

# **BEFORE THE TELANGANA STATE ELECTRICITY REGULATORY COMMISSION**

5<sup>th</sup> Floor Singareni Bhavan, Red Hills, Hyderabad – 500 004

**OP No. 22 & 23 of 2016**

## **IN THE MATTER OF**

Petition requesting the Commission

1. To see that ARR and tariff proposals are filed and examined within the period as stipulated under the Electricity Act, 2003.
2. To review the power requirement estimate submitted by TSDISCOMs.
3. To advise the TSDISCOMs to review their solar and wind power initiatives.
4. To review the power purchase cost estimate submitted by TSDISCOMs.
5. To direct the DISCOMs to file information related to revenue at current tariffs
6. To take stringent action to bring down electrical accidents.
7. To allow the objector to be heard in person before the Commission takes any decision on this application of the DISCOMs.

## **IN THE MATTER OF**

### **Name and full address of the petitioner:**

People's Monitoring Group on Electricity Regulation  
139, Kakatiya Nagar, Hyderabad – 500008

### ***Represented by***

M. Thimma Reddy

Convenor

People's Monitoring Group on Electricity Regulation  
139, Kakatiya Nagar, Hyderabad – 500008

And

### **Name and address of the Respondents:**

Chairman and Managing Directors of

Northern Power Distribution Company of Telangana Ltd,

Southern Power Distribution Company of Telangana Ltd,

**BEFORE THE TELANGANA STATE ELECTRICITY REGULATORY  
COMMISSION**

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**AFFIDAVIT VERIFYING THE MEMORANDUM OF OBJECTIONS**

I, M. Thimma Reddy, son of Late M. Pothi Reddy do hereby solemnly affirm and state as under:

1. I am the Convenor of the People's Monitoring Group on Electricity Regulation (PMGER), the applicant in the above matter and am duly authorised by the said applicant to make this memorandum of objections on its behalf.
2. The statements made in the paragraphs of the accompanying memorandum of objections now shown to me are true to my knowledge, derived from the Filing of ARR and Proposed Tariffs for FY 2017-18 of the two DISCOMs and the material gathered by PMGER and made available to me and are based on information and advice received which I believe to be true and correct.

Solemnly affirm

Deponent

15 –05 – 2017

Hyderabad

# **BEFORE THE TELANGANA STATE ELECTRICITY REGULATORY COMMISSION**

**\* 5<sup>th</sup> Floor Singareni Bhavan, Lakdi-ka-pool, Red Hills, Hyderabad – 500 004**

**1.1** The following comments are being submitted on TSDISCOMs' ARR and tariff proposals in response to the Public Notice published in the Newspapers on 21<sup>st</sup> April, 2017.

## **REGULATORY ISSUES**

**1.2** The TSDISCOMs are reported to have submitted tariff proposals for the financial year 2017-18 on 13<sup>th</sup> April 2017 though ARRs were submitted on 30<sup>th</sup> November 2016. The DISCOMs in their submission of ARRs mentioned that these were being filed under Sections 61 or 64 of the Electricity Act, 2003. But without tariff submissions these applications are incomplete as the above Sections deal with tariff proposals but not ARRs and ARRs have no meaning without tariff proposals.

**1.3** While according to Section 64 (3) the TSDISCOMs were expected to file ARR along with tariff proposals for the financial year 2017-18 by 30<sup>th</sup> November 2016 they have filed the tariff proposals before TSERC only on April 13, 2017. In the interregnum the DISCOMs filed applications before the Commission and sought extension of time for filing tariff proposals from time to time. There is a delay of more than four months in submitting the tariff proposals before TSERC.

**1.4** TSERC in its Tariff Order for the FY 2015-16 observed: "the delay in filings caused difficulties not only to objectors and consumers but also to the Commission. The Licensees shall make every effort to file ARR & Tariff Proposals 120 days before the effective date of Tariffs as per Sec.64 of the Electricity Act, 2003" (para 4.2.3). Furthermore, the Commission had directed the DISCOMs, "the Discoms are directed to submit the ARR and Tariff proposals in time i.e. by 30<sup>th</sup> November of current year in order to make the Tariff Order effective from 1<sup>st</sup> April of next year" (Directive 7.9 at page 237 of tariff order for 2015-16). The Commission by allowing the applications of DISCOMs to delay tariff proposal filings appears to have violated its own orders/directions in this regard.

