ANDHRA PRADESH CENTRAL POWER DISTRIBUTION CORPORATION LIMITED
Dr. Y.S.R Vidyuth Soudha, Corporate office, ITI Road, Vijayawada-520 008

From
The Chief General Manager/RAC,
Corporate office,
APCPDCL, Vijayawada

To
Sri M. Venugopala Rao,
Senior Journalist & Convener,
Centre for Power Studies,
H.No.1-100/MP/101, Monarch Prestige,
Journalists' Colony,
Serilingampally Mandal,
Hyderabad – 500 032.

Lr.No.CGM/RAC/GM/PP&RAC/CP/VJA/F.No. 69/D.No. 323/24, Dt: 18.01.2024

Sir,

Sub: APCPDCL - Replies to objections raised by Sri M. Venugopala Rao, on filing of the ARR & Tariff applications for the Distribution business for the Control Period FY 2024-25 to FY 2028-29 - Reg.

Ref: Objections raised by Sri M. Venugopala Rao, dt.23.12.2023.

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Referring to the objections raised by Sri M. Venugopala Rao, on filing of the ARR & Tariff applications for the Distribution business for the Control Period FY 2024-25 to FY 2028-29, the reply is furnished as hereunder.

Objections & Replies:

1. The DISCOMs have claimed that they have submitted their resource plan to the Commission on 30.4.2023 for the 5th control period. Public hearings were conducted by the Hon'ble Commission on the said resource plans and other plans of the licensees for the 5th and 6th control periods and orders were reserved. Since there is avoidable delay in holding public hearings and issuing its orders by the Hon'ble Commission, it is obvious that the DISCOMs have filed the subject petitions on the 30th November, 2023 based on their plans for the 5th control period, not on the basis of the said plans approved by the Commission. The proposals of the licensees for the 5th control period, as approved by the Commission, need to be factored in the RSTO for the FY 2024-25 for retail supply business of the DISCOMs. Interested stakeholders also are constrained to make their submissions on the subject petitions, without examining the orders of the Commission on the proposals and plans of the licensees for the 5th control period.
2. The DISCOMs have requested the Hon'ble Commission "to exercise suitable caution and recognise the current level of performance of the licensee, before fixing up performance benchmarks. As an example, the licensees which have already achieved significant level of efficiencies say in loss reduction cannot be expected to carry forward the same trend in the fourth control period, with the same loss reduction as the initial state of performance of the licensee. As such, recognising the different socio-economic and geographical conditions of the four distribution licensees, the

licensee earnestly submits that there should be sufficient flexibility in deriving different levels of norms. For example, different norms for O&M costs have to be allowed for base values for each Discom considering different consumer mix, assets and employee." Similarly, the DISCOMs should have filed details of their actual performance during the 4th control period, the reasons for variations, if any, in what is determined by the Commission and what is achieved by them during the control period. That is also necessary, along with projections of the DISCOMs for the 5th control period, to take a realistic view on their requirements and proposals.

Reply: The licensee computed Employee expense and A&G expense norms by considering the relevant expenses from previous three years' audited reports. Further, the 4th control period (until FY 22-23) actual capital expenses were already submitted to the Hon'ble commission in the filings of resource plan for 5th and 6th control periods. Further, the licensee is getting approval from the Hon'ble APERC for the Capital expense proposals other than those approved in MYT order to the Hon'ble APERC before executing the works. The reasons for variations thereof with regard to expense items will be submitted to the Hon'ble APERC in the true-up petition for distribution business to be filed after the completion of the 4th control period. Further, the licensee is submitting the requisite data sought by the Hon'ble APERC as and when it seeks data.

