



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

4thFloor, Singareni Bhavan, Red Hills, Hyderabad 500004

**TUESDAY, THE SEVENTH DAY OF MARCH
TWO THOUSAND AND TWENTY THREE
(07.03.2023)**

:Present:

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

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File No.APERC/IDST/E.221

In the matter of grant of exemption from licence to RESCO, Cheepurupalli to carry out the Distribution and Retail Sale of Electricity under section 13 of the Indian Electricity Act, 2003.

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The Rural Electricity Supply Co-operative Society, Cheepurupalli (hereinafter referred to as “the RESCO”) filed an application dated 16.05.2022 before this Commission seeking grant of exemption from obtaining Licence for distribution and supply of Electricity as required under Section 14 of the Electricity Act, 2003 (for short “the Act”). This application is not accompanied by the recommendation of the Government of Andhra Pradesh.

After taking application on file the Commission has called for relevant information and copies of certain documents both from RESCO,

Cheepurupalli and APEPDCL for assessing the performance of RESCO, Cheepurupalli in order to decide whether or not to grant exemption. After receiving the required information, a notice for personal hearing was issued to the MD, RESCO, Cheepurupalli. In pursuance of the said notice, the MD, RESCO, Cheepurupalli has appeared before the Commission on 27.02.2023. During the hearing the MD has stated that as he has already furnished the relevant information he has nothing to represent orally and that appropriate orders may be passed based on record. Accordingly, hearing was closed and order was reserved on that day.

Before discussing the application for exemption on merits, it would be useful, nay instructive, to discuss the backdrop pertaining to the constitution and functioning of the RESCOs.

In pursuance of the Government of India Policy of 100 per cent Rural Electrification, the undivided State of Andhra Pradesh has formed 9 (nine) Rural Electricity Cooperative Societies. They were: M/s. Kuppam RESCO, M/s. Rayachoty RESCO, M/s. Kadiri East RESCO, M/s. Kadiri West RESCO, M/s. Anakapalli RESCO, M/s. Cheepurupalli RESCO, M/s. Sircilla RESCO, M/s. Sanjay RESCO, and M/s. Atmakur RESCO.

Before the constitution of the Andhra Pradesh Electricity Regulatory Commission (for short “the Commission”) under the provisions of the Electricity Reforms Act, 1998, all the RESCOs in the State were being granted licences in conformity with their objects. After formation of the

Commission, the same procedure was being continued for granting licences from time to time.

A perusal of the record reveals that till the year 2004, the RESCOs, in the State were being granted licences. First time, the erstwhile Regulatory Commission has granted exemption in favour of all the nine RESCOs, vide: its Order dated 15-6-2004, till 09-6-2005. Thereafter, five of the nine RESCOs, viz., Jogipet RESCO, Atmakur RESCO, Kadiri East RESCO, Kadiri West RESCO and Rayachoti RESCO were wound up and the liquidation and merger with the concerned DISCOMs were also completed by 09-6-2005. The remaining four surviving RESCOs were granted extension of exemption from time to time.

The Government of Andhra Pradesh, vide: its letter dated 22-3-2019 recommended grant of exemption to the remaining three RESCOs situated in the residuary State of Andhra Pradesh, including the applicant herein, for grant of exemption from the requirement of obtaining licence for the Financial Year 2019-20 under Section 13 of the Act. Based on the said recommendation, this Commission, vide: Proceedings dated 26-3-2019, granted exemption to the applicant for the period from 01-4-2019 to 31-3-2020.

In a joint meeting of the State Co-ordination Forum and the State Advisory Committee held on 10-1-2019, the issue of merger of the RESCOs with the DISCOMs was deliberated and the Commissioner for Cooperation and Registrar of Co-operative Societies, Andhra Pradesh,

was asked to study the working of the RESCOs and report on the need and necessity of their continuation. In response, the Special Commissioner and Registrar of Co-operative Societies informed about the result of the study and submitted his report dated 11-1-2018. The details of the report will be discussed at appropriate place.

In its 14th meeting held at Tirupati on 13-01-2020 the State Advisory Committee, (constituted as per section 87 of the Electricity Act,2003), discussed the aforementioned Report of the Special Commissioner and Registrar of Co-operative Societies. All the SAC Members were unanimous in their view that it is not desirable to continue the RESCOs and that they be merged forthwith with the respective DISCOMs in whose jurisdiction they are located. A Resolution to that effect was passed in the said meeting. Apart from communicating the SAC Resolution, the APERC vide: its letter dated 21-1-2020 rendered its statutory advice under Section 86(2) (i) and (iii) of the Act to the Government of Andhra Pradesh to the effect that there is no necessity for the continuance of the RESCOs and to merge them with the respective DISCOMs forthwith.

