BEFORE THE ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

11-4-660, Singareni Bhavan, Lakdi ka pool, Red Hills, Hyderabad – 500 004

Submission made by M. Thimma Reddy on behalf of People's Monitoring Group on Electricity Regulation on 18-02-2012

SALES PROJECTION

1.1 In the case of LT Industrial category (LT III) the DISCOMs justified lower projection of consumption (-0.64 in the case of CPDCL) on the basis of availability of power and transmission corridor availability. This category consumes less than 4% of the power supplied in the state. This category pays one of the highest tariffs and also employs more persons compared to large scale industry and as such very important for livelihoods. They suffered a lot during the previous power holidays. When power availability and availability of transmission corridor did not come in the way of other consumer categories whose consumption is expected increase in double digits like domestic, commercial and HT industry why impose restrictions on LT industry?

1.2 According to SPDCL's submissions per HP consumption of electricity by agriculture pump-sets under HVDS supply is 13% of the consumption of similar pump-sets under usual low voltage system. If this is the fact electricity consumption in the state could be reduced to below 3,000 MU in a year compared to the present consumption of about 19,000 MU by converting all agriculture services in to HVDS. 16,000 MU with a value of about Rs. 6,400 crore could be saved. But an alternate analysis shows that the payback period for the HVDS scheme is a minimum of 33 years while minimum guaranteed life of a HVDS DTR is only three years. Financially speaking HVDS scheme does not make sense.

POWER PURCHASE COSTS

2.1 In the case of procuring power from expansion plants of IPPs DISCOMs noted that such National Tariff Policy provision applies for five years only and as the five year period lapsed it is no more applicable. But in the National Tariff Policy this 5 year provision was mentioned in the context of new plants of public sector firms but not in the context of expansion plants. Taking this in to account we request the Commission to direct the DISCOMs to claim the state's rightful share from these expansion plants.

2.2 DISCOMs in their replies stated that 4,000 MW Capacity (2,000 MW for 25 year duration and 2,000 MW for a period of four years from June 2012) is being procured through

Case 1 bidding. If BPL and Hinduja plants were in operation some of these capacity addition would not be needed.

2.3 During the public hearing on tariff proposals for the year 2011-12 we have drawn the attention of the Commission to Hinduja power plant near Visakhapatnam and suggested selection of new developers through open bidding as Hindujas failed to set up the plant even after one and half decades. To this DISCOMs responded that the state government had not yet taken a final decision on this plant. The Commission held that "The matter is not in the Commission's purview as on date." (Para149). But is should have been the primary concern of the Commission. The plant was supposed to in operation in 10th plan period. As it failed to materialize the Commission should have enquired with the DISCOMs on how they plan to fill the gap in power generation and the alternate plans to set up the plant under the existing Acts and Policies. Unfortunately the Commission it seems to have decided not to do anything, and washed off its hands saying it was not under its purview.

2.4 In the case of BPL plant at Ramagundam though the Commission had taken an action but it is in our understanding a wrong one. The Commission approved the revival of PPA against the statutory provisions. We have filed a review petition on 27 August, 2010. A hearing to decide the admissibility of this review petition was held more than one year later on 1st October, 2011. Until now the Commission has not taken a decision on this.

2.5 **Trading:** CPDCL proposes to sell 783.7 MU (Rs. 326.91 crore) out of the total power available to it. When the state is experiencing chronic power cuts we do not see any meaning in selling the power outside the state. We request the Commission not to allow power available to the state to be sold outside the state.

2.6 NPDCL in its replies stated that power from Lanco II (merchant plant) is being purchased. But it did not mention the quantum of power purchased from this unit and the price.

2.7 Under the new policy of allocating power from newly established CGS the state where the plant is located will get 50% of the plant capacity in the place of 35% which was being followed until now. It is in the background of this changed policy that the Union Cabinet Minister for Power declared that AP would get 50% capacity of the new plant when he declared full load commercial operation of unit -3 of Simhadri Stage – II on 11 September, 2011 in the presence of Shri. P. Balaraju, member of AP Cabinet and Shri. T. Subbarami Reddy Member of Parliament who chairs Parliamentary Committee on power.

