BEFORE THE HONORABLE ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSON

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1.1 The following submissions on ARR and tariff proposals for the year 2012-13 are in response to the Public Notice published in newspapers on 5th January 2012.

1.2 In the Public Notice published in the newspapers on 5th January, 2012 it was mentioned that objections/suggestions if any on ARR and Tariff Proposals may be filed in 6 copies with the Commission. In the past a large number of consumers and consumer organizations placed before the Commissions the problems in filing the objections/suggestions in 6 copies and requested the Commission to allow one copy to be filed. In response to this the Commission in its Tariff Order for the year 2003-04 allowed filing of one copy only. Here we are reproducing the relevant portion of the Tariff Order: "The Commission after careful consideration of the objection, agree to filing of one copy before the Commission and serving a copy on the licensee instead of filing six copies". (Para 259, Tariff Order 2003-04) We request the Commission to withdraw the provision related to filing of objections/suggestions in 6 copies and allow filing of one copy before the Commission.

1.3 According to the Electricity Act, 2003 the DISCOMs are expected to submit their tariff proposals for the next financial year 120 days before the start of the new FY. That is the new proposals were expected by 30th November of 2011. But these were submitted by APDISCOMs only in the last week of December. Because of this both the public as well as the Commission lost precious time in examining the proposals of the DISCOMs. This practice of delayed submission of tariff proposals is going on for the last few years. This practice shall be checked forthwith. Even the Appellate Tribunal recently has given directions to the State Electricity Regulatory Commissions that in case of delay in submission of ARR and tariff proposals by the Licensees the Commissions shall take them up ***suo motu.*** This shall be the last year for such delay.

SALES FORECAST

2.1 Sales forecast to be adopted by the Commission shall be nearer to reality. The sales forecast adopted until now by the commission while determining the tariff was below the real consumption. The sales forecast seems to have been adopted keeping in mind the subsidy burden on the state government. Adopting a forecast nearer to reality would lead to purchase of higher quantum of power entailing higher expenditure, which in turn will lead to either to higher tariff or higher subsidy. For example, for the 2011-12 while the DISCOMs projected sales to the extent of 87,380 MU the Commission approved 83,613 MU. The actual consumption is expected to be 85,532 MU. If we take in to account power cuts imposed on almost all consumer categories this consumption should have been much higher. Proper estimation should have allowed the DISCOMs to tie up for additional power at reasonable rates. Taking in to account past experience we suggest sales forecast that reflects reality.

2.2 Sales forecast for LT industry presents a picture that needs to be corrected. Change in the consumption during the ensuing year 2012-13 is expected to be in the range of -1.17 to 4.00%. While two DISCOMs expect a decline in power consumption by LT Industry growth rate in the other two DISCOMs is less than that of agriculture sector that receive less than 7 hours of supply in a day throughout the year. This negative or lower growth in consumption by LT industry is attributed to 'restricted supply for the year 2012-13'. When there is expected to be enough power to meet average consumption growth at the state level of 10 to 12% why impose restriction on LT industry. Even in HT industry consumption is expected to increase by nearly 14%. Compared to HT industry LT industry pays higher tariff. Also, LT industry is a labour intensive one. Higher restrictions on power supply to this category will also have adverse livelihood implications.

Agriculture:

2.3.1 During the year 2012-13 LT agriculture category is expected to consume 19,976 MU accounting for 21.3 % of the total power to be supplied in the state. As was the case in the past this year also this number is suspect. Each DISCOM presented a different explanation though claiming to follow the method prescribed by the Commission.

2.3.2 There is no uniformity among the DISCOMs in explaining the estimation of agriculture consumption. While SPDCL tried to give estimate based on different sources of data NPDCL did not at all explain the basis for its estimation. NPDCL has considered 5 years CAGR of 5.14% over the consumption during the year 2011-12. CPDCL just gave the example of Rolla mandal. But there was no explanation about the total number of agricultural services and the DTRs servicing them. We request CPDCL and NPDCL provide district/circle wise data on number of agricultural connections, number of DTRs servicing them, number of sample DTRs, number of valid DTR readings, and the related agriculture consumption estimate. For better understanding of the issues related to power consumption each DISCOM shall give break up of paid connection, HVDS metered connection, DT metered connection and total connections; their connected load and consumption.