Meanwhile, the Applicant-RESCO submitted applications for exemption for the FY 2020-21 without being accompanied by the recommendation of the Government of Andhra Pradesh, which is mandatory under Section 13 of the Act. vide its letter dated 19.10.2020, the Commission has returned the application for Financial Year 2020-21

to the Applicant-RESCO with liberty to it to apply afresh along with Government of Andhra Pradesh recommendation vide letter dated 07.12.2020. The applicant-RESCO has also filed an application for grant of exemption for FY 2021-22 without recommendation of the GoAP vide its letter dated 07.12.2020. The Commission returned the application vide letter dated 16.12.2020 directing the RESCO to apply afresh along with Government of Andhra Pradesh recommendations giving time till 28.12.2020 failing which appropriate steps will be taken. In Spite of affording ample opportunities, the Applicant-RESCO failed to submit a fresh application along with Government of Andhra Pradesh Recommendation. As the Applicant-RESCO failed to secure the exemption by following the stipulated statutory procedure, without which it is not authorised to carry on the activity of distribution and supply, the Commission vide: its Proceedings dated 25.03.2021 directed the APEPDCL to take over the activities of distribution and retail sale of electricity in the area of the RESCO with immediate effect, pending settlement of the issues relating assets and liabilities by the competent authority.

For about five months the Applicant-RESCO continued the illegal activities of distribution and supply of power without a licence or exemption and despite the specific order dated 25.3.2021 passed by this Commission to hand over its activities to APEPDCL. On coming to know about this illegal conduct of the applicant-RESCO, this Commission has

initiated *suo motu* proceedings under Sections 142 and 146 of the Act. After appearing before this Commission, the Managing Director of the RESCO handed over the activity of distribution and retail sale of electricity to APEPDCL with effect from 01-9-2021. Since then, the activities of distribution and retail sale of electricity in the Applicant-RESCO area are being carried on by APEPDCL till date.

For the Financial Year 2022-23, the Applicant has made its application on 16.05.2022 for grant of exemption. This application also was not accompanied by the Government's recommendation for exemption. However, later, the Commission has received a letter dated 02-06-2022 from the Government, wherein it has recommended ratification of grant of exemption for the FYs. 2020-21, 2021-22 and exemption from obtaining licence for the FY 2022-23 under Section 13 of the Act.

After receipt of the said recommendation, the Commission has directed the RESCO, vide: letter dated 04.07.2022 to send information along with relevant material on various aspects, such as, data on SoP Norms, Compensation to the victims of electrical accidents for the FY 2020-21 & FY 2021-22, and the details of the release of Agricultural Connections as per seniority & investment proposals, if any, as per the proformas/practice directions/guidelines within a month from the date of receipt of the letter. Further, it was also directed to submit the following information within a month from the date of receipt of the letter.

- Details of the dues to the RESCO from the consumers, category wise, under separate heads of Government & Private.
- Details of dues payable/receivable to/from the DISCOMs/GoAP by the RESCO.

The RESCO, vide: its letter dated 08.08.2022, sent some information. On a perusal of the said information, the Commission felt that the RESCO failed to submit the required information in complete shape. Hence, the Commission's office addressed a letter dated 12.09.2022 to APEPDCL, wherein the following information was sought within two weeks from the date of receipt of the letter.

- a) Details of the dues receivable from the private consumers which are pending for more than 6 months, 1 year and 3 years as of 31.08.2022.
- b) Details of the private consumers who are in the top ten as far as their dues (as of 31.08.2022) are concerned.

The APEPDCL vide their letter dated 14.10.2022 has submitted the information, and on analysing the said information it was felt that further more information was required. The Office of the Commission addressed a letter dated 21.12.2022 to furnish the said information.

The relevant provisions of the Act:

Under Section 12 of the Act, unless a person is authorised by a licence issued under Section 14 or exempted under Section 13, he shall

not “Transmit electricity, or Distribute electricity or Undertake trading in electricity”.

Section 14 of the Act authorises the appropriate Commission to grant any person licence “To transmit electricity as a transmission licensee; or to Distribute electricity as a distribution licensee; or to undertake trading in electricity as an electricity trader, in any area as may be specified in the licence”.

Section 13 of the Act, which is pivotal for the present case, reads as under:

“13. Power to exempt:- The Appropriate Commission may, on the recommendations of the Appropriate Government, in accordance with the national policy formulated under section 5 and in public interest, direct, by notification that subject to such conditions and restrictions, if any, and for such period or periods, as may be specified in the notification, the provisions of section 12 shall not apply to any local authority, Panchayat Institution, users’ association, co-operative societies, non-governmental organizations, or franchisees”.

The present Andhra Pradesh Electricity Regulatory Commission, vide APERC (Adaptation) Regulation, 2014 (Regulation 4 of 2014), adapted the Andhra Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations, 1999 (Regulation 2 of 1999), which were notified by the erstwhile APERC of the undivided State. Clause 43(6) of Regulation 2 of 1999, *inter alia*, mandates that the persons exempted from obtaining licence for distribution and supply shall (i) furnish to the Commission such information required for the purposes of the discharge of the functions of the Commission as the Commission may from time to time direct; and (ii) to comply with the provisions of the Act including the

applicable provisions of the Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948, the Indian Electricity Rules, 1956, the Regulations of the Commission, technical codes such as Grid Code, Distribution Code, Standards of performance and Overall Standards of Performance or any other guidelines issued by the Commission”.

