

# **PEOPLE'S MONITORING GROUP ON ELECTRICITY REGULATION**

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## **PRESS NOTE**

### **BRING TARIFF ISSUES CLOSURE TO THE PEOPLE**

The tariff proposals placed before the APERC by the APTRANSCO and the four DISCOMs raise many issues. Given the complex nature of these filings public was deterred to make any attempts to grapple with it. People's Monitoring Group on Electricity Regulation (PMGER) attempted to raise issues on behalf of the general public. But the important issue is that the public who ultimately bear the tariff are nowhere in the picture. We hope that the present press will help to bridge the gap. The issues raised range from power purchase issues to realization of arrears. The following are the issues in brief.

#### **APGENCO**

APGENCO is being discriminated in the matter of power purchases. Total power available from it is not being purchased. The purchase of thermal power declined from 20,752 MU in 2002-03 to 17,066 MU in the ensuing year i.e., 2004-05. The victims of this discrimination are the RTPP and NTS. Though a few million units ( 8 MU) are planned to be procured from NTS not even a single unit will be procured from RTPP for the ensuing year according to the ARR. But RTPP received many awards in recognition of its efficient functioning. Also it served the backward Rayalaseema region which was facing severe power supply problems, particularly voltage fluctuations and breakdowns.

Further while fixed cost payments to the extent of Rs. 420 crore per year was stopped to APGENCO no relief was provided to compensate this and neither any way was shown how to recover this. This is a sure prescription for the downfall of APGENCO, and as a result of it the people of the state will be exposed to tariff shocks. The only solution is for the state government to take over the debt burden of APGENCO.

Also, the LC and escrow facility provided to IPPs is denied to APGENCO.

#### **IPP**

The preferential treatment given to the private power producers (IPPs) has become unbearable burden on APTRANSCO and as a consequence on the consumers in the state. In the name of guarantees exorbitant amounts are being paid to the IPPs. A comparison with the NTPC's Simhadri, the latest of all the plants in the state explains this. While IPPs supply less power (6149 MU) compared to NTPC Simhadri plant (6170 MU) the

former is paid Rs. 400 crore more than the latter. The APERC also directed the APTRANSCO to renegotiate the PPAs with IPPs. But it did nothing beyond writing a letter to them. The GoAP should learn from the Gujarat government, which forced the IPPs in that state to reduce the fixed costs by Rs. 495 crore. The APTRANSCO also has to collect liquidated damages from some of the IPPs, but it is not showing any interest in collecting the amount due to it.

### **Non-Conventional Energy:**

Total quantity of power purchased from non-conventional sources has increased by 6 times between 2002 and 2005. But the price paid for this power is quite high – Rs.3.47 per unit. There is need to bring down this rate. Also, it is doubtful as to what extent these units depend on non-conventional fuels. There are complaints that many of the biomass units are felling trees in the forests to feed their plants. That is instead of being environment friendly they have turned out to be very harmful to environment.

### **Mini Power Plants:**

The Mini Power Plants (MPPs) have become a big drain on the resources of APGENCO. The fixed costs paid to them are more than what are being paid to IPPs. Added to this almost no power is being procured from them even after paying them crores of rupees. LVS is paid Rs. 37 crores though not a single unit is purchased from this plant. This may encourage other MPPs which have not started operation may want to join the grid. The APERC should cancel the licenses.

### **MERIT ORDER DISPATCH**

The merit order dispatch has become the main deciding factor in drawing power from the generating stations. It is the culprit in leading to the backing down of RTPP. The present merit order dispatch is based on the single criteria of variable cost. Besides this other criteria like technical and economic issues should be taken into account to decide the merit order dispatch.

### **ARREARS:**

Every year arrears to be received by the DISCOMs is increasing. They increased from Rs. 1364 crores in 2003 to Rs. 2508 crores in 2005. No effort is being made to collect these. Hundreds of crores of rupees (CPDCL Rs. 296 crore, NPDCL Rs. 109 crore, EPDCL Rs. 20 crore). is being written off as doubtful debts with out following any procedures. The details of the consumers whose arrears are more than Rs.10,000 should be made public.

## **MANPOWER ISSUES**

In the case of APTRANSCO the expenditure on employees is projected to jump by Rs. 40 crores or more than 50% during the ensuing year, from Rs. 71 crores in 2003-04 to Rs. 111 crores in 2004-05. This in the background of declining number of employees and also a section of workers not receiving even minimum wages. Number of employees working with it will come down from 4,723 in 2003 to 4,058 five years later. This implies that while a section of employees (to be specific highly placed executives) will receive hefty hikes others will not get even minimum wages. The other beneficiaries of this will be consultants.