2.3.3 The Commission directed to DISCOMs to implement the methodology recommended by Indian Statistical Institute (ISI) in estimating power consumption in agricultural services (Para 35, TO 2011-12). ISI submitted its recommendations more than three years back. Still there is no sign of it being implemented properly. Until now CPDCL has covered one district only. In the case of EPDCL though meters were installed on prescribed number of sample DTRs reading of these meters has not yet started. NPDCL is yet to reach final stages of its implementation.

Similarly, SPDCL is yet to use the new methodology. It appears that DISCOMs are unwilling to use the new methodology.

Table:1 **SPDCL's Estimation of Agricultural Consumption**

Category	No. of Pump-sets	Total HP	Total Annual Consumption (MU)	Annual Consumption per HP (U)
DTR Meter Readings	4,72,061	27,51,303	3841.145	1396.12
Paying Category	33,083	1,98,498*	82.970	417..99
HVDS	2,95,957	17,75,742*	319.760	180.07

*Average HP of each service is taken as 6.

2.3.4 SPDCL used three sources of information to estimate agricultural consumption - DTR Meter Readings, Paying Category, and HVDS. The results of their estimation lead to more questions. In the case of HVDS category connections apart from replacing earlier DTRs with HVDS DTRs there is no other change. The same inefficient motors continued to be used. The prescribed DSM measures are not being followed. Even the capacitors were not installed in the case of 90% of the services. Is it possible to achieve savings in agriculture sector by just replacing the existing DTRs with HVDS ones without addressing the other DSM issues?

2.3.5 In arriving at the estimate of power consumption number of agriculture services/wells has important place. Total HP/connected load is taken in to account for arriving at the total power consumption. It has been argued that the DISCOMs' number of wells in the state is overestimated. As an example we will take the year 2006-07. For this year Minor Irrigation (MI) Census data is available. MI Census is done once in seven years. Latest MI Census is available for the year 2006-67. This Census provides the number of wells in operation in the state. According to DISCOMs the number of agriculture services was 22,96,996. According to MI Census number of wells in the state was 22,00,361. Out of these wells 19,66,374 were in use and 2,33,987 wells were out of use. That is more than 10% of the wells are not in use. In implies that at this stage power consumption in agriculture is being overestimated by 10%.

2.3.6 While estimating agriculture consumption often it is assumed that two crops are grown under each well and on the basis of it the number of days of providing irrigation is adopted. For example, APCPDCL claims, "Typically two crops are grown in a year and in some areas a third crop is also grown" (p.46, CPDCL ARR). Usually number of days of irrigation they assume range about 200 days.

Table:2 **Area Irrigated More than Once**

Year	% of area irrigated more than once
2003-04	37.62
2004-05	34.65
2005-06	40.77
2006-07	39.45
2007-08	38.79
2008-09	47.08
2009-10	46.36

Source: Season Crop Reports, GoAP.

2.3.7 But an examination of Season and Crop Reports show that the percentage of area irrigated more than once ranges between 34.65% (2004-05) and 47.08% (2008-09). In other words second crop is grown in less than 50% of the area under well irrigation. Then assumption of even 150 days of irrigation would amount to overestimation. But these stark facts are not taken in to account by the DISCOMs.

2.3.8 According to CPDCL's ARR compared to first half of 2010-11 during the first half of 2011-12 agriculture consumption increased by 11.59%. Is such an increase in consumption possible in the presence of continued disruption in power supply to agriculture and no substantial increase in new agriculture services?

2.3.9 During 2005-10 more than Rs. 5,000 crore were spent on HVDS in agriculture sector in the state. According to SPDCL up to FY 2010 Rs. 1,024.60 crore were spent on HVDS. Even after such a huge spending there is no proper, transparent assessment of this programme. News paper reports indicate that APDISCOMs are about to launch another phase of HVDS programme with financial support from JBIC involving an expenditure of Rs. 1,145 crore. We request the Commission to see that earlier HVDS programme is thoroughly assessed in a transparent manner. We also would like to know whether the Commission was informed about the new phase of the programme and whether it has given consent to it.

POWER PURCHASE COSTS:

3.1 The ARRs filed by the DISCOMs contain different figures for power purchase costs. On page No. 35 of APCPDCL's ARR total power purchase costs of all the DISCOMs will be Rs. 28, 604.02 crore. But if we add the power purchase costs of each DISCOM from their ARR regulatory formats total power purchase cost amounts to Rs. 29, 051.22 crore. The difference is Rs. 447.20 crore. There is no explanation in the ARRs for this difference.

