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**ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION**

**Regulation No. 6 of 2004**

SECURITY DEPOSIT TO BE PAID BY CONSUMERS TO THE DISTRIBUTION LICENSEE FOR THE ENERGY SUPPLIED AND FOR PROVIDING OF ELECTRIC LINE/ELECTRICAL PLANT/ELECTRIC METER

### **INTRODUCTION**

Section 47 of the Electricity Act 2003, deals with the power of the Licensee to require security from consumers towards amounts due to him in respect of the electricity supplied or towards the cost of providing any electric line / electric plant or electric meter for supply of electricity pursuant to Section 43 of the Act. The section also provides that the Licensee is entitled to refuse to give supply or provide the line / plant / meter to the applicant as long as the applicant fails to give such security and where the security already given becomes invalid or insufficient, the Licensee can discontinue the supply of electricity if the consumer fails to provide reasonable security within 30 days after the service of a notice to this effect by the Licensee for the payment of all monies which may become due to the Licensee in respect of supplying electricity, etc. The Act has made an express provision for payment of interest on the security amount at Bank Rate or a higher rate as may be specified by the concerned State Commission. The Licensee is not entitled to require security from a person receiving supply through a pre-payment meter.

A draft Regulation consistent with the above provisions of the Act was published in the A.P.Gazette on 10-12-03 inviting comments / suggestions from interested parties. A press release was also issued on the same day about the publication of the draft Regulation inviting suggestions / comments from interested parties by 31-12-03.

Some of the salient features of the draft Regulation are:

- Payment of Security Deposit by way of cash / DD for the energy supplied / to be supplied.

- Security Deposit amount shall be two months' charges in case of monthly billing and 3 months charges' for bi-monthly billing.
- Annual review will be done and additional Security Deposit will be demanded in case of shortfall. Refund will be made in case of excess.
- Initial Security Deposit is specified in terms of flat rate per kW/kVA/HP for the sake of simplicity in the interest of consumers.
- The Licensee has to pay interest at Bank Rate (RBI rate) and penal interest at twice this rate for delay in making annual adjustment in bills.
- Licensee can refuse / disconnect supply for non-payment of Security Deposit.
- Security for providing electric line / plant / meter.

The Commission has examined the comments and suggestions received and made suitable changes in the draft Regulation, wherever necessary.

### **(SECURITY DEPOSIT) REGULATION, 2004**

In exercise of the powers conferred by section 181 read with sub-sections (1) and (4) of section 47 of the Electricity Act 2003 (36 of 2003) and all powers enabling it in that behalf, the Andhra Pradesh Electricity Regulatory Commission hereby makes the following Regulation, dealing with the Security Deposit to be provided by the Consumer and matters incidental and ancillary thereto:-

#### **1. Short title, commencement and interpretation:**

- i. This Regulation may be called the Andhra Pradesh Electricity Regulatory Commission (Security Deposit) Regulation, 2004.
- ii. This Regulation shall be applicable to all Distribution Licensees in their respective licensed areas, in the State.
- iii. This Regulation shall come into force 3 months after the date of its publication in the Andhra Pradesh Gazette.

#### **2 Definitions:**

In this Regulation, unless the context otherwise requires:-

- (a) "Act" means the Electricity Act, 2003 (36 of 2003);
- (b) "Commission" means the Andhra Pradesh Electricity Regulatory Commission;
- (c) <sup>1</sup>"Consumption Charges" means energy charges for consumption of electrical energy (calculated on the basis of kWh or kVAh rate as applicable), and includes Demand/Fixed charges, Fuel Surcharge Adjustment (FSA) charges, customer charges, wherever applicable.
- (d) "High tension (HT) consumer" means a consumer who is supplied electricity at a voltage higher than 440 volts.
- (e) "Low tension (LT) consumer" means a consumer who is supplied electricity at a voltage up to 440 volts.

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<sup>1</sup> Amended vide Regulation No. 03 of 2013 w.e.f dated 19-07-2013

(f) "Month" means the calendar month. The period of about 30 days between the two consecutive meter readings shall also be regarded as a month for purpose of billing;

(g) "State" means the State of Andhra Pradesh;

(h) Words and expressions used and not defined in this Regulation but defined in the Act shall have the meanings as assigned to them in the Act.

### **3. Power to require security:**

(1) The distribution licensee may require from any person, who requires a supply of electricity to his premises in pursuance of section 43 of the Act, to give security as provided in clause 4 herein, for the payment of all monies, which may become due to the licensee

(a) in respect of the electricity supplied to such person; and /or

(b) where any electric line or electrical plant or electric meter is to be provided for supplying electricity to such person, in respect of the provision of such line or plant or meter.

(2) If such person fails to give such security under sub-clause (1), the Distribution Licensee may refuse to give the supply of electricity or to provide the line or plant or meter for the period during which the failure continues.

