

## **BEFORE THE ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION \* HYDERABAD**

**1.1** On 3<sup>rd</sup> January 2003 Public Notices were published by APTRANSCO and four DISCOMs announcing the Filing of ARR & Proposed Tariffs for FY 2003-04 and calling for comments/objections from the public. This filing is in response to this Public Notice.

### **CONFUSING NEW FORMATS**

**1.2** For the present ARR and Tariff Proposal filings new formats are used as suggested by the Commission. An examination of the filings show that DISCOMs did not follow these formats uniformly. As a result it led to lot of confusion in comparing different DISCOMs. For example the information on power purchase costs are provided in section 8.3.2 by EPDCL, 8.2.2 by SPDCL, in 8.8.4, 8.4.2 and 8.4.3 by NPDCL and 8.2.2 by CPDCL.

### **INCORRECT INFORMATION**

**1.3** There are lots of glitches in the data provided in the filings by different DISCOMs. For example in the table on revenue to collecting from exiting tariffs the central and southern DISCOMs mentioned same numbers against different categories of consumers except domestic. The southern DISCOM in its table on employee costs mentioned a number that is bigger than the sum of all other DISCOMs. Such mistakes made the use of the present filings very unreliable for analysis and examination. Nevertheless we did our best to make best of the situation. If there are any mistakes in our filings directly arising from these shortcomings they may be condoned.

**1.4** It is very regrettable that even after spending huge amounts on consultants in preparation of these filings such blunders creep up every time. We request the Commission to direct the Licensees to examine their policy of hiring/out sourcing consultants and seriously attempt to train the existing staff who are no less talented in the new exercise.

### **CONSOLIDATED FIGURES**

**1.5** According to the AP Electricity Reforms Act 1998 similarly placed consumers in different parts of the state, in spite of the different DISCOMs providing service to them, are to pay similar tariff. For this a comparison of the performance and functioning of different DISCOMs will be of help. For ordinary people like us the present filings present a very daunting task to do such exercise. To facilitate easy comparison even to the lay people it would be better to present a consolidated tales incorporating the information of all the DISCOMs at one place. As APTRANSCO is entrusted with the duty of coordination of the sector in the state it may be asked to prepare such a consolidated report and make it available along with other documents or separately.

### **NEED TO ENCOURAGE GREATER PARTICIPATION**

**1.6** Even after four years of regulatory interventions in the state public participation in the proceedings of the Commission is limited. 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 with help of the staff of the Commission and civil society organisations, and seeing that those who appear before the Commission are not victimised by the state.

**1.7** We feel discouraged to note that no public hearings were conducted on new tariff for Ferro alloy industry and on deciding the fuel surcharge adjustment formulation...

**1.8** The composition of the Commission Advisory Committee (CAC) is weighed against the consumers. While it is dominated by the government/TRANSCO/DISCOM representatives and power industry representatives, consumers are under represented as there appears to be only two members to represent the consumers. There is need to increase the consumers' representation on the CAC.

### **REVENUE GAP**

**2.1** The filings of all the DISCOMs show increasing revenue gap. But they do not offer any explanation as to how they propose to fill this gap/deficit. Is there assurance from the GoAP that it will provide subsidy to cover the gap/deficit? They do not propose any hike in tariff to fill this gap. This shows that they do not want to take any position on this! If any hike is needed at the end they will show that they are not responsible for hike as the Commission took the decision on its own even though they did not ask for it! By not suggesting any changes to tariff the Licensees are shifting their entire burden on to the Commission. It is a wily step done with political motives

### **BULK SUPPLY TRAIFF**

**3.1** It is surprising to find that the DISCOMs do not contest the BST as proposed by APTRANSCO. Even more surprising is that they even do not take into account the proposal of APTRANSCO to reduce the BST for the ensuing year from Rs 2.08 to Rs 2.016 per kWh. The Commission awarded different BSTs to the DISCOMs depending on their revenues and subsidy to be received by them. This has two parts: normal rate and over drawl rate. While submitting the tariff proposals for the year 2003-04 all the DISCOMs multiplied their power purchase with the over drawl rate rather than normal rate. As a result of this Annual Revenue Requirement (ARR) of the DISCOMs will be more than needed. This is more so if we take into account the proposed reduction in BST for the ensuing year. Taking this into account we request the Commission to reduce the retail tariff to be paid b by the consumers.