Table:3 **Power Purchase Costs**

DISCOM	**Power Purchase Cost** (Rs. Cr)
CPDCL	13,224.02
EPDCL	4,867.84
NPDCL	4,162.42
SPDCL	6,796.94
Total	**29,051.22**

3.2 Filings for the year 2012-13 show that 274 MU will be available from APGPCL. The same filings also show that 409 MU are available during the year 2011-12. APGPCL is one of the cheapest sources of power in the state. Why shall the state forego such cheaper power? News reports some time back indicated that gas supply to APGPCL was curtailed by categorizing it as captive plant. It is intriguing that while merchant power plant like Lanco Extension plant was given gas connectivity the same was denied to APGPCL though it supplied power at less than half the cost of Lanco Extension plant. DISCOMs as well as the GoAP shall see that gas supplies are restored to APGPCL.

3.3 ARR for the year 2012-13 shows that 12,450 MU of power is going to be procured through external purchases at a cost of Rs. 5,193 crore. While quantity wise it accounts for 13.3% of the total power procurement costs wise it accounts for 18.2% showing that it is the costliest power being procured by DISCOMs. The question that arises is - are there any alternative sources? All the IPPs in the state are setting up extension plants and the National Tariff Policy (Section 5.1) provides that quantum of power equivalent to 50% of the existing capacity of these plants can be procured through PPA approved by the Commission. The present installed capacity of these IPPs in the state is 2,500 MW. Following the Tariff Policy 1,250 MW of power from the extension plants shall be available to the state at the rate decided by the Commission. In fact the Commission directed the DISCOMs to explore feasibility of acquiring a share of power in such expansion projects (Para. 148). As a part of the current filings CPDCL stated that it had submitted its response to APERC vide letter No. CE/IPC/F.APERC/D.No.105/11, dated 31-05-2011. We request the Commission to direct the Licensees to provide us a copy of the above letter and inform us about further progress on this front.

3.4.1 By now it is a well known fact that gas is being supplied to Lanco Extension Plant which is selling the power so generated as a merchant plant and in the process amassing wind fall profits. While state is starving from shortage of power it is unthinkable that a private merchant power plant was given gas allocation to generate power and sell it in the market or to others without PPA at higher rates and corner huge profits. When the decision of the Ministry of Petroleum states that “priority should be given to the power plants in Andhra Pradesh” and it means that power plants generate power for use in AP but not generate power in AP and sell outside at huge profits. The directive seems to be to sell power to DISCOMs. The Lanco has strange argument that it should not matter as it is selling power to DISCOM in other states and that issues need to be looked at from national perspective. If Lanco has sold to Tamil Nadu and/or Karnataka at the price set by the respective ERC through transparent and participatory process really it should not have mattered. It sold power through MOU and not PPA and it is doubtful whether ERCs were kept informed and their prior assent was obtained. In the background of gas allocation to existing plants/units in AP which have PPAs it is doubtful for any plants in the state to obtain gas allocation without recommendation of the state government as the Ministry of Petroleum went by the recommendation of the state government. Then it should be concluded that Lanco Extension/Merchant plant got gas allocation with support of the state government and then it sold power at market price outside the state even when the state was reeling under extensive power cuts and power was procured from open market at high prices. It is another G Scam that is waiting to be unravelled urgently and justice is done to the people of the state. If gas from this plant is used within the state at the price decided by the Commission there would be no need to procure power from open market.

3.4.2 At this instance it is also to be noted that the existing gas based power plants which have concluded PPAs with APDISCOMs with combined capacity of 2,500 MW were working below their threshold level PLF. If the same 1.46 MCMD gas was allocated to these plants additional power should have been available at Rs. 1.85 per unit as opposed to the open market price of about Rs. 5 per unit. Because of this diversion of gas to the Lanco's merchant plant consumers in the state had to bear additional burden of Rs. 3 per unit. When DISCOMs in the state and consequently consumers as well as the state government are under severe financial burden because of high cost power purchase it is unthinkable to allot gas to a merchant power plant. An in depth enquiry is needed in to this and additional burden that befell consumers and GoAP shall be recovered from Lanco.

3.5 ARR filings for the year 2012-13 shows that in NTPC Simhadri – II units 1000 MW capacity AP's share is 38.71%. According to the new norms the state where a unit of CGS is located will get 50% of the capacity as its share. In a meeting held on 11 September 2011 the Union Cabinet Minister for Power Sri Sushil Kumar Shinde announced that AP will get 50% of the share in the new unit. Based on this available capacity from Simhadri – II shall be reckoned as 500 MW but not 387.31 MW.

