

Date: 28 – 03 - 2002

PRESS NOTE

The People's Monitoring Group on Electricity Regulation came into being as a response to the ongoing power sector reforms in the state. This consists of experts in power sector and concerned persons from different fields. For the last three years the Group is striving to bring to the fore the concerns of the common people. The following is our response to the electricity Tariff Order for the year 2002-03.

GOVERNMENT AND APTRANSCO MISLEADING THE PEOPLE

The electricity tariff order issued by the APERC for the year 2002-03 and its defence put forward by the state government is misleading the people. According to them the tariff hike is only 0.71 percentage. But if we calculate the actual burden to be borne by different sections of the it becomes clear that the state government is in fact following the conditionalities of the World Bank by increasing the tariff by nearly 15 percent on domestic and agriculture sectors. It is the agriculture sector which is going to bear the brunt of the hike.

Actual Tariff Hike for Domestic and Agriculture Sectors:

The tariff hike announced by the Commission consists of two parts: (1).customer charges and (2). Per unit tariff.

Burden on Domestic Sector:

For the domestic consumers the customer charge is to be hiked by Rs.10 per month (Rs.120 per year) except for the consumers of 0-50 slab for whom hike is Rs.5 (Rs.60 per year), and tariff per unit is hiked by 10 paise for 0-50 slab and 20 paise for slabs between 50-300 and 50 paise for 300-400. The additional burden because of this hike is as follows:

Burden due to Customer Charges:

For calculation of customer charges we used the APTRANSCO's reports made available in 2000-01 on percentage of consumers in each slab.

| Slab | % of Domestic Consumers | Number of Domestic Consumers (in Lakhs) | Additional burden because of Customer Charges (Rs in Crores) $4 = 3 \times \text{Customer Charge Increase}$ |
|-----------|-------------------------|---|--|
| 1 | 2 | 3 | |
| 0-50 | 62 | 74.40 | 44.04 |
| 51-100 | 22 | 26.40 | 31.68 |
| 101-200 | 11 | 13.20 | 15.84 |
| 201-300 | 03 | 3.60 | 4.32 |
| Above 300 | 02 | 2.40 | 2.80 |
| Total | | 120.00 | 98.76 |

From the above table it is clear that the burden on domestic consumers because of hike in consumer charges is Rs.98.76 crore.

Burden due to tariff hike:

The information on the consumption of power in different slabs is also taken from the APTRANSCO's records of the year 2000-01 as similar information for other years is not available.

| Slabs | Consumption % | Units Consumed (Crore) | Burden because of Tariff hike (Rs in Crores) |
|-----------|---------------|------------------------|--|
| 0-50 | 57 | 427.2 | 42.72 |
| 51-100 | 19 | 142.4 | 28.48 |
| 101-200 | 13 | 97.4 | 19.48 |
| 201-300 | 06 | 45.0 | 9.00 |
| Above 300 | 02 | 15.0 | .50 |
| Total | | 749.60 | 107.18 |

From the above table it is clear that the burden on consumers because of tariff hike is Rs. 107.18 crore. If we add hike on customer charges and tariff hike the total burden on the domestic consumers is $98.76+107.18 = \text{Rs. } 205.94$ crore. From these calculations it is clear that the state government and APTRANSCO are misleading the people by saying that hike is only 0.71 percentage only. APTRANSCO has come out with an advertisement that the hike is only 3.6%. In fact the hike is 13.34 percentage if we take the collections from the domestic sector as Rs.1543 crore and additional burden as Rs. 205.94 crore.

Burden on Agriculture Sector:

In the case of agriculture sector also customer charges are hiked by Rs.10 per month (Rs.120 per year) and tariff per HP of the pump set is hiked by Rs.25. The information regarding number of pumpsets, average HP and total HP is also taken from APTRANSCO's reports of 2000-01 as similar information is not available from other years records.