DISCOMS	BST Rs pet U	BST for over drawl	Assumed for Ensuing Year
APEPDCL	2.512	2.086	2.086
APNPDCL	1.79	2.09	2.09
APSPDCL	2.075	2.086	2.086
APCPDCL	2.08	2.086	2.086

In the background of the proposed lower BST by APTRANSCO we request the Commission to reduce the tariff of consumers.

**3.2** While a separate BST was decided for each DISCOM taking into account issues like the subsidy received by them, uniform charges are fixed for overdrawl of power. Given this it is an incentive for those DISCOMs whose BST is higher than this and disincentive for those DISCOMs whose BST is lower than this. In order to discourage overdrawl, overdrawl charge should be more than the respective BST.

**EFFICIENCY IMPROVEMENT:**

**4.1** The Commission in its tariff order for the Current Year (CY) 2002-03 directed that combined efficiency gains of Rs. 300 crores be achieved by all the four DISCOMs during CY. The distribution of efficiency gains among the four DISCOMs is as follows:

DISCOMs	Rs in Crores
EPDCL	30
NPDCL	55
SPDCL	55
CPDCL	160
Total	300

All the DISCOMs attempt to show that they have achieved more than required. But the calculations provided by them are misleading. Two important steps shown by them are increased average realisation and reduced distribution losses. Increased average realisation should be attributed to fuel surcharge collections. Even after spending hundreds of crores of rupees in system improvement the distribution losses have come down by just one percent. The presence of revenue gap even after receiving subsidy from the state government and direct and indirect tariff hike show that the whole talk about fruits of efficiency improvement is unconvincing.

**4.2** Under the World Bank supported power sector reforms hundreds of crores of rupees are being spent on improving strengthening T&D systems. These funds are being obtained under high interest regime. But the returns from these investments appear to be meager.

DISCOM	Reduction in transmission losses in %	Amount spent Rs/Crore	Amount spent to reduce transmission losses by 1% Rs/Crore
EPDCL	0.81	128.23	158.31
SPDCL	0.47	200.70	427.02
CPDCL	0.34	340.98	1002.88
NPDCL	0.14	105.98	757.00

The above table shows that though huge amounts of capital was pumped in to the system it failed to generate justifiable outcome and transmission losses continue to be very high. Though eastern DISCOM show considerable improvement its transmission losses are higher than other DISCOMs. This underlines the need to reexamine the capital investment plan in the transmission and distribution sectors. There is also need to ensure quality of the works executed. Recent collapse newly erected transmission towers in

different parts of the state underlines this. While there is no dispute about the need for capital investments in strengthening transmission network, it is to be seen that it produces optimal returns.

**4.3** International competitive bidding in stead of leading to efficient execution of projects is leading on the one hand to time delays and on the other hand to higher unit costs. The SCADA system is still to be made operational. Though indigenous expertise in this field was very much available within the city in order to accommodate British companies as its government arm, DFID was financing the project the bidding specifications were drafted in such a manner that the Indian company, then a public sector unit, would be kept out of reckoning. It is another matter that the Licensees have to pay the expenses as they received it as a loan. According to the present filings of SPDCL (p.221) works financed by the World Bank to the tune of Rs.101.11 crores which were supposed to be completed by the end of the financial year 2000 are yet to be completed because of delay in procurement of materials.

**4.4** There are also reports about improved voltage. But this is attributed to ABT coming in to vogue. And this in turn is achieved because of load shedding. If voltage improvements are because of ABT, what is the use of investments in T&D networks?