3. We have been requesting the successive Commissions to dispense with the system of MYT and adopt annual system for the businesses of the licensees for the reasons given by us. However, the successive Commissions have been adopting the MYT system on the ground that it is mandatory as per the EA, 2003, national policies and applicable regulations. In the RSTO for 2023-24, the Hon'ble Commission has made it clear that, as per Regulation 4 of 2005, the DISCOMs have to file ARR along with FPT with the Commission for determination of Tariff for (a) Distribution business (wheeling charges) and (b) retail supply business, for period of 5 years (called control period). The Commission has also pointed out that "it is reiterated that there are divergent views on multiyear tariffs for retail supply business. Only two or three States in the country have issued multiyear tariffs for retail supply businesses. The Commission has been strictly following the MYT principles for the determination of tariffs in respect of generation, transmission, and distribution businesses. In view of the uncertainty associated with various factors as explained supra by the DISCOMs including the uncertainty associated with the subsidy amounts to be extended by GoAP to various categories of consumers, the Commission has permitted the DISCOMs to submit their filings on annual basis for their retail supply businesses upto FY 2022-23 as this will not affect any stakeholder. FY 2023-24 being the last year in the control period, the Commission has granted permission similar to the earlier years." Irrespective of divergent views on MYTs, that the successive Commissions have been allowing, and rightly, the DISCOMs to file their ARR and tariff proposals for retail supply business on annual basis, i.e., deviating from the applicable regulation for valid reasons, makes it clear that the Hon'ble Commission has discretionary power to deviate from the applicable regulation in the case of filing of MYT petitions by the licensees. Without repeating our submissions underlining the need for dispensing with the system of MYT, we request the Hon'ble Commission to review the performance of the licensees relating to the MYT orders given by the Commission, as well as their true-up/true-down claims, on annual basis and issue its orders, after holding public hearings. In the immediate and long-term context, such annual exercises would facilitate corrections,

if required, annually, based on what is determined by the Commission in the MYT orders vs actual performance of the licensees for the FY concerned. It will also facilitate avoidance of accumulation of claims of true-up/true-down for a control period of five years. Such an exercise also will facilitate taking into consideration of actual performance of the licensees during the control period concerned, while examining their MYT proposals and issuing MYT orders for the next control period in time.

Reply: Under the purview of Hon'ble APERC

4. For the 5th control period, the three DISCOMs have projected the following capital expenditure for their distribution business:

SPDCL	Rs.20,087 crore
CPDCL	9,318
EPDCL	16,869
TOTAL	**Rs.46,274 crore**

Compared to the capital investment of Rs.13,548 crores - Rs. 9,239 crores for APSPDCL and Rs.4,309 crores for APEPDCL - approved by the Commission for the 4th control period, the projected capital expenditure for the 5th control period is higher by 341.56%. The DISCOMs proposed a capital investment of Rs.20,150 crore - Rs.13,937 crore by SPDCL and Rs.6,213 crore by EPDCL - for the 4th control period, and the Commission approved Rs.13,548 crore only, i.e., reduced the proposed investment by 67.24%. The DISCOMs should have submitted their actual capital expenditure for the 4th control period, with reasons for variations and subsequent approvals, if any, given by the Commission for additional capital investment during the control period. It would have facilitated a realistic appraisal of requirements of the DISCOMs for their investment plans for the 5th control period.

5. The DISCOMs have projected requirement of energy and peak demand at state level for the 5th control period as hereunder:

Parameters	**FY23**	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**	**CAGR**
Energy Req MU	72400	79472	85365	90924	99731	105179	111378	7.44%
Peak Demand MW	12293	13746	15226	16256	17831	18805	19913	8.37%

Compared to requirement of energy for the last year of the 4th control period 2023-24 of 79472 MU, the projected requirement of the same for the last year of the 5th control period 2028-29 of 113378 MU works out to an increase of 65%. Similarly, compared to peak demand of 13746 MW for 2023-24, the projected peak demand for 2028-29 of 19913 MW works out to an increase of 69%. Compared to the growth rates of energy required and peak demand at state level for the 5th control period, the growth rate of projected capital investment is abnormally high. Operation and maintenance and expansion of distribution network have been a regular process during all the control periods and the costs thereof also cover the rate of inflation. There has been serious concern in knowledgeable quarters over the way costs of various schemes and works of distribution system have been inflated. That the Hon'ble Commission had drastically reduced the projected capital cost for distribution business of the DISCOMs for the 4th control period is a testimony to it. For

example, while the cost of a single phase smart meter for 2018-19 was considered by APSPDCL as Rs.5000/-, the Hon'ble Commission reduced it to Rs.2500/-. The Commission pointed out, in the order for wheeling tariff for distribution business for the 4th control, that the licensees failed to comply with its directions to submit comprehensive proposals on various issues relating to the capital investment for reducing their projected capital investment during the 4th control period.