**1.5** TSDISCOMs have entered in to a tripartite agreement with the central government and the state government under the central government's UDAY scheme where by 75% of the long term outstanding debt of the DISCOMs is being taken over by the state government. For the FY 2016-17 as well as FY 2017-18 DISCOMs have shown the UDAY scheme as one of the reasons for delay in filing tariff proposals. But one of the conditions laid down under UDAY scheme is

that DISCOMs shall file tariff proposals in time so that new tariffs will come in to force from the first day of the ensuing financial year. In the recent ranking of DISCOMs in the country TSDISCOMs have got lower rankings because of delay in filing tariff proposals.

**1.6** TSDISCOMs also attributed delay in filing tariff proposals to the Central government's exercise on rationalizing tariff proposals. The question is - is there need to delay tariff filings on the above pretext. When the committee appointed by MoP, GoI, itself has not come out with any specific proposals, except making vague and generalised observations on simplification and reduction of categories and is still in the process of eliciting views on the proposed re-categorisation of consumers, and when there is no legally binding order in that direction, attempts to propose new categories of consumers on the basis of such vague proposals seems hasty. When the committee itself has not come out with any specific proposals for re-categorisation of consumers, its implications and justification for the same, inviting comments/suggestions/views of all stakeholders on such vague proposals at preliminary stage itself is premature. The committee appointed by MoP, GoI is expected to take two to three years to come out with the final report on simplification and rationalization of tariffs, Therefore, the delay in submission of tariff proposals by the DISCOMs is unwarranted and the reason given for the same seems to be a lame excuse to cover up their failure to submit the same in time. The above reason is only a pretext to delay tariff proposal submissions. It is sad that the Commission has consented to their proposals. The Commission should have rejected the present ARR filings and should have directed them to submit tariff proposals forthwith along with the ARR, without any delay.

**1.7.1** According to Clause 8.1 (7) of the National Electricity Policy 2016 "Appropriate Commissions should initiate tariff determination and regulatory scrutiny on a suo moto basis in case the licensee does not initiate filings in time. It is desirable that requisite tariff changes come into effect from the date of commencement of each financial year and any gap on account of delay in filing should be on account of licensee".

**1.7.2** The Secretary of the Commission through the circular Lr. No. TSERC / Secy / F-No.ARR2017-18/5 / D.No.879 / 17. Date:17.02.2107 intimated the TSDISCOMs as follows, "For the above said reasons, I am directed by the Commission to require you to file tariff proposals **on or before 23.02.2017** and in default, the Commission will act suo moto for determination of the tariff for FY 2017-18 in accordance with the directions of the Hon'ble Appellate Tribunal for Electricity in O. P. No. 1 of 2011 based on information available with the Commission in the form of ARR / FPTs for FY 2015-16 and FY 2016-17 and ARR for FY 2017-18. The Commission will reckon the information filed by licensees after commencement the suo moto proceedings for determination of the retail supply tariff for FY 2017-18".

**1.7.3** Though the TSDISCOMs did not file tariff proposals by 23-02-2017 the Commission did not initiate any action suo moto to commence tariff determination process for the FY 2017-18. Though DISCOMs filed tariff proposals on 13<sup>th</sup> April 2017 the same did not contain any

additional information on revenue accruals during the FY 2017-18 on the basis of existing tariffs/categories and on the basis of proposed amendments to tariff categories or the revenue gap that need to be filled. No purpose was served in waiting for the filing of tariff proposals by the TSDISCOMs. The Commission should have gone ahead with suo motu process as indicated in the above Circular.

**1.8** Following the Clause 8.1 (7) of the National Electricity Policy 2016 quoted in the above Circular the Commission has to see that “any gap on account of delay in filing should be on account of licensee”.

**1.9** The Commission has to see that from the coming financial year the TSDISCOMs file the tariff proposals in full in time.