## **REVENUE RELATED ISSUES**

**5.1** In the middle of the financial year the tariff for Ferro alloy industry is reduced. Whether this treatment of Ferro alloy industry as a separate category affected revenues of the DISCOMs? How this gap will be made good? There is no analysis from the Licensees on this aspect!

**5.2** While proposing that they are not suggesting any hike in tariff the Licensees did not mention the status of the existing fuel surcharge. It is not clear whether the existing fuel surcharge will continue to be collected or it will be presumed that the existing surcharge has become a part of the new tariff, which according to the proposal is not changed. Otherwise, tariff need to be hiked to accommodate the fuel surcharge.

**5.3** The same fuel surcharge is imposed on all the consumers irrespective of consumer categories and capacity to pay. This need to be changed and like the general tariff FSA should also take in to account the paying capacity of the consumers.

**5.4** Privatisation/franchising of the substation is being planned by the Licensees. A part from other issues here we would like to bring to the fore one of the issues in transferring the distribution to the private entities. The experience in Orissa as well as Delhi shows that the private concerns though collect tariffs from the consumers regularly they are not remitting the same to the transmission or main distribution company putting these company to serious financial difficulties. Did the Licensees visualise such scenario? Did they develop any mechanism as a protection against such developments?

## REVISE WHEELING CHARGES

**5.5** The existing wheeling charge of 50 paise per unit is based on old data. In the meantime huge investments have gone into the transmission system resulting in additional asset creation. This enhanced asset base and increased debt burden should be taken into account in arriving at a new wheeling charge.

## DEBT BURDEN:

**6.1** Even after all the efficiency improvement measures enumerated by the Licensees debt burden including interest burden in stead of coming down is increasing.

## INTEREST PAYMENTS

Rs in Crore

DISCOM	2002-03			2003-04	
	APERC approved	Present estimate	Form 1.1g	Estimate	Form 1.1g
EPDCL	19	42	37.24	52	35.25
SPDCL	46	86	55.04	89	57.95
CPDCL*	30	130	62.72	182	119.85
NPDCL	22	86	63.08	86	75.43
Total	117	344	218.08	409	288.48

\*interest on borrowings towards revenue deficit and working capital is included.

It is not only that the interest payments made/to be made are more than approved by the Commission, but they are more than the calculations provided by the Licensees as a part of Regulatory Formats (Form 1.1g in the present issue). Why this discrepancy?

**6.2** They show three reasons for the increase in interest payments. But they do not mention how much is the burden because of each reason. The reasons mentioned by them are: 1) additional capital expenditure, 2) revenue deficit and 3) working capital requirement. Are these three reasons real? In the case of additional expenditure did they obtain the consent of the Commission for additional capital expenditure? While arrears are piling up is there a justification for borrowings towards working capital?

**6.3** APTRANSCO is attempting at swapping high cost loans with low cost loans. Why DISCOMs are not attempting this?

## ASSET VALUATION:

**7.1** All the DISCOMs in their filings complain that at the time of unbundling and creation of DISCOMs they inherited some adverse items on its balance sheet. "Due to the Second Transfer Scheme, APSPDCL has inherited a number of items on its balance sheet, which have historical reasons. It has thus inherited a number of items on its asset side of its balance sheet, many of which are at abnormal levels. Such abnormal levels will be brought back to normalcy over a period of time. APSPDCL requests the Hon'ble Commission to provide it with some time to do this and in the meanwhile approve working capital loans to fund shortfall" (APSPDCL filing, p.35). We would like to know the assets whose values are abnormal, what are these abnormal values, what should be

normal levels, what the DISCOMs are doing to correct it? And what are its implications for the consumer tariff?

## **EXCEPTIONALS/METERING PROBLEMS**

**8.1** Even after spending crores of rupees on improving distribution it is not yielding corresponding benefits. This is particularly visible in metering. Still the number of defective meters is quite considerable.

