



**ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION**  
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The Kuppam Rural Electric Co-operative Society Limited -Exemption from obtaining the license - Exemption granted up to 31.12.2021.

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Proceedings No.APERC/Secy/ 12 /2021

Date: 26-11-2021

1. Rural Electrification Policy notified by GOI, vide Resolution No.44/26/05-RE (vol-II) dated:23-08-2006.
2. Commission's order No. 46 dated 15.06.2004.
3. Proceedings No.APERC/Secy/02/2019 Date:26.03.2019.
4. Lr. No.ENE01/491/2020, dated:18.10.2021.
5. Kuppam RESCO's application for exemption dated 27.10.2021.

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- 1) In terms of section 13 of the Electricity Act, 2003, the Commission, vide Order No.46, dated 15.06.2004, issued exemption to the Kuppam Rural Electric Co-operative Society Limited (Hereinafter referred to as 'the RESCO') from the application of section 12 of the Electricity Act, 2003 for a period of one year from 09.06.2004 to 08.06.2005 based on the recommendation of the Government of Andhra Pradesh vide their letter No. 80/Pr.II(2)/2000-13,dated 05.06.2004. Subsequently, the Commission, from time to time, extended the above exemption for further periods up to 31.03.2020 based on applications submitted by the RESCO and the recommendation of the GoAP.
- 2) However, for FY 2020-21 and FY 2021-22, the RESCO submitted the applications (without the recommendation of the GoAP) for exemption from obtaining a license. Therefore, the Commission returned these applications to the RESCO with liberty to apply afresh along with the GOAP recommendation. However, in spite of affording ample opportunities, the RESCO failed to submit fresh applications along with the GOAP's recommendation. Therefore, the Commission directed APSPDCL to take over the activities of Distribution and Retail Sale of Electricity in the area of the RESCO with immediate effect, pending settlement of issues relating to assets and liabilities by the competent authority. However, the RESCO continued the Distribution and

Retail Sale of Electricity without a license, without allowing APSPDCL to take over the above activities. Therefore, the Commission had to perform initiate proceedings against the Chairman and the MD of the RESCO under section 142 read with section 146 of the Electricity Act, 2003. The proceedings are pending as of now.

- 3) Meanwhile, the GOAP, in its letter dated 18.10.2021 addressed to the Commission, recommended ratification for the grant of exemption from obtaining the license for FY 2020-21 and exemption from obtaining license for FY 2021-22 to the RESCO under section 13 of Electricity Act, 2003. The RESCO submitted an application dated 27.10.2021 with a copy of the above recommendation of the GOAP requesting the Commission to exempt it from obtaining the license for FY 2020-21 and FY 2021-22. The RESCO paid the requisite application fee of Rs. 30,000/- for each year as per clause 4 of Regulation No.1 of 2005.
  
- 4) In this context, it is relevant to discuss certain important aspects. In the joint meeting of the 8<sup>th</sup> State Coordination Forum and 13<sup>th</sup> State Advisory Committee held on 10.01.2019, the issue of the merger of the RESCOs with the DISCOMs was deliberated and the Commissioner for Cooperation & Registrar of Cooperative Societies, AP was asked to study the working of the RESCOs and report on the need and necessity of their continuance. In response, the Special Commissioner and Registrar of Cooperative Societies, AP informed about the result of the study that was undertaken earlier on 07.12.2017 which says that the RESCOs are plagued by many ills, the prominent among them being; that the RESCOs, despite drawing power at subsidized rates from the DISCOMs and selling it to the consumers in their respective jurisdictions at the same rates at which the DISCOMs are selling power to their consumers, they are unable to meet even the pay and allowances of their staff; that they are committing many irregularities in recruitments and procurement; and that they have outlived their purpose of rural electrification since 100% of electrification of villages has already been completed under various schemes of the Governments of India and Andhra Pradesh. Further, the Special Commissioner and Registrar of Cooperative Societies addressed letters to the GoAP to take a decision on the merger of the RESCOs with the respective DISCOMs. The Commission perused the results of the study and discussed the issue in the 14<sup>th</sup> State Advisory

Committee meeting held at Tirupati on 13.01.2020. During the meeting, all the Members present were unanimous 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. Further, the Secretary/APERC vide letter dated 21.01.2020 conveyed the Commission's advice u/s 86(2) (i) & (iii) of the Electricity Act, 2003 to the GoAP that there is no necessity for the continuance of the RESCOs and to merge them with the respective DISCOMs forthwith. The Commission sent reminder letters dated 17.02.2020, 03.06.2020 & 06.07.2020 to the GoAP on the above matter. Further, it is found that arrears pending to be collected from consumers by Kuppam RESCO are a whopping Rs. 90 Crores which further suggests that all is not well with the affairs of the RESCO.

- 5) In the above facts and circumstances, the Commission is of the view that the RESCO Kuppam is not entitled to be exempted from obtaining license. However, to facilitate smooth transition and transfer of management, the Commission is inclined to grant exemption till 31.12.2021 only, in exercise of the powers under section 13 of the Electricity Act, 2003 subject to the terms, conditions, and restrictions contained in the license (except that the words 'License fee' should be read as 'exemption fee') earlier granted to them under the provisions of the Andhra Pradesh Reform Act, 1998 and no further application for exemption under any circumstances shall be entertained. The limited exemption granted is without prejudice to the pending proceedings against the Chairman and the MD of the RESCO.

(By order of the Hon'ble Commission)

  
Commission Secretary(i/c)