### **4. Security deposit for the electricity supplied / to be supplied:**

(1) The LT consumers shall at all times maintain with the licensee an amount equivalent to consumption charges (i.e demand/fixed charges and energy charges etc., as applicable) of three months wherever bi-monthly billing is in vogue and two months' charges in the case of monthly billing cycle, as security during the period the Agreement for supply of energy to such LT consumers is in force:

Provided that as and when the bi-monthly cycle is replaced with monthly billing cycle, the licensee shall refund the excess amount, if any, over the two months' charges by adjustment against the then outstanding dues to the Licensee or any amount becoming due to the Licensee immediately thereafter.

(2) The HT consumers shall at all times maintain with the licensee an amount equivalent to consumption charges (i.e demand charges and energy charges etc., as applicable) of two months as security during the period the Agreement for supply of energy to such HT consumers is in force.

(3) <sup>1</sup>**The distribution Licensee** shall extend power supply through a correct meter of the following types depending upon load requirement of a consumer

i. LT whole current meters

ii. Current Transformer operated meters

iii. HT meters

The choice of providing pre-payment meters lies with distribution licensee.

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<sup>1</sup> Amended vide Regulation No. 03 of 2013 with effect from 19-07-2013

If the distribution licensee provides a choice to consumers to opt for pre-payment meter, and if any consumer intending to avail/avails supply through a LT whole current prepayment meter, the distribution licensee shall not be entitled to collect security deposit from such person. In case, a security deposit already stands collected by the Licensee from such a consumer, the same shall be refunded by adjustment of the then outstanding dues to the Licensee or any amount becoming due to the Licensee immediately thereafter.

Consumers availing power supply through a Current Transformer (CT) operated meters or HT meters are not eligible to avail power supply through prepayment meters, as such meters with proven technology and technically viable meters are not available in the market.

(4) The initial security deposit payable at the time of releasing the supply shall be at flat rates mentioned in clause 5 herein.

(5) The amount payable towards security shall be in the form of a cash/demand draft (DD) drawn in favour of the licensee.

**5. Initial Security Deposit:**

(1) The applicants for electricity shall pay initial security deposit towards the electricity to be supplied to them at the flat rates given hereunder:

LT Category Services		Amount of Initial Security Deposit	
		For bi-monthly billing	for monthly billing
(i)	For Domestic Purpose up to 250 Watts of contracted load	Rs.100	Rs.80
(ii)	For Domestic Purpose above 250 Watts contracted load.	Rs.300 per KW or part thereof.	Rs.200 per KW or part thereof.
(iii)	For industrial purpose, including cottage industries	Not applicable	Rs.500 per HP or part thereof of contracted load
(iv)	For Non-Domestic/Street lights / General purpose	Rs.1200 per KW or part thereof of contracted load.	Rs.800 per KW or part thereof of contracted load.
(v)	For Agriculture Category Purpose	Rs.60 per HP or part thereof of contracted load	Rs.40 per HP or part thereof of contracted load
<b>HT Category Services</b>			
(vi)	HT Categories - I and I(B)	Not applicable	Rs. 500 per kVA per shift on contracted demand
(vii)	For all other HT Categories	Not applicable	Rs. 1000 per kVA on contracted demand

(2) In the case of consumers who are sanctioned additional demand, the additional security deposit shall be calculated for the additional demand as if it is a new service.

(3) If the applicant does not make payment of Initial Security Deposit in terms of this clause, the Licensee can refuse to release supply.

(4) <sup>1</sup>The initial security deposit shall be reviewed after the expiry of three (3) months, in accordance with sub-clause (1) of clause 4 above. If it is found that the initial security deposit is short of three (3) months average consumption, a one month notice shall be served for making payment to fill the gap towards security deposit.

<sup>2</sup>(5) The DISCOM shall review the security deposit collected after expiry of three (3) months from the date of release of power supply based on the actual consumption, for all new HT services /HT additional loads in accordance with sub clause (2) of clause (4) above. If it is found that the initial security deposit is short of three (3) months average consumption, a one month notice shall be served for making payment to fill the shortfall towards security deposit.

<sup>3</sup>(6) The Distribution licensee shall not grant instalments towards security deposit.

Provided, however, that if any person seeks instalments, the DISCOM may grant instalments at its discretion subject to furnishing of suitable bank guarantee by the consumer.

## **6. Review and payment of Additional Security Deposit for the electricity supplied:**

### **(1) General Review**

Subject to the billing periods of three months or two months as specified in Clauses 4, the adequacy of the amount of security deposit in respect of consumers shall be reviewed by the licensee generally once in every year (preferably after revision of tariff for the respective year) based on the average consumption for the period representing 12 (twelve) months from April to March of the previous year.

<sup>4</sup>Provided that in case of HT consumers, the adequacy of the amount of security deposit shall also be reviewed based on the previous six (6) months average consumption by the Distribution Licensee during October of every year and shall serve one month notice for making payment, if required.