### **DEFECTIVE METERS DURING 2001-02**

DISCOM	Burnt	Stuck up	Total
EPDCL	6,657	1,59,511	1,65,168
SPDCL*	50,521	1,75,928	2,26,449
CPDCL*	25,710	1,55,073	1,80,783
NPDCL	7,225	78,409	85,634

\* as on 1-4-2002 there were 1,16,869 and 1,40,706 defective meters in CPDCL and NPDCL respectively.

The above data is one year old. The NPDCL in its filing has stated, “the trend shows decrease in volume of defective meters in 2002-03” (p.76). But it did not provide any information to substantiate this claim.

**8.2** All the DISCOMs state as follows,” Replacement of stuck up and burnt meters is a continuous process since meters get burnt or stuck up on a routine basis. The main reason for the large backlog of meters awaiting replacement is lack of rolling stock” (SPDCL, p.115). The question is : whether increasing backlog of defective meters is because of lack of rolling stock or because of the quality of meters purchased?

## **AGRICULTURE:**

### **Tariff**

**9.1.1** There has been very poor response to APERC's offer of metered tariff (20 p/unit till 2500 units/year and 50p/unit later) for the agricultural pump sets. This is because of apprehension among farmers about the intention of installing meters for the agriculture pump sets. They fear that this is first step towards hiking the tariff beyond their reach. There were enough statements from different sources, particularly the World Bank and the state government about introduction of cost to serve based tariff over the period. In order to gain acceptance of the tariff stipulated by the Commission every step needed to remove this fear among farmers is to be taken. One of the steps could be to declare that this tariff would be in operation for a long period say 10 years. Another step could be linking agriculture tariff to cheaper sources of power.

**9.1.2** The out-of-turn tatkal scheme (125p/unit) also received very limited response. Obviously, it is very high and except in emergencies no farmer will think about it. While cane crushing is charged 50 paise per unit and pisciculture and prawn culture are charged 90 paise per unit it is not proper to charge agriculture under tatkal at Rs 1.25 per unit. It

should be modified to have a one time deposit and then energy tariff similar to normal scheme. (Similar to Gas connection/ Phone connection schemes etc for out-of-turn allotment). It is not fair to penalise the tatkal consumer forever with a high tariff.

**9.1.3** Though the present ARR and Tariff Proposals present some information on cost to serve to different categories of consumers, method used to arrive at these figures is not made clear. Also, cost to serve to the total category of consumers is given but not on per unit basis. This shows that they have arrived at these figures working from backwards rather than based on any scientific method. In the case of agriculture cost to serve calculation should have taken into account the fact that it is not supplied during peak hours, is interruptible and is given at the time convenient to the utility.

**9.1.4** In agriculture differential tariff is introduced on the basis of HP capacity. Per HP tariff for 5HP pump set is higher than 3HP pump set. This is on the same lines of domestic tariff where consumers using smaller units of power are assumed to be poor. But this analogy may not be applicable to pump sets. The pump set HP capacity is not related to the wealth or income of the farmer but the water availability. Lower the depth of the water table higher is the HP. Because of this there is need to remove this differential tariff and introduce uniform tariff.

### **Estimating Agricultural Consumption**

**9.2.1** The volume of total agricultural consumption is one of the contentious issues in the tariff fixation. Debate has gone on for some time and but given the nature and quality of data/information made available in the present filings the issue is far from being resolved. Against 10000-12000 MU figures given by the utility, alternate figures of 5000-7000 MU have been projected by many consumer organisations. This issue was expected to be sorted out this time with the availability of agriculture pump set census data and DT metering data.

**9.2.2.** Current ARR and Tariff Proposals show that in the case of some DISCOMs the agricultural census is still incomplete even after three years long exercise. This gives rise to many misgivings about the delay in completing the census. We feel that some sample set should be independently verified by farmers' associations and consumer groups to authenticate it.