From the Scheme of the Act, it is evident that to carry on the activities of Transmission, Distribution (which includes supply) and trading, as defined under Section 2(17) of the Act, a person has to obtain a licence. Exemption is only an exception. Before granting exemption, the Commission shall be satisfied that the following conditions shall exist:

- (i) The grant of Exemption is recommended by the appropriate Government;
- (ii) The grant of Exemption should be in accordance with the National Electricity Policy formulated under Section 5; and
- (ii) The Exemption must be in Public interest.

No doubt, the first condition is fulfilled in the instant case.

As regards Condition No.2, Section 13 of the Act envisages consideration for grant of exemption in accordance with the National Rural Electricity Policy formulated under Section 5 of the Act. Section 5 of the Act reads as under:

“5. National policy on electrification and local distribution in rural areas.

The Central Government shall also formulate a national policy, in consultation with the State Governments and the State Commissions, for rural electrification and for bulk purchase of power and management of local distribution in rural areas through Panchayat Institutions, users associations, co-operative societies, non-Governmental organisations or franchisees”.

The Rural Electrification Policy notified on 23-8-2006 by the Ministry of Power, Government of India, is holding the field as on the date. It has aimed at the following goals:

- “i. Provision of access to electricity to all households by the year 2009;
- ii. quality and reliable power supply at reasonable rates;
- iii. minimum lifeline consumption of 1 unit per household per day as a merit good by the year 2012”.

The Policy envisages review of progress of Rural Electrification in terms of the achievements, *vis a vis*, the above mentioned goals. In the context of provision of access to all households, the Policy has referred to and relied upon the definition of “Electrified Village” as specified in the Ministry of Power’s OM No.42/1/2000-D(RE), dated 05-2-2004, which is as under:

“A Village would be classified as electrified based on a Certificate issued by the Gram Panchayat, certifying that:

- a) Basic infrastructure, such as Distribution Transformer and Distribution Lines, are provided in the inhabited locality as well as a minimum of one Dalit Basti / hamlet where it exists;
- b) Electricity is provided to public places like Schools, Panchayat Office, Health Centres, Dispensaries, Community Centers etc; and
- c) The number of households electrified are at least 10% of the total number of households in the village”.

In the Commission’s Letter No.Engg /JD(Engg) /E-221/ D.No.38/ 2023 Dated 23.01.2023, one of the aspects on which information sought from the Applicant-RESCO is the details of electrification of villages /hamlets /houses. The following reply was submitted by the Managing Director of the Applicant, vide his letter in 03.02.2023:

**“ c. Functioning efficiency of RESCO Cheepurupalli in respect of
(i) Electrification of Villages/Hamlets/Houses:**

Reply:

The area of operation of the society is confined to the erstwhile Cheepurupalli Revenue taluk which was later divided into 3 Mandals viz., Cheepurupalli, Garividi, Meraka Mudidam, and 3 Panchayats of Gurala Mandals covering 104 Gram Panchayats and 68 Hamlet Villages and supply has been extended to 54,066 households” .

The MD, RESCO, Cheepurupalli further submitted that 100% electrification was completed in respect of all villages and hamlets existing in RESCO jurisdiction.

Thus, the main object of the National Rural Electricity Policy has been fulfilled. Indeed, the main purpose for which the RESCOs have been created is Rural Electrification and with the 100% electrification of the Rural Areas, covered by its area of operation, this purpose has been achieved.

We shall now consider whether the element of Public Interest, a condition precedent for granting exemption, is satisfied by the applicant-RESCO.

A. Distribution losses:

The Commission has called for data of Distribution Losses from the applicant-RESCO. The RESCO's data was compared with the data of APEPDCL, in respect of the area of its activities, excluding Cheepurupalli area . The difference in performance of the two entities is shown in the table below:

| Financial Year | RESCO's reported losses for all months | APEPDCL's loss per annum |
|----------------|--|--------------------------|
|----------------|--|--------------------------|

| | | |
|------------|--------|-------|
| FY 2018-19 | 13.16% | 8.64% |
| FY 2019-20 | 10.48% | 8.39% |
| FY 2020-21 | 12.86% | 8.31% |

The above figures would clearly reveal that there is wide disparity in the Distribution Losses between the RESCO and APEPDCL, which shows the very poor performance by the former.

In this context, it is required to be noted that the distribution losses reported by APEPDCL for the period of three months from 01-01-2022 to 31-3-2022 - after it has taken over the distribution and supply in RESCO area - were 43.72%, which were brought down to 26.04% from April to October, 2022. From this it could be presumed that even during the Financial Years 2018-19 to 2020-21, the losses could be much more than they were reported by the RESCO. It appears that the RESCO has only reported the percentage of distribution losses, which were directed to be maintained in the Annual Tariff Orders passed by this Commission, instead of reporting the actual losses. The fact that the distribution losses were reduced after the APEPDCL took over the distribution and supply activity shows that the RESCO's performance was highly inefficient in minimising the distribution losses. The higher distribution losses reflect the poor performance of the RESCO resulting in severe financial losses. Even if we go by the RESCO's figures on distribution losses, the same

are higher than the Distribution losses of EPDCL and the losses estimated in financial terms are as shown below:

| Particulars | FY 2018-19 | FY 2019-20 | FY 2020-21 |
|--|------------|------------|------------|
| Power purchased by RESCO in MUs | 95.04 | 102.73 | 118.49 |
| Difference of distribution loss percentage | 4.52% | 2.09% | 4.55% |
| Loss in terms of units (MUs) | 4.30 | 2.14 | 5.39 |
| Average Billing Rate of RESCO in Rupees per unit | 2.23 | 2.15 | 1.91 |
| Loss in Rupee Crores | 0.96 | 0.46 | 1.03 |