Reply (4 & 5): The capital investment projected for 5th control period is higher due to implementation of schemes such as RDSS involving smart prepaid metering for consumers and systems, loss reduction, system strengthening, agl DBT scheme etc., in addition to the regular capital investment to cater to the load growth. Further, increase in capital expenditure is also due to inflation and impact of COVID-19 restrictions on the supply chain management which led to hike in costs of major materials like Aluminum, Copper & Steel and the escalation in SSR rates (labor costs).

6. How tender process for purchasing materials by the DISCOMs is being manipulated can be understood from two letters dated 15.9.2023 and 25.9.2023 written by prestigious public sector undertaking BHEL-R&D to APSPDCL, protesting against its disqualification for supply of 11 kv feeders VCBs with CT and CRPs. Copies of the said letters, which are self-explanatory, are enclosed. I request the Hon'ble Commission to call for relevant documents pertaining to this issue from APSPDCL, examine the same, give appropriate directions to the DISCOM and make all the particulars public.

Reply: The matter pertains to APSPDCL

7. Regarding purchase of pre-paid meters, the DISCOMs have maintained, in their replies given to our submissions on long-term load forecast, procurement plan, etc., for the 5th and 6th control periods, that the Hon'ble judge of judicial preview has issued proceedings duly considering the objections and suggestions from the public and prospective bidders. The so-called judicial preview cannot sanctify the bidding process. A.P. Green Energy Corporation Ltd. went through the same judicial preview process when it floated tenders for 6400 MW of solar power. The Hon'ble High Court set aside that bidding process on the grounds raised by another private corporate house. On the direction of the GoAP, APGECL withdrew its appeal before the division bench of the High Court, may be, due to the apprehension that the appeal would be set aside. It shows how ineffective the so-called judicial preview was. When Hon'ble APERC is the appropriate authority for seeking approval for any changes in the process of bidding and its terms and conditions, the arrangement of so-called judicial preview, bypassing the Hon'ble Commission, is questionable and superfluous. The so-called judicial preview cannot come in the way of the Hon'ble Commission for exercising its legitimate authority to examine the whole issue of purchasing pre-paid meters thoroughly, making the details public, holding public hearings on the same and taking appropriate decisions and issuing directions.

Reply: Government of Andhra Pradesh has passed Act namely Andhra Pradesh Infrastructure (Transparency through Judicial Preview) Act, 2019 through Act No. 34 of 2019 dated 20th August 2019, with an intention to bring transparency in the infrastructure bidding process in the state through judicial preview thereby to ensure optimum utilization of public resources and for matters connected therewith and incidental thereto. The Judicial Preview will also ensure the conformity in procedure, rules and guidelines prescribed by State and Central Governments from time to time.

With due diligence APCPDCL followed standard Bidding Document (SBD) issued by Ministry of Power, Government of India during the entire bidding process. The Investment proposal of installing prepaid meters is approved by the Hon'ble Commission.