**9.2.3** It is surprising to see that valid DTR metering data is available for only few % of the total agricultural DTRs in the DISCOMs. Until now all the DTRs on the agriculture feeders are not metered. Out of the metered DTRs regular readings are not taken for all of them. It was stated that regular readings were taken only for a sample of DTRs. How this sample is prepared is not made clear. One is not sure whether this sample represents the universe. It is no wonder that this sample study leads to amusing results. Based on these readings, the estimated growth rate and census data, DISCOMs have estimated agricultural power consumption. In CPDCL, the estimation (of 6893 MU) is higher than the prevalent value (4800 MU) and it has been arbitrarily limited to 4843 MU! LT loss of 5-9% has been assumed to arrive at the consumption estimates. This needs to be

explained. DISCOMs need to clarify why the sample size is small even now and we feel that these readings have to be independently cross-checked.

**9.2.4** In all the ARR and Tariff Proposals it was mentioned that because of severe drought power consumption has increased. But it should be otherwise. Because of declining water table many open and borewells are going out of use. Because of lower availability of water farmers report that half of the pump sets are not working most of the time. This should lead to lower consumption. All the DISCOMs in their ARR and Tariff Proposals have mentioned that during current year (2002-03) because of lower hydel power generation APTRANSCO has allotted them lower quantum of power and in order to cope with this they in turn reduced power allotted to agriculture. Also, cropping pattern data shows that second/Rabi crop is not grown in the total area under the wells. This accounts for only 50 to 60 percent. Besides paddy is grown in some parts of this area. This implies that consumption of power in agriculture sector is less than attributed to it.

### **Metering**

**9.3.1** The reform program had planned to achieve 100% metering of pump sets by 2003. What is the current target date? Utility has also been installing meters on the agricultural DTRs. What is the target date for completion of agricultural DTR metering? Why DTR metering is not complete? Is it that intentionally it is being delayed?

**9.3.2** We feel that installing meters on all the pump sets is not going solve the problem of accounting agricultural consumption or improve revenue collection. This is because the utility does not have the resources to consolidate the bills and maintain the meters. At the same time, it is necessary to have a good estimate of the agricultural consumption. This could be addressed by DTR metering. Stress should be on completing the metering of the DTRs. This will be less costly and manageable unlike metering all the agricultural pumpsets. In addition to this, some mobile metering sets could be used to randomly check connections.

**9.3.3** Farmer cooperatives could be given the responsibility of managing the supply from the DTR. They could be given group incentives for reducing consumption, improving revenue collection etc. This may be a better idea than privatising distribution at the 33 kV substation level

### **Supply Quality**

**9.4.1** 9-hour supply is stated to be given in two phases. The Commission in its orders has specifically mentioned that if the Licensees want to supply power for more than 9 hours they should obtain its consent. But the fact is that they have supplied less than the allotted quantum. We do not know whether reduction in supply also needs the Commission's permission. There are widespread complaints of poor voltages and frequent interruptions. DT failure rates and motor burn-outs are high. With these, the farmer is paying a very high price for the power.

**9.4.2** Notwithstanding the problems faced by the farmers, this lower supply of power to agriculture should have led to lower subsidies/cross-subsidies. We would like to know whether this is accounted for in the filings for the year 2003-04.

**9.4.3** High Voltage Distribution System (HVDS) projects are being planned to improve voltage and reduce theft. We wish to know the experience of the HVDS project implemented in Nalgonda, Mahaboobnagar and other districts over the last few years. We feel that lessons from this experience should be incorporated in the ongoing projects. Farmers have to be taken into confidence to ensure success.

### **Efficiency Improvement**

**9.5.1** Measures to improve efficiency have been suggested by the utility and a 3-year concessional (50%) tariff was announced. Since the efficiency improvement measures cost about Rs. 10,000/- per pump set the concessional tariff is not economically beneficial to the farmers and as a result there is no response to this from the farmers. Since the major beneficiary of efficiency improvement is the utility, it could take more initiative to implement them by meeting the expenditure towards these improvements. This will benefit the utility and lead to effectiveness of the incentives.