B. Disparity in Distribution Cost:

On an analysis of the data furnished by the DISCOM and the applicant-RESCO, the following Table is prepared for comparing the difference Per Unit Distribution Cost between the RESCO on the one side and the APEPDCL on the other side:

| Particulars | FY 2018-19 | FY 2019-20 | FY 2020-21 |
|--|------------|------------|------------|
| Cheepurupalli RESCO | | | |
| Revenue from sale of electricity (in crores) | 21.21 | 22.11 | 22.64 |
| Sales in MUs | 82.53 | 91.97 | 103.25 |
| PP cost (in Crores) | 4.87 | 7.02 | 8.34 |
| Distribution cost (in Crores) | 22.52 | 21.28 | 20.88 |
| Dist. cost per unit Rs. | 2.42 | 2.31 | 2.02 |
| EPDCL | | | |
| Dist. cost (in Crores) | 1772.25 | 2048 | 3016 |

| | | | |
|--|-------------|-------------|-------------|
| Sales MUs | 19586 | 20776 | 20416 |
| Dist. cost per unit Rs. | 0.90 | 0.99 | 1.48 |
| Difference of Distribution cost per Unit. | 1.52 | 1.31 | 0.54 |

As could be seen from the above table, there is a huge disparity in the Distribution Cost between the two entities. The loss on account of this disparity works out as under:

| Particulars | FY 2018-19 | FY 2019-20 | FY 2020-21 |
|--|------------|------------|------------|
| Loss in Rupee Crores on account of higher Distribution Cost | 12.54 | 12.04 | 5.57 |

C. Metering Efficiency:

The Managing Director of the applicant-RESCO has claimed metering efficiency as 88%, whereas as per the figures furnished by the DISCOM, it was only 85.39% up to August, 2021. The reason for this appears to be that more than 86% of the meters available to the customers situated in the RESCO area were non-IRDA compatible meters, as per the data furnished by the applicant-RESCO itself. In the IRDA compatible metering technology, the manual interference in the meter reading is not involved; as a result of which, there is no scope for manipulation of meter readings and it ensures 100% accuracy of billing in accordance with the consumption. In the case of manual billing, there is every scope for fudging the consumption figures by the billing staff either

due to collusion with the customers or by adopting the reading without physical verification of the meters at the consumers' premises.

D. Billing & Collection Efficiency:

While the Managing Director of the Applicant-RESCO has reported billing efficiency as 88%, the CMD of the DISCOM reported it as 83.64% during the FY 2022-23 (up to January, 2022). The collection efficiency reported by the applicant-RESCO as 88.63%. For any Distribution Agency, metering, billing and collection constitutes backbones. From the above data, it is very clear that the applicant-RESCO is far too lagging behind in all the above areas.

E. Recovery of arrears:

As per the report submitted by the Managing Director, RESCO, Cheepurupalli, the total arrears receivable from consumers as on 31-3-2021 are Rs.6,53,90,865/-

The following data has been furnished by the RESCO, vide: its letter dated 08-08-2022, on the arrears position:

| Sl. No. | Period of dues pending | No. of Private consumers | Total dues amount in lakhs |
|----------------|---|---------------------------------|-----------------------------------|
| 1. | Dues recoverable from the private consumers | 65,375 | 149.87 |
| 2 | Dues recoverable from Government services | 557 | 50.40 |
| | Total | 65,932 | 200.27 |

From the above table it is clear that the total arrears recoverable from the private customers alone are to the tune of Rs.1.50 crores. The RESCO has not come out with any justification for not recovering such huge arrears.

F. Average Billing rate:-

From the figures submitted by the applicant-RESCO and the APEPDCL data available with the Commission, demand realisation per unit for the RESCO vs EPDCL is as under:

| Description | FY 2018-19 | FY 2019-20 | FY 2020-21 |
|---|---------------|---------------|---------------|
| EPDCL total Revenue excluding Subsidy Rupee Crores. | 10263.59 | 10845.52 | 11114.25 |
| EPDCL Sales MUs | 19586 | 20776 | 20416 |
| Revenue realisation per unit in Rupees by EPDCL | 5.24 | 5.22 | 5.44 |
| Cheepurupalli RESCO Revenue Cr. | 21.21 | 22.11 | 22.64 |
| RESCO sales MUs | 82.53 | 91.97 | 103.25 |
| RESCO realisation per unit in Rupees | 2.43 | 2.40 | 2.19 |
| Under realisation by RESCO per unit in Rupees compared to EPDCL | 2.81 | 2.82 | 3.25 |