3.6 Out of the proposed annual revenue requirement (ARR) of Rs. 35,509.16 crore Rs. 29,051.22 crore accounting for 82% of the ARR goes towards power purchase costs. Other costs are already decided as a part of multiyear tariff (MYT). The need for revision of tariffs by more than 20% arises out of the increased power purchase costs. Increase in both fixed costs as well as variable costs contributed to the high power purchases. These are examined in the following paragraphs.

FIXED COSTS

Table:4 Capital Costs of GENCO New Plants (Rs/U)

Station	Capacity MW	Fixed Cost	Variable Cost	Total Cost
VTPS – IV	500	1.50	2.65	4.18
RTPP – II	420	1.47	2.18	3.68
RTPP – III	210	2.23	2.18	4.44
KTPS – VI	500	1.63	1.76	3.43
Kakatiya – I	500	2.11	1.75	3.88
Simhadri – II	387	1.35	2.10	3.45
UMPP – Mundra	4000	0.98	1.28	2.26

3.7.1 Six new thermal power plants are in operation in the state. They are VTPS – IV, RTPP – II, RTPP – III, KTPS – VI, Kakatiya – I and Simhadri – II. Except the last one all other five plants are set up by APGENCO. Though they are already in operation PPAs with them are not cleared by the Commission. Even then the Commission is allowing the DISCOMs to procure power from these plants. According the norms/regulations in operation after the enactment of power sector reform Acts both at state and central level at the first stage PPA between the generating company and distribution licensee shall be approved by the Commission followed by financial closure. After this erection of plant and machinery starts and COD needs to be declared before the distribution licensee starts receiving power from the generating station. All these steps are skipped in the case of the new GENCO plants. Though the draft PPAs are with the Commission for quite some time the Commission has chosen not to take it up. If we compare the fixed costs of the above plants with Ultra Mega Power Plant at Mundra in Gujarat set up by Tatas and which started generation recently high cost of these plants come out clearly. The fixed costs of these plants including NTPC's Simhadri – II are higher by 40% to 120%.

3.7.2 The Telugu Press often reported bungling in erecting and operating these GENCO plants. The Comptroller and Auditor General's Report for the year 2010 clearly brings out excess expenditure incurred in the plants it examined. In its Report for the year 2010 CAG examined RTPP – II, VTPS – IV and Kakatiya – I plants. According to this report excess spending in VTPS – IV was Rs. 350 crore, in RTPP – II it was Rs. 308 Crore (18.78%) and in the case of Kakatiya – I it was Rs. 555.48 Crore (26.74%). There was delay of 8 to 15 months in operationalising of these plants. But DISCOMs did not bother to recover liquidated damages from the contractor. According to the terms of the agreement benefits from tax concessions amounting to more than Rs. 2 crore were not returned to the Licensees. For all these plants BGR Energy Systems Ltd was the BOP contractor. Its execution of BOP works at all these plants was mired in controversy. Even CAG commented that undue favour was shown to BGR Company (Para 2.220.2). We request the Commission to see that this additional expenditure is not allowed and see that fixed cost burden is reduced.

Table:5 **Capital Costs of GENCO Hydel Plants**

Year	**Total Fixed Cost (Rs. Cr)**	**Unit Cost (Rs)**
2008-09	220	0.24
2009-10	908	1.01
2010-11	967	1.31
2011-12	1008	1.22
2012-13	1172	1.89

3.7.3 Fixed costs allowed for GENCO's hydel units also have become a source of concern. Earlier it was the cheapest source of power available for the state. Now the same cannot be claimed. Since the initiation of reform process in the year 2000 and until 2008-09 unit cost of power from these hydel stations was below 25 paise, and the total fixed costs paid for these units was about Rs. 200 crore. But suddenly in the year 2009-10 total fixed cost payment for these plants was hiked by four times to Rs. 908 crore and unit cost also increased by four times to Rs. 1.01. In fact for the year 2009-10 DISCOMs claimed only Rs. 201.25 crore for its hydel units. But the Commission allowed Rs. 907.65 crore. In the Tariff Order the Commission stated, "Pending determination of generation tariff for APGENCO's power stations for FY 2009-10, the fixed cost is determined based on information provided by APGENCO in its application" (Para 301). The above information was not made public and it is another instance of non-transparent process that is continuing in the case of fixation of power purchase tariff from APGENCO units. The sooner the PPAs with APGENCO are finalized through transparent process leading to economical and efficient procurement of power the better for the health of power sector in the state. For the year 2012-13 fixed costs of APGENCO hydel units is placed at Rs.1172 crore.