**9.5.2** We would like to know how many farmers have come forward to avail themselves of this incentive?

**9.5.3** The agriculture pumpset census show that there is vast scope for improvement. While less than 5% of the farmers are using PVC piping and improved footvalve, more than 60% are using ISI mark pumps (Chittoor district). Keeping this in view necessary incentives that will enthuse the farmers should be designed. This incentives shall help the farmers recover the costs within the incentive period. In other words farmers should be assured that this programme is a long-term programme and meant to help them rather than fleece them. Broad based discussions should be held with the representatives of farming community to devise a long term plan that will take into account the interests of all the concerned. Also, as the utility also benefits from these improvements it should also contribute to these efficiency improvements.

### **Others**

**9.6.1** There should be more representatives from Farmers groups in the Commission Advisory Committee.

**9.6.2** Details of unauthorised connections normalised should be made available on request.

**9.6.3** Are the Tatkal scheme connections given to the fresh connections over and above the normalised ones according to the target set by the state government? The information provided in the ARR's show that this target is not fulfilled by any of the DISCOMs. This needs to be clarified.

**ARREARS:****REVEIVABLE FROM SALE OF POWER OF THE DISCOMs.**

Rs in Crore			
Year	2002**	2003	2004
EPDCL*	112.92	112.92	112.92
SPDCL*	209.97	209.97	209.97
CPDCL*	857.54	857.54	857.54
NPDCL	428.79	465.54	505.55
Total	1609.22	1645.97	1685.98

\* for all the three years same amount is shown

\*\* These figures do not tally with the ones provided according to the Guideline 11-g.

**PAYABLES OF THE DISCOMs**

Rs in Crore			
	2002	2003	2004
EPDCL	91.35	89.51	80.09
SPDCL	156.91	259.46	291.71
CPDCL	747.96	868.31	497.34
NPDCL	341.43	341.47	233.31
Total	1337.65	1558.75	1102.45

**Arrears for the year 2001-02**

Particulars	EPDCL**	SPDCL	CPDCL	NPDCL	Total
Total	103.42	211.53	823.61	478.28	1616.84
LT		145.07	539.01	396.40	
HT		66.46	284.60	81.88	
>1 year		94.77	531.84	357.75	
Court cases		9.00	79.63	14.94	
Govt*		52.21	188.19	86.32	

\*State Govt departments+State Govt undertakings+Central Govt departments+Central Govt Undertakings+Local bodoes

\*\* Information format of EPDCL is completely different from that of others and difficult to compare

**10.1** A comparison of the receivable and payables of the DISCOMs, as presented in the above tables, shows that the receivables are several times more than the payables. While their promptness in payments due to power purchases is to be appreciated, the same alacrity is not found in recovering the dues from the consumers. The only way they could have met their payment obligations is borrowing heavily from the market. This is clear from the increase in interest payments by 35% during the same period. Had they collected the dues from the consumers promptly this interest burden could have been avoided.

**10.2** An examination of the details of arrears given in the Filing of Proposed Tariff show that nearly one third of the arrears are from HT consumers whose number is small and it should not have been difficult to collect the arrears. More than half of the arrears is due for more than one year. One of the reasons for non-collection of arrears repeated by some DISCOMs in their Filing of Proposed Tariff is “Most of the arrears are due from agricultural consumers and domestic services which could not be realised for the reason that the consumers are availing supply by taking another service in some other name in the same premises” (SPDCL, page.130). The same reason was adduced during the previous filing. There appears to be no effort to correct this. It is very difficult to buy this argument. Without the collusion of the staff this could not have happened. We request the Commission into this give necessary directions to the Licensees so that burden on the consumers is reduced.