Burden because of Customer Charges:

There are said to 22 lakh pump sets in the state. On each pump set hike in customer charge is Rs.120 per year (Rs.10 x 12 months). As a result of the Commission's tariff order agriculture sector has to pay Rs. 26.40 crore (22 lakh pump sets x Rs.120).

Burden because of Tariff Hike:

| DISCOM | No. of Pumpsets in Lakhs in the year 2000 | Average HP | Total HP In lakhs |
|----------|---|------------|-------------------|
| Central | 7.63 | 5 | 38 |
| Eastern | 1.33 | 8 | 11 |
| Nothern | 6.22 | 5 | 31 |
| Southern | 4.67 | 5 | 23 |
| Total | 19.85 | | 103 |

In the year 2000 according to APTRANSCO figures there were 19.85 lakhs with total HP capacity of 103 lakh HP. At present there are said to be 22 lakh pump sets and using the information from the above table the total HP capacity will be 114.156 lakh HP ($22 \times 103/19.85$).

Per HP tariff hike is Rs.25. Given the total HP of 114.156 total burden on the agriculture sector because of tariff hike is Rs. 28.53 crore ($114.156 \text{ lakh HP} \times \text{Rs.}25$).

Total burden on the agriculture sector because of hike in both the customer charges and tariff is $26.40 + 28.53 = 54.93$ crore.

At present, before this tariff hike, Rs.302 crore is being collected from the agriculture sector. And the additional burden of Rs.54.93 crore represents 18.18 percent hike ($54.93/302 \times 100$)

Total additional burden on domestic and agriculture sectors is Rs.260.87 crores but not Rs.45 crore as propagated by the state government. And this amounts to an increase in tariff of 14.14 percentage, nearer to the conditionality laid down by the World Bank as a part of the AP Power Sector Reforms Project

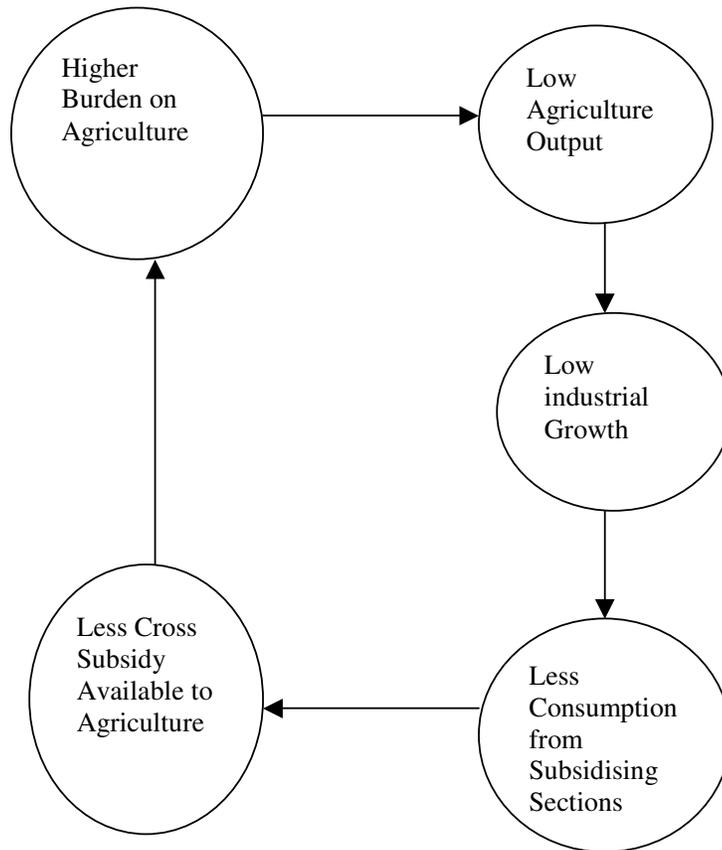
TARIFF HIKE IS IRRATIONAL AND NOT IN THE INTEREST OF THE POWER SECTOR - PENNY WISE-POUND FOOLISH !!!