VARIABLE COSTS

Table:6 **Variable Costs (Rs/U)**

Station	**2008-09**	**2012-13**
GENCO	1.44	1.90
CGS	1.15	2.06
Simhadri	1.11	2.10
IPPs	1.10	1.85

3.8.1 Increase in coal prices has become important source of increased power purchase cost burden. To this one need to add gas price increase. According to DISCOMs filings, “Due to increase in coal price and use of imported coal average power purchase cost increased by 61 paise/kWh over the Tariff Order (2011-12) approved value of Rs. 2.45.kWh”. Fuel cost burden on APGENCO plants increased by more than 30%, while for CGS units including Simhadri units it increased by 80 to 90%. Gas based units experienced a hike in fuel prices to the extent of nearly 70%. It has to be categorically stated that this hike in fuel prices is not warranted at all. By bringing down these fuel prices burden on consumers in the state as well as the state government could be reduced.

Coal Prices:

3.8.2.1 Units supplying power to the state receive coal from Mahanadi Coal Fields, Coal India Limited and Singareni Collieries. Recently Mahanadi Coal Fields and Coal India Limited increased prices for coal supplied by them. It ranged from 20% to 54%. Even before this price hike Mahanadi Coal Fields net profit was Rs. 2,600 crore in 2010-11. In the case of Coal India Limited profits increased by 64% during first quarter of 2011-12 and net profits increased to Rs. 4,143.92 crore. Singareni Collieries is also earning profits every year in the range of Rs. 150 crore to Rs. 300 crore. In the year 2009-10 Singareni Collieries paid Rs. 17.71 crore as dividend to GoAP for its 51% share in the company. Similarly in the year 2010-11 it paid Rs. 44.28 crore as dividend to GoAP. When coal mining companies are reaping such huge profits there is no reason to increase coal prices. DISCOMs and GOAP shall try to see that these coal prices are brought down.

3.8.2.2 Not satisfied with the already high coal prices the coal mining companies propose to shift to new pricing mechanism based on Gross Calorific Value (GCV) in the place of useful heat rate. This change will result in increase in cost of coal based thermal power by 60 paise per unit. While Coal India Limited indicated that it will postpone the implementation of the new pricing Singareni Collieries already notified that new prices will come in to effect from 8 January, 2012. As the GoAP has majority stake in this company it shall see to it that the new pricing mechanism will not result in additional burden. DISCOMs shall also see that no additional power purchase cost will entail from the new pricing mechanism, as finally it will dent its financial health.

3.8.2.3 The CAG Report dealing with Andhra Pradesh for the year 2010 brings out inefficiency in the transport and use of coal. According to Para **2.2.26 “**There was a difference in quantity between the quantity indicated in invoices and the actual quantity received at the unloading points of respective thermal stations treating the difference as transit losses. As the Company was responsible for such short receipt of coal, the Company incurred Rs. 140.37 crore towards the cost of coal lost in transit during the four years period ended 2009-10. In addition, the Company had lost coal worth Rs. 37.35 crore on account of windage, compression of coal etc., during the same period.

… A review of coal records of Dr. NTTPP (Selected unit) revealed that the Company suffered transit loss ranged between 2.05 *per cent* and 3.13 *per cent* against the norm of 0.8 *per cent* fixed by CERC during the period under review. The plant during the review period, had transit loss of 7.65 lakh MTs valuing Rs. 108.48 crore contributing 77 *per cent* of total transit loss suffered by the Company during the same period." According to Para 2.2.25 of this audit Report "Due to use of coal having less gross calorific value (GCV) and consumption of excess heat than the designed heat rate due to leakages of steam in the aging units of power plants on account of delay in taking up of the life extension programmes, there was excess consumption of coal to the tune of 323.77 lakh MTs (4,845.29 crore) on account of use of low GCV coal and 74.41 lakh MTs (` 1,099.53 crore) on account of high heat rate". We request the Commission to see that the financial burden arising out of these inefficiencies are not transferred on to the consumers.

Table: 7 **GENCO Variable Cost**

GENCO Units	Variable Cost (Rs/U)
KTPS A – C	1.35
KTPS D	1.49
KTPS VI	1.76
VTPS (I, II, III)	1.94
VTPS – IV	2.65

3.8.2.4 ARR filings also shows that GENCO's thermal plants located at the same place are going to pay different coal prices. While KTPS's A, B, and C units' variable cost stands at Rs. 1.35 per unit it is going to be Rs. 1.76 in the case of VIth unit. Similarly, in the case of VTPS while first three units' variable cost stands at Rs. 1.94 per unit that of fourth unit's variable cost is going to be Rs. 2.65 per unit. Attempts shall be made to bring down variable cost of new units.