FIXED COSTS

3.1 According to CAG Report Rs. 1,213.48 crore were spent in the three power plants examined by it additionally over and above the project estimate. This implies an average additional cost of Rs. 0.86 crore per MW. This has led to inflating the capital cost of these projects by nearly 25%. This shall not be allowed.

3.2 The following table shows the fixed costs going to be paid to different GENCO units during 2012-13.

Plant	Capacity (MW)	Total Fixed Cost (Rs. in Cr)	Per MW Fixed Cost (Rs. in Cr)
VTPS – IV	500	523.54	1.05
KTPS – VI	500	593.98	1.19
Kakatiya –I	500	690.15	1.38
RTPP – III	210	321.71	1.53

3.3 From the above table it is clear that RTPP – III is going to be one of the highest amounts towards fixed costs. This should give an indication of how much fixed costs are inflated.

3.4 It is important to stream line short term power purchases. Because of improper short term power procurement debt and consequent interest burden is increasing which is highly avoidable. The following table shows the interest burden due to power purchase related to CPDCL.

Year	Interest Paid to Power Purchase Loans (Rs. In Cr)
2008-09	147.61
2009-10	296.88
2010-11	432.83

IMPROVING PERFORMANCE

4.1 CPDCL, NPDCL and SPDCL justified higher T&D losses on the basis of their higher LT load and higher agriculture sales compared to EPDCL. While this may explain the situation to some extent the inefficiencies in functioning of the DISCOMs need to be acknowledged and proper corrective steps need to be taken to improve the situation. While AT&C losses are 3.54% in Visakhapatnam circle, it is 49.86% in Hyderabad South circle, 32.93% in Nizamabad circle, 28.87% in Warangal circle and 27.08% in Nalgonda circle during first half of 2011-12. And these differences cannot be attributed to only higher LT loads.

4.2 Even while the DISCOM is running in deficit it is not collecting all the income due to it. Analysis of information on billing related to CPDCL for the month of December 2011 shows that more than 17% of the services were not billed. This implies that the Licensee did not put efforts to collect its revenue properly. The following table shows the status of billing in CPDCL for the month of December 2011

Particulars	**No. of services**
Total No. of services	80,49,267
No. of services billed	55,86,896
Services not billed	24,62,371
Agriculture services	10,56,534
Net not billed services	14,05,837 (17.47%)

Services not billed automatically means income foregone by the Licensee. Had these services were billed and bills were collected properly the deficit of the Licensee should have been reduced considerably.

4.3 There are considerable numbers of services under ‘Stop Bills’ category. This implies the services whose electricity services were disconnected. But most of these Stop Bills category consumers continue to draw electricity, without being billed and consequent income foregone. In other words it is a direct theft of electricity. No action is being taken to curb this menace. At a time when the Licensees were under huge deficit it is unthinkable to find that there were consumers enjoying electricity services without paying a single paise for it. We request the Commission to direct the Licensee to examine all such Stop Bill services and leakages in income to the Licensee is plugged at the earliest.

Arrears

4.4 In the past the Commission had directed the DISCOMs to place information related to arrears more than Rs. 50,000 on their websites. At present CPDCL and EPDCL are not placing this information on their respective websites.

Arrears of over Rs. 50,000 as on 30 September 2011:

DISCOM	Amount (Rs in Cr)
CPDCL	718.71
EPDCL	281.52
NPDCL	265.61
SPDCL	252.38
Total	1518.22

Out of these arrears Rs. 969.61 crore are due from the government bodies. Timely recovery of these dues would have reduced debt and interest burden on the DISCOMs in the state.

Bad debts

4.5 CPDCL has mentioned that Rs. 20.87 crore were written off as bad debts during 2010-11 (Format -15). We request the Commission not approve this writing off of bad debts and see that every effort is made to recover this money. Also direct the DISCOM to post all details of these bas debts on its website.