## **T&D LOSSES AND INVESTMENTS ON TRANSMISSION NETWORK**

Every year thousands of crores of rupees are being spent on transmission and distribution system in the name of reducing the T&D losses. But the promised results are no where to be seen. According to the estimates of APTRANSCO Rs. 800 crores are to be spent to bring down losses by One percent. In the case of APTRANSCO During 2001-02 Rs. 518.90 crores were spent leading to reduction in transmission losses by mere 0.5%. In 2002-03 Rs. 428.7 crores expenditures helped to reduce these losses by 0.25% and in 2003-04 Rs. 311 crores are spent and the APTRANSCO claimed to bring down transmission losses by 1%. During 2004-05 Rs. 564 crores are going to be spent to bring down losses by 0.25%. Similar is the case with the DISCOMs. There is need to reexamine the investments in to T&D systems. All the four DISCOMs together spent more than Rs, 2600 crores on improving T&D system, but the T&D losses including commercial losses did not decline by 3 percent.

## **INTEREST PAYMENTS**

Though the experience in all segments of the economy shows the declining interest burden because of falling interest rates in the case of APTRANSCO and DISCOMs it is increasing. There appears to be no impact despite the Commission's suggestion to explore low interest loans. In the case of APTRANSCO the interest payments during the year 2003-04 overshot the amount approved by the Commission by Rs, 8 crore (From Rs. 359 crores to Rs. 367 crores). During the ensuing year (2004-05) the interest burden is proposed to increase further by Rs. 25 crores to Rs. 392 crores. In the case of DISCOMs even there is no talk of bringing down interest burden.

## **COURT CASES**

APTRANSCO and DISCOMs continue to lose all the important legal cases these include cases related to LVS mini power plant, wheeling charges, PPAs. These have serious implications on the finances of the Licensees. There appears to be no will and interest on

the part of them to come out winning. This is even more significant in the background of UTI and LIC coming out victorious in their cases related to foreclosing the assured income schemes, but APTRANSCO is not able even to reopen the cases related to PPAs. This is exemplified in the case related to the gas cases filed by PMG in the High Court. The APTRANSCO did not even bother to file a counter.

## **AGRICULTURE:**

The DISCOMs continue to show inflated figures regarding agriculture consumption. Even after reducing the hours of supply to 7 hours from 9 hours they show that consumption increased. While APERC allowed for 11350 MU, DISCOMs claim to have supplied 11703 MU to agriculture. This only shows that T&D losses continue to be shown as agriculture consumption.

## **HVDS, SINGLE PHASE METERING, MICRO CONTROLLERS**

In the name of controlling power consumption in the agriculture sector hundreds of crores of rupees are being spent. These include HVDS, single phasing and micro controllers. It is doubtful whether any of these will yield any results.

## **e-seva INITIATIVES**

The Licensees are declaring the operation of e-seva with much fanfare. Under the existing system the collection agents are being paid 60 to 100 paise per one bill collection. But under the e-seva system Rs. 5 are paid for collection. Besides this the bi-monthly billing is converted to monthly billing. Because of this instead of one rupee or even less the Licensees are paying 10 rupees. In other words, hitec instead of bringing down the costs increasing the costs by more than 10 times.

## **CONSULTANTS**

If there is any group of people who benefited without any doubt, it is the Consultants. By the time reforms are started to be implemented Rs. 132 crores were spent on the consultants. Since then the expenditure on the consultants increased, without any benefit to the Licensees. But the details of expenditures remain to be closely guarded secret.

## **ELECTRICITY ACT 2003**

The new central Electricity Act 2003 is going to bring in a lot of confusion. Along with confusion it also will bring in additional expenditure. One of the indications is the setting up of TradeCo with additional expenditure of Rs. 10 crore.

## **Central Generation Stations:**

In the case of Central Generating Stations like Talcher Stage fixed costs being paid increased by four times from Rs. 44 crores to Rs. 168.7 crores while power purchases only doubled.

## **RC PERFORMANCE**

Even after four years of regulatory interventions in the state public participation in the proceedings of the Commission is limited. The number of submissions is declining. It is high time the Commission takes some proactive steps for increasing public participation. This could include holding the hearings in different parts of the state, conducting workshops to educate the consumers. Until now public hearings were conducted at Warangal though it is the headquarters of one of the distribution companies namely NPDCL. No public hearings on APGENCO PPA, NCE, etc.

The complex procedures and filings are putting away the prospective participants.

According to the AP Electricity Reforms Act 1998 the Commission Advisory Committee exists to advise the Commission on various issues. It has to meet once in three months and the decisions are to be taken on majority basis. But for the last one year no meeting of the CAC is held. In other words it is almost non-existent for all practical purposes. Will any purpose will be served by being a member of a non-functioning body? M. Thimma Reddy convenor, PMGER was appointed as one of the members of the CAC in March 2003. But since then not a single meeting of the CAC was held. In this background the PMGER is reconsidering on the continuation of Thimma Reddy as a member of this Committee.

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