**10.3** Another reason shown for the arrears is that of court cases. But the figures show that this accounts for 5 to 10% of the arrears. But they show this as the most important cause. According to CPDCL filing “Most of the dues under industrial category are the disputed dues and are under the adjudication by the courts”(p.107). But the information provided by them shows that this accounts for less than 10%. Then reason for this should lie elsewhere. This is the unwillingness to pursue the collections seriously.

**10.4** According to the Guideline 11-g the Licensees are supposed to provide details regarding arrears of Rs. 50,000 and more. But no such information is provided in the filings. This information should include the names and addresses of the persons, organisations/companies whose arrears are Rs. 50,000 and more We again request the Commission to direct the Licensees to publish the list of the Consumers whose dues are more than Rs.50,000.

**10.5** Further information provided is more than one year old. Latest information say up to last October can be provided.

**10.6** The treatment of doubtful debts is not clear from the filing. For all the three years against doubtful debts same amount is mentioned. It is not clear as to whether same amount is carried forward to the next year or each year the same amount of receivables are treated as doubtful debts

CPDCL Rs. 378.35 crores

EPDCL Rs. 67.16 crores

SPDCL Rs. 86.79 crore

NPDCL Rs. 159.23 crore

List of the consumers who are treated as doubtful debts should be made public.

**10.7** While the Commission directed a receivable audit after 9 months the Licensees only ‘intends to conduct a full-fledged audit’. This shows the disinterest of the licensee in addressing the arrears.

## MANPOWER RELATED ISSUES

**11.1** In response to the Guideline – 10 f all the DISCOMs provided very cursory information which will not help in understanding the manpower related issues vis-à-vis tariff. For example SPDCL comment is follows: “In the context described above, APSPDCL is not contemplating any reduction in manpower. However, in line with the reform and restructuring objectives, APSPDCL is in the process of enhancing the organisational efficiency and bringing in the requisite commercial and customer orientation across the company. Towards this end, APSPDCL is evaluating various short term and long term initiatives such as corporate and field level restructuring, work and process reorganisation, gainful redeployment of personnel, implementation of MIS review process and performance improvement linked incentives. Several new appointments have also been made at key senior management posts to ensure that the new organisational objectives can be addressed” (pp.79-80). Other DISCOMs also made similar comments. But the facts and figures presented as a part of the ARR filings show otherwise. In fact number of employees is declining. When the number of ground level employees is woefully inadequate what is the use in appointing people to the senior management posts, except hiking the salary bill.

DISCOM	No. Consumers**	2002-03		2003-04	
		Staff		Staff	
		Sanctioned	Working	Sanctioned	Working
EPDCL	30,49,786	9,647	7,144	9,645	7,015
SPDCL*	46,07,327	51,006	38,180	51,006	37,928
CPDCL	49,03,397	17,774	13,317	14,185	12,177
NPDCL	30,02,852	10,365	7,623	10,365	7,623

\* Number of staff mentioned in SPDCL filing is abnormally high!

\*\*In the table Expected Revenue from Proposed Tariffs of CPDCL (p.219) and SPDCL (p.233) the numbers of consumers mentioned against all consumer categories except domestic are the same!!

**11.2** The DISCOMs also mention about new initiatives but do not provide any information on it and its likely impact on the manpower and tariff. The recent attempts of the DISCOMs to privatise/franchise substations is one such attempt that has serious implications for the working of the utilities. But no information is available on this from the present filings. This attempt involves transferring some of the responsibilities, duties and obligations vested with them by the Commission as a part of the Retail Supply License to others. Whether the respective DISCOMs have obtained the Commission’s permission to transfer their duties and obligations to others? Or otherwise is there is a need for the new franchisees to obtain new licenses like RESCOs to do business in the power supply and distribution?

**11.3** If they are privatised what will happen to the existing staff? Whether the consumers will end up paying for the existing employees as well as new contractors? Whether such costs are factored in while arriving at the proposed tariff?