8. APSPDCL has informed (and given information in the subject proposals) that for 11 lakh agriculture services under the direct benefit transfer (DBT) scheme, the GoAP has accorded administrative sanction for Rs.3369 crore on 5.12.2022. After floating open tenders on 22.12.2022, the GoAP has revised the administrative sanction to Rs.4068.08 crore for the same scheme on 21.6.2023. SPDCL has informed that it concluded agreements for AMISP (Advanced metering infrastructure service provider – smart metering works) under RDSS for supply, configuration and integration of smart meters with operation and maintenance period of 93 months. Pre-paid smart meters will be fixed for Govt. Services, commercial, industrial and domestic service connections in a phased manner under RDSS scheme accordingly, it has explained. Similarly, APCPDCL has informed that for 5 lakh agriculture services under DBT scheme, the GoP has accorded administrative sanction for Rs.1531.36 crore on 5.12.2022 and revised it to Rs.1864.54 crore on 21.6.2023, i..e, enhanced by Rs.333.18 crore, i.e., by 21.75%. In its replies to our submissions, APEPDCL has informed that for 2.58 lakh agricultural pump sets, GoAP has accorded administrative sanction on 5.12.2022, but it has avoided to reveal the amount for which the said sanction is accorded. GoAP has accorded revised administrative sanction on 21.6.2023 for a sum of RS.956.41 crore for the same. The DISCOMs have not explained as to what warranted revision of the administrative sanction to enhance it by Rs.699.08 crore, i.e., by 20.75%, in the case of SPDCL and by Rs.333.18 crore, i.e., by 21.75%, in the case of CPDCL within a span of six months. EPDCL has to reveal the amount for which the first administrative sanction was accorded by the GoAP.

Reply: The Government of Andhra Pradesh has issued orders vide GO.MS. No.22 dt 01.09.2020, for implementation of "YSR Uchita Vyavasaya Vidyut Pathakam" by installation of Smart Energy Meters to all the Agriculture Services in the APCPDCL. Based on the monthly consumption, agriculture subsidy amount will be credited to the farmer's bank accounts and intern the same amount will be transferred automatically to DISCOM's Account under Direct Beneficiary Transfer (DBT) Scheme. The cost of the project will be borne by the GoAP in the form of subsidy along with electricity bills and there will be no burden on the farmers.

The GoAP has issued administrative sanction vide GO.RT.No.148, dt. 05.12.2022 for providing of smart meters along with allied materials to all Agl services in the DISCOM with a maintenance period of 60 Months. APCPDCL has invited open tenders and after floating of tenders, the operation and maintenance period was enhanced from 60 Months to 93 Months in line with RDSS Smart Metering Guidelines. Accordingly, APCPDCL has requested to GoAP for revised administrative sanction for discovered price in the tendering process with enhanced maintenance period of 93 Months. Accordingly, the GoAP has issued revised administrative sanction vide G.O.Rt.No.67, dt.21.06.2023.

Sl.No	Description	Administration Sanction	
		05.12.2022	21.06.2023
1	DBT Scheme - Allied Materials (in Rs. Crs)	615.04	681.16
2	DBT Scheme - Smart Meters (in Rs. Crs)	916.32	1,182.38
	Total (in Rs. Crs)	1,531.36	1,863.54

9. Neither the governments, nor the Central Electricity Authority, nor the DISCOMs, nor ERCs have any power to direct installation of pre-paid meters, without willingness of the consumers concerned to take the same. Section 47(5) of the Electricity Act, 2003, says, "A distribution licensee shall not be entitled to require security in pursuance of clause (a) of sub-section (1) if the person requiring the supply is prepared to take the supply through a pre-payment meter." Directions or orders of the authorities cannot override the applicable law. When the Hon'ble Commission had given its approval to the DISCOMs for procurement of pre-paid meters, was it given with any conditions? If consumers do not opt for pre-paid meters, what will the DISCOMs do with the pre-paid meters purchased by them? EPDCL has replied that the cost to be collected from the consumers will be determined by the Hon'ble Commission on submission of proposal of meters, implying that no such proposal was submitted by the DISCOMs and that the Commission had given its approval for procurement of pre-paid meters and related materials without considering that point. CMD of APCPDCL has reportedly said that a charge of Rs.86 per month for 93 months would be collected from each consumer for installing these meters (The Hindu: August 26, 2023).

Reply: The Smart Metering works (AMISP) is being taken up in APCPDCL is as per the guidelines issued under RDSS by the Ministry of Power, Government of India. Hon'ble Commission has approved the Investment plan for Smart Metering works in APCPDCL under RDSS.

