that 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) fans to domestic consumers, 10 (ten) fans to commercial consumers and 50 (fifty) fans to industrial consumers in Krishna District. The domestic consumers can buy BEE 5 star rated ceiling fans either on Upfront Payment Option (UPO) or On Bill Financing (OBF). Only domestic consumers with no arrears in last three consecutive billing cycles are eligible for availing OBF option. Commercial and industrial consumers can buy BEE 5 star rated ceiling fans only on Upfront Payment Option (UPO). Under UPO, consumer can buy 5 star rated fans by paying entire amount upfront i.e., Rs.1204-00 per fan. Under OBF, the total cost will be recovered through monthly electricity bill over 24 instalments of Rs.60-00. EESL will submit the list of consumers opted for On Billing Finance and list of consumers opted for Upfront Payment Option to APSPDCL. 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 one lakh fans. The estimated annual saving of energy for one lakh fans is around 10.5 million units per annum. EESL will invest Rs.10.37 crores to distribute one lakh fans. Against the investment of Rs. 10.37 crores, the total payout to EESL by APSPDCL will be Rs.13.61 crores including O & M charges, service tax etc. The annual reduction in power procurement cost will be around Rs.4.75 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.

4. The petitioner stated that the fans will be distributed from designated counters set up in various locations in the area of Krishna District. These locations will be identified in consultation with the distribution company and could include billing centers of DISCOMs, e-seva kandas, 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.

5. 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 2 year technical warranty. EESL shall extend the guarantee for replacement of the faulty fans due to technical defects free of cost for 2 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.

6. 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.

7. 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 07-05-2016.

8. Sri M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation in his comments wondered why the conventional ceiling fans should not be replaced with super efficient fans, which consume 50% less energy than BEE star rated fans consuming 30% less energy. He further stated that there is still scope to bring down the fan prices from Rs.1,362/- per fan. APSPDCL in its petition mentioned Rs.82/- towards distribution and awareness cost per fan and he suggested to consider Rs.50/- towards distribution cost and Rs.5/- awareness and registration cost per fan, which was allowed by the Commission in case of APEPDCL. He opined that the energy saving agreement shall also include provisions for monitoring and evaluation of the programme by having a sample

study of at least 50 to 100 fans (or whatever is statistically adequate) to verify the actual consumption of the 5 star fans against the projected consumption to confirm the deemed savings.

9. On the comments of Sri M. Thimma Reddy, the petitioner explained that super efficient fans cost almost two times more than the 5 star rated fans and even the production capacity of such fans is low. If super efficient fans come at a lower price than others, they will be provided. Any benefit of reduced price on bulk procurement will be passed on to the consumers. Annual maintenance charges are claimed to set up call centers and engage the man power to help the consumers. The fans would last for more than 5 years causing reduced electricity bills and thus save more for the consumer than the cost of the fan.

10. 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 Phase-II of DELP programme.

11. 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.

12. 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 installments 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.

13. 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.

14. 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.

15. 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.

16. The interest for Debt Servicing, Return on Equity and Annual Maintenance Charges are claimed to have been limited to the same level as approved by this Commission in respect of DELP programme Phase-II and though, it is true that during the period of warranty for the fan, M/s. Energy Efficiency Services Limited is not burdened with any responsibility of maintenance of the fan, it claims the maintenance charges to have been intended to ensure the setting up of call centers and man power for ensuring compliance with the warranty by the manufacturers and avoiding any inconvenience to the consumers. All the relevant questions raised herein were dealt with and answered on identical pleadings in O.P. No. 28 of 2015 decided by this Commission on 07-11-2015, to which a reference can be made usefully.

17. Therefore, the petitioner is permitted to implement the Domestic Efficient Fans Programme (DEFP) in Krishna District 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.1173-00 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. 955-00
Distribution, Transportation, Storage and Registration	Rs. 50-00
Awareness	Rs. 5-00
Annual maintenance charges (1.5% of fan cost)	Rs. 14-33
Total	Rs.1024-33
Sales Tax (14.5%) of total amount	Rs.148-53
Grand total	Rs.1173-00

(c) if consumer opts to pay in monthly instalments, he shall have to pay a maximum of Rs.55/- 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.

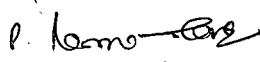
(e) the installation of the new fans shall be by the consumer himself for which every possible assistance may be extended by the petitioner and M/s. Energy Efficiency Services Limited.

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

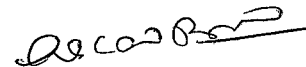
(g) The project can cover domestic consumers, commercial consumers and institutional consumers (including industrial consumers) with a cap of 2,10 and 50 fans to each of such consumers respectively.

18. 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 4<sup>th</sup> day of June, 2016.

  
P. Rama Mohan  
Member

  
Dr. P. Raghu  
Member

  
Justice G. Bhavani Prasad  
Chairman