TARIFF PROPOSALS

5.1 DISCOMs proposed truing up of higher agriculture sales for the year 2010-11. There is no basis for this request. Already it was shown that the DISCOMs were showing inflated agriculture consumption figures. During the present filings DISCOMs also stated that because of frequent load shedding electricity could not be supplied for 7 hours as promised. That is the Licensees themselves have acknowledged that electricity was not supplied to agriculture according to the schedule agreed and that indeed they were supplied electricity for lesser duration. There was no possibility for higher agriculture sales in the background of supply of electricity for lesser duration because of shortage of power. Even though power was purchased in the open market at higher price in the name of supplying seven hours of electricity to agriculture in fact it was supplied to industrial consumers. More over as recent newspaper reports had shown power was supplied to the industrial consumers beyond the limits with collusion of the lower level staff. Data over the period also shows that while agriculture consumption increased by about 5% per annum overall consumption increased by about 10 percent. This also shows that the claim of DISCOMs about higher agriculture sales is not correct. Based on this we request the Commission not to give consent to true up the so-called higher agriculture sales.

5.2 True up for higher T&D losses for the year 2010-11: A comparison of T&D losses between EPDCL on one side and other three DISCOMs on the other side shows that there is vast scope to bring down T&D losses in the other three DISCOMs. Here it is also to be mentioned that over the period thousands of crores of rupees were spent on transmission and distribution network. These investments were also expected to bring down T&D losses considerably. The existing high T&D losses were because of inefficient operation of DISCOMs and these inefficiencies shall not be passed on to the consumers in any form.

Cross subsidy surcharge

6.1 The Tariff Proposals by CPDCL shows that after 2007-08 the Commission did not fix the cross subsidy surcharge for the open access consumers. If there were open access consumers during 2008-09 and 2011-12 and if cross subsidy surcharge was not fixed for them and hence the same was not collected from them the cross subsidy fixed for the year 2007-08 shall be adopted for the next period and the same shall be collected from the open access consumers.

6.2 CPDCL mentioned that there was increase in the number of open access transactions. But the Form-5C of the regulatory formats does not contain any information. Form-5b (consumers switching to competition) has some numbers and difficult to make out its meaning. We request the Commission to direct the Licensee to provide full information on open access consumers.

6.3 The Licensees also proposed to change the method of cross subsidy calculation. Licensees suggested a variation of the method (avoided cost methodology) mentioned in the National Tariff Policy which was also recommended by the Appellate Tribunal for Electricity. The National Tariff Policy described it as "The avoided cost is the difference between the following: (i) The tariff applicable to the relevant category of consumers and (ii) The cost of the distribution licensee to supply electricity to the consumers of the applicable class." In the past the APERC had correctly adopted embedded cost method to decide the 'cost of the distribution licensee to supply electricity to the consumers of the applicable class.' The national tariff policy suggested 'In case of consumer opting for open access, the distribution licensee could be in a position to discontinue purchase of power at the margin'. But, as the power is procured through long-term PPAs of 20 years it is not that easy to discontinue a particular percentage of power purchase. Even if procurement of power from a particular plant is discontinued the DISCOMs will be obliged to pay fixed costs (E.g., LVS mini power plant near Visakhapatnam). In such situation the cost that could be avoided is variable/fuel cost based on the merit list. Following this avoided cost shall mean fuel purchase cost that is avoided. Hence 'C' in the formula shall stand for the fuel purchase cost that is avoided.

6.4 There is no mention of income from wheeling charges. More than 70 cases related to wheeling are pending in the High Court since 2003. There appears to be deliberate attempt to prolong these cases. We request the Commission to direct the Licensees to steps to see that these issues are settled at the earliest.