From the above details, it is clear that the RESCO per Unit realisation is less than the DISCOM's per Unit realisation. The annual loss of revenue for three years is worked out below:

| Particulars | FY 2018-19 | FY 2019-20 | FY 2020-21 |
|---|------------|------------|------------|
| Total loss in Crores to the DISCOM/ Public due to under realisation of revenue by RESCO | 23.19 | 25.93 | 33.55 |

G. DISPARITY IN POWER PURCHASE COST:

There is a huge disparity between the rate at which the Power is supplied to the Applicant-RESCO and the Average Power Purchase Cost of the DISCOM. The following table depicts the total number of Units sold to RESCO, the DISCOM's Power Purchase Cost per Unit, the Unit cost at which Power was supplied to the RESCO, the difference of Power Purchase Cost and the total loss for three consecutive years:

Difference of Power Purchase Cost of APEPDCL & RESCO, Cheepurupalli

| Year | Units sold to RESCO (in MU) | Discoms PP Cost (Rs/kWh) | Unit Cost sold to RESCO (Rs/kWh) | Difference of PP Cost (Rs/kWh) | Loss of Amount in Rs.Cr |
|---------|-----------------------------|--------------------------|----------------------------------|--------------------------------|-------------------------|
| 2018-19 | 95.04 | 4.44 | 0.56 | 3.88 | 36.88 |
| 2019-20 | 102.73 | 4.27 | 0.70 | 3.57 | 36.67 |
| 2020-21 | 118.49 | 4.42 | 0.70 | 3.72 | 44.08 |

From the above, it is clear that every year DISCOM/Government is losing huge money as indicated in the Table supra. However, the applicant-RESCO is charging its customers the same tariff as the DISCOM is charging its customers, without passing on any part of this benefit to its consumers. In reality, the RESCO is only acting as an intermediary and enjoying the surplus. As per the audited information furnished by RESCO, the year wise surplus is shown below:

| Particulars | FY 2018-19 | FY 2019-20 | FY 2020-21 |
|--------------------------|------------|------------|------------|
| Reserves in Rupee Crores | 3.25 | 7.65 | 7.65 |

To bridge the gap between the expenditure and the revenue arising on account of providing highly concessional tariff to the RESCO, the DISCOM has to charge its customers the higher tariff or GoAP shall provide more subsidy to EPDCL, which is completely against the public interest. If the RESCO is merged with the DISCOM (APEPDCL), this loss can be completely avoided.

H. Adherence to Standards of Performance of (SOP) Norms:

In order to ensure better, efficient and prompt consumer services, the Commission has framed Regulations, called Andhra Pradesh Electricity Regulatory Commission Licensees' Standards of Performance (Regulation 7 of 2004), amended from time to time. As per the Amended Clause 3 of the Amended Regulation No.9 of 2013 to Principle Regulation No.7 of 2004, w.e.f. 04-6-2021, automatic compensation is payable for violations of SOP Norms as under:

| Sl.No | Service | Time Standard | Compensation payable in case of violation of Standard | |
|-------|---------|---------------|--|---|
| | | | Compensation payable to individual consumer if the event affects a single consumer | Compensation payable to individual consumer if the event affects more than one consumer |

| I. Normal Fuse off: | | | | |
|---|---|--|-----------------------------------|-----------------------------------|
| i. | Cities and towns | Within 4 working hours | Rs.100/- in each case of affected | Rs.50/- to each consumer affected |
| ii) | Rural Areas | Within 12 working hours | Rs.100/- in each case of affected | Rs.50/- to each consumer. |
| II. Processing of application & intimation of relevant charges payable for new connection/sanction of additional load/Demand | | | | |
| i). | All cases- If Connection feasible from existing network for release of supply | Within 3 working days of receipt of application. | Rs.100 for each day of default | Not applicable. |
| ii). | If Network expansion/enhancement required to release supply` | | | |
| a) | Release of supply-Low Tension | Within 7 days of receipt of application | Rs.100/- for each day of default | Not applicable. |
| b) | Release of supply-High Tension 11KV | Within 15 days of receipt of application | | |
| c) | Release of supply-High Tension 33 KV | Within 30 days of receipt of application | Rs.500/- for each day of default | Not applicable. |
| d) | Release of supply-Extra High Tension | Within 45 days of receipt of application | | |

| | | | | |
|------|--|--|-----------------------------------|-----------------|
| III. | Release of new connection/additional load upon payment of all charges | | | |
| i) | All cases- If connection feasible from existing network for release of supply | Within 30 days of receipt of application (along with prescribed charges) | Rs.100/-for each day of default. | Not applicable. |
| ii) | Network expansion/enhancement required to release supply | | | |
| a) | Release of supply- Low Tension | Within 30 days of receipt of prescribed charges | Rs.100/- for each day of default | Not applicable. |
| b) | Release of supply- High Tension 11KV | Within 60 days of receipt of prescribed charges | | |
| c) | Release of supply- High Tension 33 KV | Within 90 days of receipt of prescribed charges | Rs.500/- for each day of default | |
| d) | Release of supply- Extra High Tension | Within180 days of receipt of prescribed charges | | |
| e) | Erection of substation required for release of supply, | Within the time period approved by the Commision. | Rs.1000/- for each day of default | |
| IV. | Wrongful disconnection of service connection/levy of reconnection charges without disconnection. | | | |
| i) | Wrongful disconnection of service connection even after payment of electricity charges due. | | Rs.100/- for each day of default | Not applicable |
| ii) | Levy of reconnection charges without actual physical disconnection. | | | |

All the three Distribution Licensees (DISCOMS) in the State have developed software compatible with the above SoP norms, due to which wherever there is a failure on their part to follow the SoP norms, the provision of automatic compensation is being applied. This has been serving dual purposes of ensuring payment of compensation to the consumers for denial of the services within the prescribed time frame and to act as a punitive measure; thereby ensuring prompt and efficient services by the suppliers.