CM announced that the tariff hike is inevitable in order to obtain loans from lending agencies. He said that the tariff hike of Rs. 45 crore could be rolled back by increasing the subsidy, but it will give wrong signals to the investors. This shows that the decision on tariff hike is not based on any rational analysis but because of pressures from the World bank and other lending agencies.

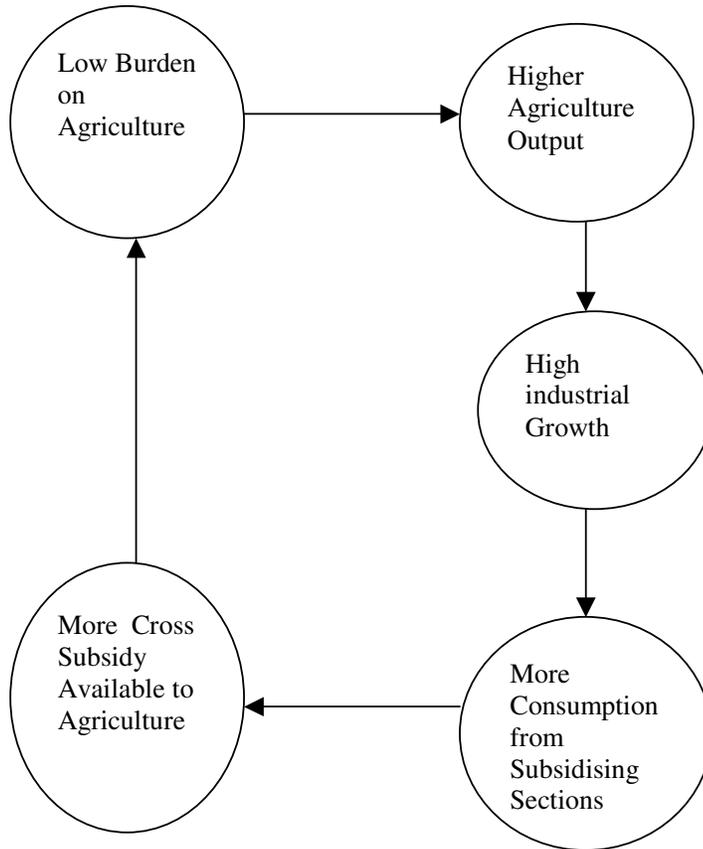
The higher tariff burden on ordinary consumers is a result of following the cost to serve norm which is highly irrational and based on wrong assumptions and not in conformity with social reality. Adherence to this cost to serve norm will lead to adverse socio-economic conditions and also collapse of the power sector.

The outcome of the presently followed World Bank (cost to serve) model and an alternative model are presented below:

WORLD BANK/COST TO SERVE MODEL



ALTERNATIVE MODEL



As the above figures explain adherence to the World Bank model, which is being followed by the APERC, by increasing the burden on the agriculture sector will lead to decline in industrial growth, resulting in adverse financial health of the power sector. It will also result in low paying capacity of all sections due to erosion of income. The alternative model of support to agriculture will lead to all round development. Hence subsidy to the agriculture sector should not be seen as a burden but as an impetus to over all development.

In the year 2000-01 the tariff was hiked by 15% but the total revenue collections fell short by Rs 650 crore. In the subsequent year when there is no tariff hike the revenues have exceeded the targeted figure by Rs. 350 crore. This shows that consumer cooperation is very vital for the health of the sector. This year the government has angered the public by imposing additional burden of Rs. 260 crore which could have been easily mobilised without any tariff hike, with consumers' cooperation and efficiency improvement. This years tariff hike may again boomerang on the APTRANSCO as it will face wrath of the public.

The government should not hesitate to roll back hike by providing additional subsidy, and take full cooperation of all sections of the society in developing the power sector in the state.

M.Thimma Reddy, Convenor.