## ELECTRICITY REQUIREMENT ESTIMATES

**2.1** Power requirement estimate for 2017-18 is higher than previous years’ experience. Both DISCOMs in Telangana projected high growth rates in electricity consumption during the ensuing financial year 2017-18. SPDCL attributed this growth to additional power required for water grid, Hyderabad Metro Rail, 9 hour power supply to agriculture pump sets and new lift irrigation schemes. Similarly, NPDCL also attributed this growth to additional power required for water grid, 9 hour power supply to agriculture pump sets and new lift irrigation schemes. While SPDCL estimated growth rate of 9.42% NPDCL arrived at 12.05% growth rate in electricity consumption under its area. Further, NPDCL also estimated 26.16% growth rate in electricity consumption by HT services compared to 8% growth rate during the previous year. During the preceding year (2016-17) growth in consumption under SPDCL is less than 33% of this. In the case of NPDCL it was less than 60% the expected growth during 2017-81. This historical experience demands a relook at the consumption growth estimated by both the DISCOMs.

**2.2** In the case of Railways electricity consumption is declining over the years. Besides this, Railways is being treated as deemed licensee and is free to access power under open access. Railways has already started to procure power from agencies other than DISCOMs. Despite this trend both the DISCOMs in Telangana estimated increase in power consumption by Railways. DISCOMs need to reexamine this.

**2.3** TSSPDCL in its ARR filing stated, “It is expected that a substantial portion of open access consumers will come back to the grid”. But it did not provide any basis for this statement.

**2.4.1** Out of 54,756 MU of being procured in the state of Telangana 12,907 MU will be supplied to agriculture wells. In other words LT agriculture will be accounting for 23.57% of the power consumption in the state. In the case of TSSPDCL agriculture wells will be accounting for

19.89% of electricity consumption and in the case of TSNPDCL it will be 32.25%. Despite such significant consumption by this sector the basis on which this consumption is estimated still raises many doubts.

**2.4.2** Both the DISCOMs estimated 6.50% growth in electricity consumption by agriculture wells during 2017-18. Both the DISCOMs attributed this growth to additional new agriculture services released and to 9 hour power supply. The DISCOMs also submitted “In the current year the rain fall is heavy and all tanks are filled and ground water is raised and also the cultivation land is also expected to increase. Thus sharp rise of agriculture consumption is expected”. (NPDCL filing p.16) But reports indicate that ground water levels already declined and per day electricity consumption in the state declined from 160 MU to 130 MU.

**2.4.3** Given the unmetered nature of these services the DISCOMs are expected to use the methodology recommended by ISI to estimate electricity consumption in agriculture sector. NPDCL in its submission claimed that it was following ISI methodology. But there was no description of how this was being followed. It maintained that it had fixed 3168 meters for LV side of the Agricultural DTRs as per the ISI Methodology. But information is not available on how many of these meters are in working conditions and how many of these meters provided consistent and dependable information. Past experience shows that less than 25% of the sample readings were taken. SPDCL did not mention any thing about ISI methodology in estimating agriculture consumption. There appears to be unwillingness on the part of DISCOMs to estimate agriculture consumption properly. DISCOMs do not want to share the real picture. There is apprehension that T&D losses are being shown as agriculture consumption and that subsidy is going to support inefficient functioning.

**2.4.4** In response to the Commission’s directive to “submit a detailed write up on how the above directive has been compiled in the projection of the agricultural consumption for FY 2017-18” TSSPDCL provided information only for Medal circle for the October 2016. Even according to this report one third of the sample DTR meters are not working properly. TSNPDCL in its reply mentioned that 3,168 meters are installed on the sampled DTRs. Beyond this no further useful information is provided.

**2.4.5** Importance of affordable and quality supply to agriculture services in securing food security and farmer livelihood cannot be denied. At the same time electricity supply to agriculture has impact on finances of DISCOMs as well as state government. The present practices in estimation of agriculture consumption have many gaps. There is need for better apportioning of electricity between T&D losses and Agriculture consumption. This will help to clarify whether agricultural consumption is being subsidised or technical losses and theft are being subsidized. To achieve this sampling, data collection and analysis norms need to be revisited periodically involving independent, third party agencies. Segregated feeders and all DTRs serving agriculture services need to be metered. The tripartite agreement under UDAY stipulates that DISCOMs achieve 100% DTR metering. We request the Commission to direct the DISCOMs to first meter all DTRs serving agriculture services under this initiative. This measure will help to put together as complete information as possible, without involving the cumbersome process of metering all agriculture services. This will also help to do away with problems faced

in implementing sampling method prescribed by ISI. At the same time care should be taken that meter reading/billing efficiency is 100%. Data from these meters also need to be made public.