In the case of applicant-RESCO, despite specific requisitions, it has not produced any data, on the ground that it has not developed software and that it is following manual system. Due to the absence of Information Technology and non-development of software, it is not possible to know whether it has been following the SoP norms or not. It is indeed surprising that in spite of the huge profits being enjoyed by the applicant-RESCO, it is still following the obsolete manual methods of metering, billing, revenue collection and grievance redressal mechanism, without the aid of software systems.

I. Other Commissions and Omissions:

i) Audit Objections:

The Audit Objections pointed out that the RESCO is placing purchase orders without following due procedures. It has also pointed out that a huge amount is incurred for vehicle maintenance. Auditor pointed out that RESCO is not replacing the defective energy meters immediately

after noticing the defects. Some of the paras of Audit for the FY 2018-19 are reproduced hereunder:

“It is noticed that the Managing Committee of the Rural Electrical Cooperative Society Ltd., Cheepurupalli Vide Resolution No 6 Dated 07.03.2018, resolved to authorise the Managing Director to procure LED Bulbs to distribute to 47,500 domestic household consumers for which budget is estimated Rs 118.00 Lakhs. The Society paid amounts to the following Agencies as detailed below:

| Sl.No. | Name of the Agency | Amount |
|--------|---------------------------------------|-----------------------|
| 1 | M/s.Sravan Enterprises, Visakhapatnam | 96,18,560.00 |
| 2 | M/s.Suchitra trading Co., Hyderabad | 22,40,000.00 |
| | Total Rs. | 1,18,58,560.00 |

It is observed that the Rural Electrical Cooperative Society Ltd Cheepurupalli has not obtained any permission from competent authority and not placed before the General Body regarding purchase of bulk LED Bulbs. It is also observed that Rural Electrical Cooperative Society Ltd., Cheepurupalli has not purchased led Bulbs from EESL, which is purchasing subsidiary. It is known the purchase price is higher than the market price. The check measurement was done by a retired ADE(T) which cannot be considered. Out of Rs 1,18,58,560/- an amount of Rs 8,39,600.00 received from consumers and the remaining amount of Rs 1,10,18,960 was incurred for purchase of LED Bulbs (para 1 of 2018-19).

During the year 2018-19, the Rural Electrical Cooperative Society Ltd., Cheepurupalli has incurred an amount of Rs 85,06,734.00 towards vehicle maintenance, which is one of the reason for reducing profit for the year 2018-19 (para 2 of 2018-19).

It is also noticed that 5134 No of meters stuck up at the end of the year 2018-19 against 3658 Nos. as on 2017-18. It is evident that stuck meters are alarming like year to year. The Society sustained loss due to increase of stuck up meters, especially in Garividi Sub division. As per A.P.Transco norms No. of Stuck up meters should not exceed 3%. But there is above 5%. There is no information in the Section Offices regarding stuck up meters and also fixing targets to the Additional Assistant Engineers concerned until completion of this item of work at least now and to increase the revenue to the society. The Society should take necessary steps to replace the same to avoid the loss to the Society” (para 9 of 2018-19).

“The society collected share capital from members every month and kept in the suspense account, at the end of the year the share capital amount adjusted to the members account. But the same was not incorporate(d) in the admission register. As seen from the admission register the member share capital shows very small amount, actual share capital available in the name of the member is not available in the admission register and also noticed that the society calculated 6% interest

on the share capital every year and interest portion not transferred to members account .

The society should take immediate steps to enter the share capital collected from the members to the concerned members account in the admission register and also post interest on the share capital account in the admission register of the society immediately. The Society has not submitted the Share Capital statements for Audit” (para 10 of 2018-19).

Section offices

“The society has 3 sub section offices in the following areas

1) Cheepurupalli 2) Garividi 3) Garbham

It is noticed that the Section officers, Line inspectors, Line men working in the section offices are not submitting tour diaries /work performance sheets.

The section officers are personally certifying that 20 days tours performed by the above field staff without any recorded evidence are irregular.

The section officers have been advised to maintain work done reports or obtain tour diaries from the field staff, in the previous audit. But the section officers failed to follow the advice” (para 11 of 2018-19 and para 10 of 2019-20).

“During the course of Audit it is noticed that, as seen from the advances issued to contractors and others, an amount of Rs.2.00 crores

is pending recovery as on 31.03.2018. No action has been taken to recover the said amount” (para 17 of 2018-19).