### **(2) Demand notice for Additional Security Deposit**

(a) Based on review as per sub-clause (1) above, demand for shortfall or refund of excess will be made by the licensee:

Provided, however, that if the security deposit payable by the consumer is short by or in excess of not more than 10% of the existing security deposit, no demand for shortfall will be made for payment of Additional Security Deposit and the consumer shall not be entitled to demand the refund of the excess.

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<sup>1</sup> Amended vide Regulation No. 02 of 2019 with effect from 16-02-2019

<sup>2</sup> Amended vide Regulation No. 02 of 2019 with effect from 16-02-2019

<sup>3</sup> Amended vide Regulation No. 02 of 2019 with effect from 16-02-2019

<sup>4</sup> Amended vide Regulation No. 02 of 2019 with effect from 16-02-2019

(b) If the existing Security Deposit of a consumer is found to be in excess by more than 10% of the required security deposit, refund of the excess security deposit shall be made by the Licensee by adjustment of the then outstanding dues from the consumer to the Licensee or any amount becoming due from the consumer to the Licensee immediately thereafter.

(c) Where the consumer is required to pay Additional Security Deposit, the Licensee shall issue to the Consumer a 30 days' advance notice specifying the amount payable with supporting calculations.

**(3) Surcharge for belated payment of additional security deposit**

(a) The consumers shall pay the additional security deposit within thirty days from the date of service of the demand notice issued by the licensee.

(b) If there is any delay in payment, the consumer shall pay surcharge thereon at 18% per annum or at such rates as may be fixed by the Commission from time to time, without prejudice to the Licensee's right to disconnect supply of electricity, as per this Regulation.

**(4) Disconnection for non-payment of security deposit for the electricity supplied**

In the case where Additional Security Deposit is demanded by the licensee in terms of clause 6, and the consumer does not make payment, the supply to the consumer shall be liable for disconnection, without any further notice.

**7. Interest on Security Deposit payable by the Licensee:**

(1) The licensee shall pay interest on security deposit of a consumer, at the Bank Rate notified by Reserve Bank of India provided that the Commission may specify a higher rate of interest from time to time by notification in Official Gazette.

(2) The interest accruing to the credit of the consumer shall be adjusted annually against the amounts outstanding from the consumer to the Licensee as on 1<sup>st</sup> May of every year and the amounts becoming due from the consumer to the Licensee immediately thereafter.

(3) The Licensee shall duly show the amounts becoming due to the consumer towards interest on the security deposit in the bills raised on the consumer.

(4) The Licensee shall pay interest at twice the rate specified under sub-clause (1) above for the delay in making the adjustments for interest on security deposit.

**8. Special provision for seasonal industries:**

(1) In the case of industries declared by a general or special order of Commission as seasonal, the adequacy of the security deposit shall be reviewed based on the consumption during the seasonal period of the preceding year and such additional security deposit as

required, may be demanded by the Licensee by duly giving thirty (30) days' notice before the commencement of seasonal period.

(2) It shall be ensured that by the commencement of seasonal period, the security deposit equivalent to 2 (two) months' charges during season is available for the seasonal supply.

(3) At the end of the season, a review of Security Deposit shall be made again with reference to the consumption during off-season period of the preceding year and the security deposit in excess of two (2) months' "off-season" consumption charges shall be refunded by adjustment against the amounts outstanding from the consumer to the Licensee and the amounts becoming due from the consumer to the Licensee immediately thereafter.

#### **9. Refund of Security Deposit:**

Where an agreement for supply of electricity is terminated as per the Terms and Conditions of supply, the Licensee shall be required to refund the security deposit if any, after making adjustments for the amounts outstanding from the consumer to the Licensee, within one month of the effective date of termination of the agreement:

Provided that if such refund is delayed beyond the period of one month as specified above, the Licensee shall pay interest on such deposit at twice the rate applicable on such effective date of termination of the agreement.

#### **10. <sup>1</sup>(Deleted)**

#### **Miscellaneous**

#### **11. Power to remove difficulties:**

(1) In case of any difficulty in giving effect to any of the provisions of this Regulation, the Commission may do or undertake things, or by general or special order, direct the Licensee to take suitable action, not being inconsistent with the provisions of Electricity Act, 2003, which appears to the Commission to be necessary or expedient for the purpose of removing the difficulty.

(2) The Licensee may make an application to the Commission and seek suitable orders to remove any difficulties that may arise in implementation of this Regulation.

#### **12 Issue of orders and practice directions:**

Subject to the provisions of the Electricity Act, 2003 and this Regulation, the Commission may, from time to time, issue orders and practice directions with regard to the implementation of this Regulation and procedures to be followed for such implementation and matters incidental or ancillary thereto.

#### **13 Power to amend:**

The Commission may, at any time add vary, alter, modify or amend any provisions of this Regulation.

**(BY ORDER OF THE COMMISSION)**

V. SIVA PRASADA RAO  
SECRETARY (FAC)

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<sup>1</sup> Amended vide Regulation No. 03 of 2013 with effect from 19-07-2013