## **T&D losses**

**2.5.1** T&D loss levels in both the DISCOMs continue to be high. According to the ARR filings of the TDISCOMs during the ensuing year 2017-18 T&D losses in the state will be accounting for 14.69% of the power to be supplied. It will be 14.54% in the case of SPDCL and 15.05% in the case of NPDCL. These percentages are higher than the level achieved by the DISCOMs during 2016-17. During 2016-17 T&D losses stood at 10.26% in the case of SPDCL and 10.93% in the case of NPDCL. T&D losses during 2017-18 should be lower than that of 2016-17. Higher T&D losses lead to higher quantum of power procurement and also higher tariff burden on the consumers and higher subsidy support burden on the state government. As substantial amounts are being spent on T&D infrastructure and also O&M including salaries these should reflect in lower T&D losses.

**2.5.2** Distribution/commercial losses in Hyderabad South Circle continue to be more than 40%. In 2014 High Court gave directions to the Licensee to action to bring down commercial losses/theft in the area covered by the Circle. Following this some inspections were conducted in some areas of the Circle in February and March 2014. These inspections had shown widespread theft. But no inspections or other actions were taken after 2014 March to bring down power theft in this Circle. We request the Commission to direct TSSPDCL to take concerted action to bring down commercial losses in this Circle. T&D losses in the Circle over and above the average T&D loss levels of DISCOM shall be borne by the TSSPDCL only. This burden shall not be placed on the honest consumers.

## **Energy efficiency:**

**2.6.1** The Telangana State government has entered into an agreement with the central government to implement Power for All programme. This includes energy conservation and energy efficiency interventions. Both the DISCOMs in Telangana have launched several energy efficiency initiatives. This programme targets to replace 19.4 lakh pump sets with star rated energy efficient pump sets. About 20,000 pump sets are expected to be replaced in 2016 and will be completed by 2021. Under DELP segment all households in the state will be provided two LED bulbs. Implementation will start this year with coverage of 20 lakh households. All households will be covered by 2019. Energy savings from these schemes shall be taken into account while arriving at the total quantum of power needed in the state.

**2.6.2** These energy efficiency initiatives will impact expenditure and revenues of the DISCOMs. All information related to these programmes shall be shared with the public. These shall be cleared by the Commission after holding public hearings as being done in the neighbouring state of Andhra Pradesh.

## Solar initiatives

**2.7** The Telangana New and Renewable Energy Development Corporation with the involvement of TSDISCOMs and with the support of the State Government of Telangana renewed attempts to promote rooftop solar programme and solar pump sets. These initiatives bring down electricity consumption from the grid. These initiatives shall also be taken in to account while estimating power procurement requirement in Telangana during the financial year 2017-18.

## POWER PURCHASE AVAILABILITY AND COST

**3.1.1** Rs. 24,421.47 Cr out of total ARR of Rs. 31,930 Cr goes for power purchase, accounting for 76.48% of ARR for FY 2017-18. But this appears to be an underestimate.

**3.1.2** In the ARR filings there are two sets of figures for energy availability in Telangana during 2017-18. 63,279 MU (p.45, SPDCL ARR) and 66,076 MU (p.xi, SPDCL ARR, Forms 1.4, 4, 4.1). The difference between the two figures is 2,797 MU. This is the quantity available through market (NPDCL – 823.66 MU and SPDCL – 1,973.27 MU). No explanation is given for estimating the availability of this quantum of power.

**3.1.3** Both the DISCOMs show availability of power from market during the months of April and May 2017. Cost of this power is placed at Rs. 6.20/Unit.

**3.1.4** During these two months also there is surplus power – availability more than dispatch (without taking market sources in to account)

(MU)

	April 2017			May 2017		
	Availability	Dispatch	Surplus	Availability	Dispatch	Surplus
GENCO Thermal	1678.95	1469.09	209.86	1920.92	1030.87	890.05
CGS	1277.71	1194.10	83.61	1313.63	1120.13	193.50
Others	1651.06	1651.06	0.00	1706.09	1706.09	0.00
Market	1472.07	0.00	1472.07	1324.86	0.00	1324.86
All Sources	6518.25	4572.72	1945.53	6594.07	4185.67	2408.40

**3.1.5** From the above table it is clear that surplus from all sources is higher than that available from market sources. This implies that there is no need for procurement from market at all. Even without market purchases there will be surplus during the two months when demand will be high.