“During the course of Audit it is noticed that, the Management of the Society has to pay an amount of Rs.65,91,682.12 to the APSEB towards HT arrear Bill since long back” (para 18 of 2018-19 and para 17 of 2019-20).

“During the course of Audit it is noticed that the Management of the Society has not collected the Electricity bills leaving a balance of Rs.4.85 Crores as on 31.03.2019 as pending Debts receivable under Electricity Charges from the consumers” (para 19 of 2018-19).

“During the course of Audit it is noticed that the Management of the Society has not collected the electricity bills leaving a balance of Rs.9,39,87,574.50ps as on 31.03.2020 as pending debts receivable under electricity charges from the consumer” (para 16 of 2019-20).

“It is noticed that the Rural Electrical Cooperative Society Ltd., Cheepurupalli purchased stationery items from Moonlight Stationary, Vijayawada worth of Rs 6,72,624.00 without following the due core procedure to procure the stationary items” (para 23 of 2018-19).

“It is also noticed no proper supervision on the field staff working in the section offices. A Vigilance team is required to be constituted and arrest line losses for supervise / check on the stopped bills, stuck-up meter, D-list connections and line losses etc.,” (para 12 of 2018-19)

II. Special Commissioner & Registrar's Report:

In the year 2017 the Special Commissioner and Registrar of Co-operative Societies, Andhra Pradesh, Guntur, held a review meeting on 07-12-2017 with the Managing Directors of the three RESCOs. In the said meeting, the Managing Directors were requested to furnish complete information about the functioning of the RESCOs. Accordingly, the Special Commissioner and Registrar of the Co-operative Societies received reports. After a detailed study of the merits and other material collected by him, the Special Commissioner and Registrar of Co-operative Societies submitted his detailed report, vide: Rc.No.11351/2017/PE, dated 11-1-2018. In the said report, the Special Commissioner and Registrar of Co-operative Societies made certain findings on facts, regarding the commissions/ommissions of the RESCOs, the gist of which is given below:

- (1) The Government of Andhra Pradesh, vide: G.O.Ms.No.26, A&C Department, dated 05-2-2010 deleted four RESCOs i.e., Cheepurupalli, Anakapalli, Kuppam and Sircilla (now in Telangana State) from the purview of Public Enterprises Department. The Government, vide: Memo dated 12-3-2010 informed that the Council of Ministers in the meeting held on 06-3-2010, have resolved for approval of reconsideration of the earlier Resolution of the Council of Ministers dated 30-6-2009 to merge the four RESCOs with the respective DISCOMs and to drop the proposal of

merger of RESCOs with respective DISCOMs; and that in pursuance of the same, the four RESCOs are functioning.

(2) After reorganization of the State of Andhra Pradesh, three RESCOs were retained within the State of Andhra Pradesh, which are Cheepurupalli, Anakapalli and Kuppam.

(3) From the reports furnished by the three Managing Directors, it is noticed that there is no Government share capital; but the Government guarantee is extended to loans taken from RECS, New Delhi.

(4) The RESCOs are drawing power (electricity) from the DISCOMs at subsidized rates and supplying to the consumers/members of their respective areas of operation of the Societies on par with the tariff of the DISCOMs.

(5) Several complaints are being received on the functioning of the RESCOs i.e., irregular recruitment, regularisation of those irregularly employed staff, procurement and collecting money from the members while providing power connections etc.

(6) Several complaints are being received on the functioning of the RESCOs i.e., irregular recruitment, regularisation of those irregularly employed staff, procurement and collecting money from the members while providing power connections etc.

The report has elaborately referred to the irregularities/illegalities in running the Societies, which is reproduced herein below for better appreciation:

“a. Procurement:

The RECs procure material from EPDCL and other local SSI units for material worth Rs. 5 Lakhs by way of nomination and above Rs. 5 Lakhs through open tenders. As there is no transparency and to avoid fraud, the 3 RECSs were instructed to take steps for adopting e-procurement for all their requirements. Exemption was sought by the 3 RECSs and the Government vide Memo No.7719/Coop.I/2016, dt: 23-01-2017, rejected the proposal and instructed for implementation of e-procurement.

b) Irregularities in providing services to consumer-members:

Number of complaints received from the petitioners without signature and with signature on the irregularities taking place for providing services to the consumer in Cheepurupalli RESCO.

c. Irregular appointments:

Regarding irregular appointments, it is submitted that, the earlier Managements have recruited Staff on contract basis without following Rule of reservation and recruitment procedure prescribed in Byelaws and now these staff are insisting for regularization of their service and ten (10=9 Anakapalli, 1 Cheepurupalli) cases were filed before High Court and necessary counters were filed.