OTHERS

Outstanding Deficit:

7.1 Form 9 of the respective DISCOM's ARR show the total outstanding deficit of the four DISCOMs by end of the year 2011-12 to be Rs. 30,699.98 crore. But NPDCL and SPDCL find these numbers erroneous and give another set of numbers. They mention that Rs. 17,172.27 crore need to be collected by all the DISCOMs either from the Government or from consumers through FSA. There is no explanation for the remaining Rs. 13,527.71 crore. Similarly, CPDCL explained that Rs. 3568 crore was due from GoAP and Rs. 3488 crore need to be collected by way of FSA. But there was no explanation about the remaining Rs. 2,641.77 crore. Form 9 of CPDCL's ARR shows total deficit to be Rs. 9,697.77 crore.

7.2 CPDCL in its reply mentioned that the GoAP directed it to procure power from external sources and that Rs. 3,568 crore was due from the GoAP. Similar is the case with other DISCOMs. We request the Commission to advise the GoAP to pay these sums immediately under Section 65 of the Electricity Act, 2003.

Standards of Performance (SoP)

8.1 In the Directives the Commission has directed the DISCOMs to file an approach paper on SOP (Para 158 (e), p.118). CPDCL submitted that it had constituted a Committee for this purpose it is yet to finalise its recommendations. In this context we would like to place some suggestions for your consideration.

1) Though consumers in the rural and urban areas pay the same tariff the SOPs norms for rural consumers is always below that of the urban consumers. So these norms need to be revised to place the rural consumers on equal footing with urban consumers.

2) In some cases whatever the period of delay same fine was imposed on the DISCOM. Fine has to increase with the period of delay in rendering the service.

3) SoP shall also include low lying conductors, leaning/rusted poles, DTRs at a proper height, AB switches, restoration of damaged lines/poles,

8.2 Moreover when consumers file a complaint they were not given acknowledgement. Sometimes even when acknowledgement was given date is not being mentioned. It should be made mandatory that consumers get proper acknowledgement

Deaths due to shocks:

9.1 In order to address safety issues the Commission is allowing Rs. 5 crore every year for each DISCOM. Even after this there was not much improvement on safety front as the deaths due to electrical accidents are on the rise. The filing of CPDCL (p.39) shows that during 2010-11 the amount was not spent. During the year 2011-12 the whole amount was shown as spent. But the details of this expenditure were not made available in the filing. At least part of this amount could be used to pay compensation to the victims' families.

e-seva:

10.1 CPDCL did not contradict the CAG finding that rent is due from e-seva. According to its reply 9 e-seva centers are located in the CPDCL premises, and electricity bills account for 70% of the transactions of e-seva. As pointed out in our earlier submission e-seva charges higher payment towards bill collection compared to other such service providers. As it gets bulk of its business from electricity utilities it should have provided services at lower charges. But the fact is that not only it is charging higher payment but also it is not paying rent towards the premises provided to it. We request the Commission to direct CPDCL to recover the rent amounts due from e-seva and also look for alternative agencies which provide the same services at lower charges.

WHO DECIDES?

11.1 SPDCL justified discrimination against rural areas in electricity supply saying, "Considering the density and volume of the population in urban areas and the aspect of functioning of hospitals, banks, commercial establishments and offices etc., some relaxation usually be given to urban areas in the interest of consumers." Contrary to this greater volume of population lives in rural areas, and there are as many hospitals, banks, and commercial establishments in rural areas. This shows that the R&C measures suggested by the DISOMs are discriminatory and this needs to be corrected at the earliest.

11.2 In the case of single phase supply to rural households SPDCL mentioned that this was the only way left to implement the GoAP's policy of supplying 7 hours three phase supply to agriculture services. Many years back DISCOMs claimed that more than 65 percent of the agriculture feeders were separated and they are on the way of completing this separation. If this claim is true at least 65% of the villages should gat three phase supply.

Prayer before the Commission:

1. Not to approve truing up of higher agricultural consumption and T&D losses.
2. Verify the claims of DISCOMs related to the efficacy of HVDS scheme.
3. Implement non-discriminatory Restriction & Control measures.
4. Direct the DISCOMs to come out with a white paper on their financial health and list ways and means to improve their financial health.

M. Thimma Reddy,
Convenor,
People's Monitoring Group on Electricity Regulation,
1-9-291/6/1, First Floor, Vidyanagar, Hyderabad – 500 044