**3.1.6** The question is – is there need to mention it in the ARR? At some places in ARR it is mentioned that the DISCOMs may go in for purchases from the market if need arises: **“Bilateral/Inter-State purchases:** The licensee has not proposed any additional purchase of power through bilateral/ inter-state purchases for the FY 2017-18. However licensee may opt for procurement of power during specific days/ month depending on demand to ensure the stability of the grid and also to ensure uninterrupted power supply to all categories of consumers in the State.” (TSSPDCL, p. 39)

**3.1.7** Request for Proposal (RfP) Notice is placed on TSSPDCL website calling for bids for supply of power mentions 600 MW (RTC) during first half of April 2017. Previously there were news that TSDISCOMs are going to procure 500 MW power. Newspaper reports also mentioned that the balance demand will be sourced from short term purchases. (The Hindu 25-12-2016)

**3.1.8** While computing power purchase costs as part of ARR 54,756 MU is taken in to account (p.54, SPDCL ARR). In this power procurement from market/short term purchases is not included even though power is procured from these sources. To this extent there is an underestimate of power purchase cost.

**3.2** Variable cost of RTS – B is mentioned as Rs. 3.39 per unit. This is 35% higher than other coal based thermal plants in Telangana. This needs to be examined.

**3.3.1** In their ARR filings TSDISCOMs stated that they had not projected any availability from new gas based IPPs in the absence of any proposal of supply of power to stranded gas based plants. But there are reports about gas availability from KG basin and that GENCOs are reported to have written to DISCOMs about power availability from gas based stations but no reply from DISCOMs.

**3.3.2** TSDISCOMs in their filings mentioned that they would not be procuring power from GVK, Spectrum and Lanco as PPAs with them had expired. But there is no meaning in not procuring power from Reliance plant as PPA with this plant will expire only in December 2017.

**3.3.3** Gas based power plants may be used as peak load stations. With the help of this short term market purchases can be reduced or eliminated.

**3.4** In the case of SCCL power plant see that permanent coal allocation is made from SCCL’s mines. This will help to bring down its energy/variable cost.

**3.5.1** The filings show that more than 1500 MW capacity solar plants are going to be set up in Telangana during 2017-18. Biddings for solar plants are going on from the year 2012. It has to be seen that bidders who did not set up solar power plants according to the schedule shall not be allowed to connect to the grid. The PPAs with bidders who are not able to set up the plants in time shall be cancelled.

**3.5.2** The filings show that more than 100 MW capacity wind plants are going to be set up in Telangana during 2017-18. It has to be seen that these wind power developers shall be selected

through competitive bidding. Already states like Gujarat, Rajasthan, AP, and Karnataka have chosen competitive bidding route to select developers for wind power plants. In the recent national level bidding for wind power units conducted by SECI unit cost has come down to Rs. 3.46 per unit compared to Rs. 4.70 per unit allowed by the Commission under cost plus principle.

## ELECTRICITY TARIFF ISSUES

**4.1** In the tariff proposals filed by the TSDSCOMs the Commission was requested to retain the tariffs as per the Tariff order of FY 2016-17. Through these proposals they also proposed changes to some consumer categories.

**4.2** But these filings did not mention the revenues at current tariffs and categories and revenues at the current tariffs and the proposed changes to the consumer categories. Without this information it will not be possible to have an idea whether the current tariffs will be enough to recover ARR. Whether there will be enough to fill the revenue gap. According to TSDISCOMs filings total ARR for FY 2017-18 stands at Rs. 31,930.45 Crore.

**4.3** The State Government of Telangana announced a subsidy of Rs. 4,385 Crore to the TSDISCOMs. It has to be examined whether this subsidy will be enough to cover the revenue gap.

**4.4** In this background of information deficit there are wide speculations on revenue gap. According to a newspaper report, “It was understood that the discoms had submitted to the State Government that the revenue from sale of energy would leave about Rs. 10,000 crore gap even if the tariff was increased by about 9 per cent”. (The Hindu, 20-02-2017) The TSDISCOMs need to come out with full information.