7. In addition to the above, it is submitted that the employees of RECs are requesting to enhance the superannuation age on par with IX and X Schedule Institutions, which is not applicable to them. The following cases were filed in this regard and action is being taken for filing of counters in all these cases.

| Sl.No. | Name of the RECS | WP No. | Name of the petitioner | Interim orders |
|--------|------------------|------------|--------------------------------------|--|
| i. | Anakapalle | 24545/2017 | Sri G.Demudu, Asst.Project Engineer. | The Petitioner filed WPMP to direct the respondents to continue him in service till he attains the age of 60 years as per G.O.Ms No.102, Fin (HR.IV.FR) Dept,dt.27.06.2017 and the Hon'ble High court issued interim direction in WPMP NO.30399/2017 in W.P. No.24545 of 2017 issued |

| | | | | |
|------|---------------|------------|--|--|
| | | | | interim direction 'as prayed for'. |
| ii. | Anakapalle | 34943/2017 | Sri GVV. Govinda Rao, Foreman and 10 others. | In WPMP No. 43426/2017 Court ordered that the respondents 1 and 2, i.e. Government and Registrar are directed to act on the letter 15-07-2017 and take decision within a period of eight weeks from the date receipt of a copy of the order. |
| iii. | Anakapalle | 31286/2017 | Sri S.Jagga Rao Foreman & K.Eswaramma, Jr. Asst. | -do- (It is submitted that as seen from the AP High Court website the case stands disposed on 5-12-2017). |
| iv. | Cheepurupalli | 35094/2017 | V.Nageswara Rao, Line Inspector & V. Maheswara Rao | That in similar circumstances the court granted interim orders dt: 23-10-2017 in WPMP No. 43426/2017 in WP No. 34943/2017 & in WPMP No. 43609/2017 directed the Govt, and Registrar to act on the letter dt.1-7-2017 and to take a decision within a period of eight (8) weeks form the date of receipt of the order. Orders received on 28.11.2017. |
| v. | Cheepurupalli | 35098/2017 | Sri T.Sanyasi Naidu, Line Inspector. | Do |

Based on the detailed analysis of the functioning of the three RESCOs, the Special Commissioner and Registrar of Co-operative Societies recommended as under:

“In view of the above and since that 100% electrification of villages in 3 RECS in the area of operation of the societies was completed and presently works relating to the various schemes, such as DDUGJY of GOI, NTR Jalasiri, and operational maintenance works are being done, the Government may consider taking a decision for merger of the three RECS with their respective DISCOMs”.

J. Representation from the Consumers/General Public:

The Commission received several representations on the irregularities taken place in RESCO Cheepurupalli. One of the complaints is from Sri. B. Chandrasekhar, Member of Parliament (Lok-Sabha), Vijayanagaram. He complained that RESCO, Cheepurupalli is purchasing inferior quality material, misusing RESCO's funds and deposits and recruiting ineligible candidates under regular / outsourcing basis.

Number of signed and unsigned complaints were received in the APERC office complaining about the irregularities being committed by RESCO authorities in respect of financial and recruitment matters. They have been referred to the CMD, APEPDCL for enquiry and to submit a report. The GM(Accounts), APEPDCL has visited the RESCO office on 04.01.2022 and submitted a report vide letter dated 07.01.2022 interalia stating that the MD, RESCO, Cheepurupalli has made payments to various persons/agencies after handing over of the RESCO to APEPDCL without prior information / taking approval of APEPDCL. He has also observed that certain records such as cash book and agreements / purchase orders are not available. He has further reported that the staff of the RESCO have not arranged the records on oral instructions of the MD, RESCO pertaining to the transactions that have taken place from September, 2021 to December, 2021. He has also observed that CC charges collected from the consumers have been transferred to the RESCO old account on 18.12.2021 and on 20.12.2021 to the tune of

Rs.43,46,450/- and Rs.2,35,570/- respectively and diverted the said amounts for unauthorised utilization.

Conclusion:

To sum up, continuation of the applicant-RESCO is detrimental to the Public Interest in more ways than one. For various reasons, as discussed above, the applicant-RESCO is unable to render efficient and economical services to its consumers. On account of its failure to carry on its operations in an efficient and economical manner, it is causing huge losses to the exchequer, as quantified hereinabove and briefly summed up in the following table.

Average per annum loss based on data for 2018-19, 2019-20 and 2020-21

| | | |
|---|---|--------------------|
| 1 | Loss due to higher distribution losses | Rs.0.817 Cr. |
| 2 | Loss due to higher in Distribution cost | Rs.10.05 Cr. |
| 3 | Loss due to under realisation because of difference in average billing rate | Rs.27.55 Cr. |
| 4 | Loss to EPDCL due to disparity in Power Purchase cost | Rs.39.21Cr. |
| 5 | Average surplus with RESCO | Rs.6.18 Cr. |

The Commission under Section 61(c) and 86 (2) of the Act should encourage competition, efficiency, economical use of the resources, good performance and optimum investment. The above discussed data clearly reveals, the RESCO is far away from achieving the above goals. Therefore, continuation of the RESCO, being far from any public interest, is against the same. Even considering the National Rural Electrification

Policy prepared under Section 5 of the Act, as per which the predominant object being rural electrification, which has already been achieved, the applicant-RESCO has outlived its purpose. Hence, we have no hesitation to hold that the RESCO is not entitled to grant of exemption. Accordingly, the application for grant of exemption is rejected. As APEPDCL has already taken over the activities of distribution and supply within the RESCO's area of operation, it shall continue to do so.

Sd/-
Thakur Rama Singh
Member

Sd/-
Justice C.V. Nagarjuna Reddy
Chairman

Sd/-
P. Rajagopal Reddy
Member