Gas Price:

3.8.3.1 Increase in gas price has adversely impacted the consumers. The price of gas from KG basin fields of RIL was increased from $ 2.52 to $ 4.2 per MBTU in a questionable manner. The new price is said to have been arrived at through so-called price discovery mechanism. This mechanism was carried out by RIL but not by the Government of India. The Prime Minister's Economic Advisory Council also found fault with the mechanism adopted in this price discovery. But still the GoI went ahead and gave clearance to this hike. The price differential will entail additional burden of more than Rs. 15,000 crore on the consumers in the state in the coming years.

3.8.3.2 RIL sought gas price hike in the name of increased capital cost. It increased capital expenditure from $2.5 billion to $8.8 billion. CAG which audited these expenditures questioned the reasonableness of these expenditures. It found that ten contracts were awarded in questionable manner and wanted an in depth review of these contracts. Eight contracts were awarded to Aker Group on a single bid basis, without any competition. A contact of $1.1 billion was given to Aker Group against estimated original cost of $ 300 million. Following these findings CBI launched an inquiry in to Mr. V.K. Sibal who was the Director General of Hydrocarbons (DGH) when these expenditures were approved. The new DGH also found that while 22 wells need to be drilled by March 2011 to be able to produce 61.8 MCMD of gas only 18 wells were drilled. The GoI also came to a conclusion that $1.85 billion out of $5.694 billion already claimed to have been invested should be disallowed. As gas price was hiked in the name of increased capital cost and as it was found that the claimed capital expenditure by RIL was not real but inflated gas prices shall be brought down. DISCOMs as well as GoAP shall see to it that old gas prices prevail.

3.8.3.3 Even more astonishingly the government of India increased the price of gas from ONGC from $ 1.79 to $ 4.2 per MBTU. This hike was effected in the name of minimizing the losses of public sector gas companies. Irony is that these companies are some of the highly profit making companies in the country even before this hike. One could only imagine the windfall profits these companies are going to make. But electricity consumers have to bear this burden. Instead of facilitating availability of cheap and affordable electricity to the consumers these steps of the government are making electricity very costly. Price of gas from ONGC fields was increased to be commensurate with the gas price form RIL fields. As it was found that price hike of gas from RIL fields was based on inflated capital costs price of gas from ONGC fields shall also be brought down.

CID enquiry in to PPAs

3.9 In the past the Government of Andhra Pradesh had instituted a CID enquiry in to PPAs entered in to with IPPs. We would like to know the action taken subsequent to the submission of the enquiry report by the CID of police.

IMPROVING PERFORMANCE

Reducing T&D Losses

Table:8 **T&D Losses**

DISCOM	T&D Losses in 2010-11 (%)
CPDCL	15.67
EPDCL	6.96
NPDCL	14.21
SPDCL	12.21

4.1 During the year 2010-11 in EPDCL area T&D losses stood at 6.96% of the power supplied. If other three DISCOMs also reach that T&D losses rate more than 5,000 MUs of power could be saved. This will result in savings of Rs. 1,500 crore to Rs. 2,400 crore. Burden on consumers will come down to that extent. When EPDCL could bring T&D losses below 7% why cannot other DISCOMs achieve the same?

4.2 EPDCL has to be commended for its achievement in bringing the T&D losses below 7% mark. For the year 2011-12 T&D losses are shown to have increased to 8.48% and according to ARR proposals for the year 2012-13 these losses are expected to be 12.73%. While this increased in T&D losses requires an explanation both the EODCL and APERC need to see that these losses are in the range of 7%.

Energy Efficiency:

4.3 There is also huge potential to bring down electricity consumption trough energy efficiency measures by all the consumer categories. Though the Commission is issuing Directives as a part of Tariff Order to promote energy efficiency and conservation responses from the DISCOMs are not inspiring. There appears to be no coordination between DISCOMs and NREDCAP, the nodal agency under Energy Conservation Act in promoting energy efficiency. The Commission may come out with specific targets to be achieved on energy efficiency front.

4.4 As a part of free power to agriculture DSM measures were made mandatory. But there is no sign of this mandate being taken seriously. The DISCOMs claim that capacitors were installed on more than 80% of the pump-sets. In reality not even 10% of the pump-sets have capacitors. We request the Commission to direct the Licensees to provide us circle wise breakup of pump-sets with capacitors. Proper installation of capacitors alone will bring down T&D losses by nearly 20%. The less said the better about implementation of other prescribed DSM measures.