**4.5** The Regulation related to retail supply tariff determination demand complete information on these aspects. In the DISCOMs filings the Regulatory Forms 5, 7,8,9, and 10 related to the FY 2017-18 are empty. To this extent, even after a delay of more than four months in filing tariff proposals, there is gap in information to determine tariffs.

### Electrical accidents

DISCOM	2015-16		2016-17 (Up to September '16	
	No. of fatal accidents	No. of Ex gratia paid	No. of fatal accidents	No. of Ex gratia paid
NPDCL	139	67	117	36
SPDCL	383	198	175	23
Total	522	265	292	59

**5.1** Within TSSPDCL during 2015-16 Mahabubnagar district recorded 126 fatal human accidents and Medak district recorded 123 fatal human accidents. This trend continued during 2016-17 also. Special attention shall be paid to these two districts in terms of electrical safety related interventions.

**5.2** Only small proportion of fatal accident victims families are being paid ex gratia. The DISCOMs have to expedite payment of ex gratia by simplifying and streamlining procedures.

**5.3** The compensation paid to the electrocution victims shall not be recovered by the DISCOMs from ARR. This compensation shall be paid by the DISCOMs from their internal resources. Accident is a result of failure of the DISCOMs to maintain the electrical network in a proper condition. Financial burden arising from failure of DISCOMs cannot be placed on the electricity consumers in the state.

**5.4** Following Section 53 (d) of the Electricity Act, 2003 the State Electricity Regulatory Commission shall be informed regularly about all electrical accidents occurring in the state along with the action taken reports.

**5.5** More than compensation to the electrocution accident victims what is important is prevention of such incidents. Any amount of compensation cannot provide relief to the victims' families. Andhra Pradesh is one of the states with highest number of electrical accidents. All necessary, preventive measures shall be taken to avoid the electrical accidents.

**5.6** One of the important reasons for the electrical accidents in the state is lack of proper maintenance of electrical network that is resulting in snapping of conductors and distribution transformer blow outs. Age old electrical poles and conductors are not being replaced as required. This is resulting in sagging and snapping of conductors which have become death traps.

**5.7** Another important reason for the electrical accidents in the state, particularly in rural areas, is absence of technical support at the field level when rural folk, particularly farmers, need it. Most of the linemen and assistant lineman posts in rural areas are vacant and when they are there in limited number most of their time goes in billing and bill collection. In the absence of the required technical support in the form of lineman/assistant lineman villagers/farmers themselves try to attend to the repairs and in the course of it meet with fatal accidents. The most the DISCOM employees at the ground level do is issuing LC so that farmers can attend to the problems on their own. In other words villagers/farmers are being forced to walk in to death traps.

**5.8** In the past the ERC had allowed the individual DISCOMs to spend Rs. 5 crore from ARR each year on safety measures. But the DISCOMs did not care to spend this amount. This in a way reflects the callous attitude of utility bosses to safety issues. It has to be seen that DISCOMs follow grid code scrupulously in maintaining the electrical network in the state that automatically goes towards bringing down electrical accidents. Providing designated safety officer in

DISCOMs will also help to reduce electrical accidents. It is important to make some efforts to reduce deaths even when accidents happen. This calls for first aid training to DISCOM field staff, police etc.

**5.9** At the same time it is not to deny the importance of creating awareness among electrical consumers, particularly farmers in the state about precautions to be taken. They have to keep the electrical appliances in their premises in order. This can be effectively done when DISCOMs keep their house in order. Those who preach have to practice it first. Is not it?

**5.10** In the context of electrical accidents the role of Chief Electrical Inspectorate's Office is not clear. There is also no clarity on relation between the ERC and the Chief Electrical Inspectorate. This brings in to picture the role of state government also. The state government has to prepare necessary rules to mandate the Chief Electrical Inspectorate to inquire in to all electrical accidents taking place in the state and suggest remedial measures.

**5.11** The Commission shall institute a study to understand the electrical accidents taking place in the state and formulate action plan to eliminate such incidents. Safety audit, especially of rural distribution by DISCOM or by third party will help to understand the source of the problem and plan measures to reduce accidents. Detailed reports on accidents (location, cause etc), analysis and discussion on them will help to understand where accidents happen (which geographical areas and what part of electrical network) and also possible root causes. Study of construction and operational issues like quality of material, earthing, platforms for DTs, fault clearing etc., which lead to accidents is also important.

#### **Requesting the Commission:**

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