**11.4** Under all DISCOMs some of the substations were given to the private contractors for maintenance. Whether performance of these substations is evaluated before going for the present exercise? If yes the report of the evaluation shall be made public, and if not such evaluation shall be done immediately. It was alleged that private contractors appointed lower qualified persons. Also, same persons are made to work 2 to 3 shifts daily seriously affecting the work. According to newspaper reports some of the deaths of linemen working on the line for repair work were attributed to the maintenance by the private contractors/lack of coordination.

**11.5** According to a recent GO of the Government of AP RESCOs are to be closed down as a part of the economic reforms, and the business of the RESCOs will be merged into the respective DISCOMs. What will be impact of merging the RESCOs with DISCOMs on staff and finances of the respective DISCOMs?

**11.6** For the last three years the Commission is issuing directives repeatedly the Licensees to open trusts to operate the employee terminal benefits, and the proceedings from these trusts are to be used to pay the retiring employees. But there appears to be little progress on this front except some assurances of fulfilling the directives from the Licensees. Even the employee contributions deducted from their salaries are not being deposited in the trust accounts, let alone the matching contribution of the organisation. This amount is being spent during the current year. In other words, in stead of putting a stop to the phenomenon of unfunded/unfounded employee benefits the same is being continued to the detriment of the Licensees as well as the staff. The Commission should take effective action to stop this.

#### e-SEVA FACILITIES

**12.1** What is the process involved in selecting e-Seva service providers?

**12.2** It is heard that CPDCL is paying high service charges to the e-Seva service providers on per customer basis. This is said to be several times what the Telecom companies are paying to the same service organisations for collection of telephone bills. Necessary and comprehensive clarification in this regard will help to clear the doubts/air.

**12.3** How many ERO counters are closed? Are there any government orders to effect closure of ERO counters in the vicinity of e-Seva centres? Whether the closure of ERO counters is discussed under rationalisation of manpower?

**12.4** e-Seva centres are located on the DISCOM premises. Are they paying rentals towards using these premises? If so, whether the same is shown under the revenues?

#### FSA/PASS THROUGH/LTTP

**13.1** As a part of the present filings the Licensees proposed a Pass Through mechanism. This is supposed to be an extension of the existing Fuel Surcharge Adjustment to accommodate expenditure hike apart from fuel rate hikes. This appears to be an exercise in formulating a Long Term Tariff.

**13.2** The Commission with out conducting any public hearing finalised FSA. But it has conducted a public hearing. Besides this the Commission also organised a work shop with the participation of experts from different parts of the country. Until the Commission has not announced the LLTP to be followed. The present pass through mechanism appears to be an exercise in this direction. While taking decision on this the Commission should also take into consideration the proceedings of the public hearing on LLTP.

**13.3** Once the proposed pass through mechanism is accepted all the future exercises in tariff fixation will become mere rituals as every thing is already decided.

**13.4** Automatic pass through mechanisms will encourage padding up of costs. This presents the same danger that the PPAs under the guaranteed returns presented through padded up capital costs. Given the present standards of transparency it will be very difficult to verify the actual costs.

**13.5** The Licensees argue for a pass through mechanism in the name of uncontrollable elements, conditions beyond their influence. But there is no clear description of these elements.

**13.6** According to their proposal “ the audited accounts should be used as the basis of finalisation of the true-up amount” (p.248 of SPDCL filing). Until now only accounts of 1999-2000 are audited and the accounts of the remaining years are yet to be audited though every year they show audit fee as a part of expenditure. In such circumstance is it possible to rely on any official figures to come up with any true-up figures. This will be as manipulative as the expression ‘true-up’ suggests.

#### **PRAYER TO THE COMMISSION**

1. To take necessary steps to increase people’s participation in the regulatory process.
2. To reduce consumer tariff in proportion to the reduction in BST.
3. To review capital expenditure of the Licensees.
4. To provide effective incentives to the farmers to encourage them to take up efficiency improvements
5. To not to give consent to the pass through mechanism proposed by the Licensees
6. To allow the petitioner to be heard in person before APERC takes any decision on this petition.

M.Thimma Reddy