Deaths due to Electric Shocks:

Table:9 **Deaths due to Electric Shocks**

DISCOM	**2010-11**		**2011-12**	
	DISCOM No.	Veekshanam*	DISCOM No.	Veekshanam*
CPDCL	58	266	9	280
EPDCL	81	70	54	33
NPDCL	213	287	65	176
SPDCL	76	201	50	62
Total	428	824	178	551

*Source: Various issues of Veekshanam Telugu Monthly Magazine

5.1 Performance Reports submitted as a part of the ARR filings provide a very rosy picture. But reality at the ground level is different. As an example here we would like to highlight the issue of deaths due to shocks. In the above table a comparative picture on these deaths due to electric shocks is provided. While DISCOMs's figures are taken from ARR filings alternative figures are borrowed from Veekshanam Telugu Monthly Magazine which every month publishes number of people who met unnatural deaths. In this deaths due to electric shocks are also included. Here it is also to be noted that Veekshanam figures are not complete as for some months information was not available for some of the districts in the state. This particularly the case with EPDCL as is evident from the above table. In other words deaths due to electric shocks are even higher than even the alternate figures. (Figures for the year 2011-12 are only up to September 2011)

5.2 Most of these deaths have taken place in rural areas and in this farmers outnumber others. Bad shape of the rural electrical network and lack of technical support to address problems of the network at the ground level are the important causes for these tragic deaths. In the absence of line men in the villages farmers themselves are trying to rectify faults in the network including transformers and in the process becoming victims. According to the Chairman and Managing Director of APTRANSCO 8,000 line men posts are vacant. There were also reports that the Chief Minister has approved filling of these vacancies. But there is no further movement on this front. We request the Commission to direct the DISCOMs to fill all the vacancies immediately.

5.3 Not even one-fourth of the victims' families have received any financial support in the form of compensation from the DISCOMs. According to the present filings EPDCL took responsibility for 19 deaths during 2010-11 and compensation was paid to 12 families. During the year 2011-12 it took responsibility for 17 deaths and compensation was paid to 12 families. NPDCL paid compensation to 24 families during 2010-11 and 2 families during 2011-12. There is no information from other two DISCOMs on compensation paid. The process of fixing the responsibility for deaths due to shocks is being done in a non-transparent manner. In this case culprit and judge are the same. An independent body like Ombudsman shall be entrusted with the responsibility of enquiring in to these deaths and fixing responsibility.

5.4 Besides these, the process of paying compensation is not at all clear to the public. Process of paying compensation to the victims shall be made simple and transparent.

TARIFF PROPOSALS

6.1 DISCOMs propose to mop up Rs. 4,950 crore additionally through hike in tariffs. This implies 21% hike over the current tariffs. New tariff proposals included creation of BPL category for those whose annual consumption is not more than 360 units. For them there is no change in the existing tariff, Rs. 1.45 per unit. In other states like Maharashtra and Tamil Nadu when BPL category was introduced tariff was brought down to 40 – 70 paise per unit to see that more poor families access electricity. In AP this category is being used to hike tariffs. For the families in the 0-50 units' slab who do not fall in the BPL category hike will be nearly 80%. A household that consumes 100 units a month has to pay 22% more. Similarly, petty traders in the slab of 0-100 units have to pay 20% more. When tariff is restructured it should increase access but the present tariff proposals will take some of the poor households away from electricity. We request the Commission to see that poor households are not burdened with higher tariffs. We request the Commission not to hike tariff for domestic consumers in 0-50 and 51-100 units slabs.

Outstanding Deficit:

Table: **10 Outstanding Deficit**

Year	CPDCL	EPDCL	NPDCL	SPDCL	Total
2008-09	3,151.69	1,056.65	2,296.28	2,153.03	8,657.65
2009-10	1,885.63	957.16	2,125.75	2,045.41	7,013.95
2010-11	2,065.67	775.22	2,236.05	1,813.43	6,890.37
2011-12	2,594.78	940.65	2,590.50	2,012.08	8,138.01
Total	9,697.77	3,729.68	9,248.58	8,023.95	30,699.98

7.1 DISCOMs' filings show that by the end of 2011-12 outstanding deficit of all the four DISCOMs in the state will be Rs. 30,700 crore (This figure does not include deficit for the years preceding 2008-09). There is no explanation how the DISCOMs are going to handle this deficit. This particularly gathers significance in the background of High Court bench's judgment disallowing FSA for the previous years. This deficit is as high as revenue requirement of a single year. According to the multi year tariff (MYT) regulations a decision on deficit during the first control period 2006-09 should have been taken by the Commission by the year 2008-09. But no such decision was taken. Now the time has come for the Commission to deal with the second control period. DISCOMs should clearly spell out how they are going to deal with this deficit. And the Commission should not push everything under the carpet. They cannot be postponed for ever and they will surely come back to haunt. It is better to be prepared.

7.2 Particularly the amounts related to the years 2008-09 and 2009-10 running to more than Rs. 15,000 crore poses immediate challenge. This additional expenditure was towards purchasing high cost power from the open market at the behest of the state government. This is as much evident from the DISCOMs filings related to FSA for the above period. For example, according to CPDCL's filing "there were specific directions from GoAP to procure power from different sources, to meet the demand gap, with an assurance that the related cost will be met by the CPDCL by procuring Short Term Loans which will be discharged by GoAP in the subsequent years". From this it is clear that GOAP has the responsibility to clear this deficit. We request the Commission to advise the GOAP to make necessary payment to reduce burden on the DISCOMs. Under Section 86 (2) of the Electricity Act, 2003 the Commission has the powers to give such advise. The Commission also has powers under Section 65 of the Act to direct the GOAP to pay this amount.

e-seva Related Issues:

8.1 In its report for the year 2007 related to Andhra Pradesh CAG observed, " **Central Power Distribution Company of Andhra Pradesh Limited** provided rent free accommodation to nine urban e-seva centres free of cost, thus extending undue benefit and revenue loss of Rs.2.01 crore".**(Paragraph 3.15)** e-seva is charging highest service charges for bill collection from DISCOMs. It is surprising to learn that DISCOMs are providing rent free accommodation to the same service providers. We request the Commission to direct the DISCOMs to collect rent from the e-seva service providers wherever they were given accommodation by the DISCOMs in the state. They shall collect rent for the past years also. E-seva not only services DISCOMs but also many other utilities like telecom and also other government departments. There is no reason for DISCOMs to provide rent free accommodation to e-seva.

8.2 There are service providers who charge almost half of what e-seva is charging for bill collection. These service providers deliver service at the door step of the consumers. If e-seva does not offer service at the lower rate this may be transferred to others who are already offering at lower rate as mentioned above. And other service providers are not provided with rent free accommodation.

Who decides?

9.1 On 11th January 2012 the Commission held a public hearing on Regulation and Control restrictions to be imposed by the DISCOMs in the state on all HT consumers and LT industrial consumers. (The same proposals were also made part of ARR for FY 2013) More drastic restrictions were imposed on rural consumers. But there were no public hearing to hear their perceptions. According to CPDCL's ARR, "In case of other consumers, LT-Domestic, Commercial etc., load restrictions will be imposed directly disconnecting the supply at the substation level" (p.90). These restrictions are different for urban and rural areas. While consumers in Hyderabad will face only two hours power cut in the villages consumers will face more than 12 hours power cut. When all the consumers pay the same electricity tariff why discriminate them on the basis of where they live. Why treat rural people as second class citizens? This should be decided in a democratic, participatory and non-discriminatory manner. There should be detailed hearing on Load shedding plan, keeping in view shortages in coming summer.

9.2 These days most of the rural areas receive single phase power, particularly after introduction of HVDS transformers even for domestic services. In these villages consumers cannot avail three phase power. They cannot use any electrical appliances that require three phase power, for example, flour mills. The question that arises here is: who decided to have only single phase power supply in the rural areas? Whether that person/agency has the powers to take such a decision?

9.3 When HVDS transformers were introduced the DISCOMs were expected to draw a line from the DTRs to the substation. This was a part of DPR and funds were also allocated on the same basis. But at the implementation stage the separate line was dispensed with and earthing was done at the DTR. This has led to death of number of people. Now after a several reminders from the Commission some of the DISCOMs seem to be drawing a separate line. What happened to the funds allocated for drawing the separate line? Who will bear the additional expenditure on providing earthing at individual HVDS-DTRs as this was not part of the DPR?

Prayer before the Commission:

1. Not to allow tariff hike proposed for domestic consumers in 0-50 and 51-100 units slabs.
2. Not to allow high fixed costs of new GENCO plants.
3. Not to allow hiked variable costs.
4. To allow the objector to be heard in person before the Commission takes any decision on this application of the DISCOMs.

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