10. As per the information furnished by the DISCOMs, only three companies -1. Shirdi Sai Electricals, Ltd., YSR Kadapa district, 2 Genus Power Solutions Private Ltd., Noida, UP, and 3.Adani Transmission Ltd., Ahmedabad, Gujarat, participated in the bidding for supply of pre-paid and other smart meters. They have not furnished the information as to how many companies participated in the pre-bid meetings. As per information furnished by EPDCL, Only Shirdi Sai and Adani were qualified in the technical bid opened on 17.1.2023. In the price bid opened on 28.2.2023, Adani Transmission emerged L-1 bid quoting a contract value of Rs.1807.009 crore. After reverse bidding, Adani quoted Rs.1526.92 crore and after negotiations, the contract value was Rs.1045.34 crore. In other words, Adani reduced the contracted value by Rs.761.669 crore compared to the amount quoted in the price bid, i.e., reduced it by 41.15%.

Reply: Pertains to APEPDCL

11. As per the information furnished by APSPDCL, Adani quoted Rs.2288.25 crore in the price bid. After reverse tendering, it quoted Rs.1990.78 crore. After negotiations, contracted value was Rs.1386.93 crore. In other words, Adani reduced the contracted value by Rs.901.32 crore compared to the amount quoted in the price bid, i.e., reduced it by 45.27%.

Reply: Pertains to APSPDCL

12. APCPDCL has not provided details of price bid values, values after reverse tendering and values for which contract was awarded. It has simply sent cost analysis report of a private consultant. Neither the DISCOMs, nor the reports of their private consultant, have made it clear whether the contracts for purchase of pre-paid meters and their maintenance are already awarded or not and if awarded at what price per meter for each category of meter and annual maintenance charges per meter.

Reply: The following companies participated for pre bid meeting conducted on 19.12.2022 in respect of AMISP for smart metering project tender in APCPDCL under RDSS

Sl.No	Firm
1	M/s Linkwel Telelinks (P) Ltd
2	M/s Elsource
3	M/s Monte Carlo Pvt Ltd
4	M/s Elsource
5	M/s Intellismart
6	M/s JIO
7	M/s Genus Power

The details of the tender are given below

i.Tender Number – CGM/Proj/APCPDCL/VJA/RDSS-AMISP/Sip.No.06/2022-23

ii.ECV – 793Crores

iii.Number of Participants – 4 No's

- M/s Shirdi Sai Electricals, YSR District, Ap.
- M/s Genus power Solutions Pvt Ltd, Noida, UP.
- M/s Adani Transmission limited, Ahmedabad, Gujarat.
- M/s Fluent Grid Limited, Vishakhapatnam, AP.

iv.Technical Bid was opened on 17.01.2023.

Pre-Qualified Bidders – 2 No's

- M/s Shirdi Sai Electricals, YSR District, Ap.
- M/s Adani Transmission limited, Ahmedabad, Gujarat.

v.Price Bid was opened on 28.02.2023

- L1 Bidder - M/s Adani Transmission limited, Ahmedabad, Gujarat.

vi.Quoted Contract value - Rs. 2205.3 Crores

vii.Reverse Tender Date – 01.03.2023

viii.Quoted price by L1 Bidder after reverse Tendering – Rs. 1896.55 Crores

- L1 Bidder - M/s Adani Transmission limited, Ahmedabad, Gujarat.

ix.Awarded Contract value after negotiations – Rs. 1280.73 Crores.

13. The above details show how exorbitant the contract values quoted by Adani in the price bids are. They also indicate that the awarded contract value includes profit. By implication, it is evident that Shirdi Sai quoted contract values in the price bids more than what were quoted by Adani. It indicates that the bidding process was manipulated to show apparently that there was competitive bidding and that the DISCOMs negotiated efficiently to get the quoted contract value reduced by 41.15% by L-1 bidder. In the process a crony capitalist group is favoured.

Reply: The smart metering tenders were floated through AP-e procurement as per the guidelines of RDSS. The tendering process is a systematic procedure adopted by the AP-e procurement portal. DISOCM negotiated the lowest quoted price by the L1 bidder to get the competitive price. The discovered lowest price by the L1 bidder is already communicated to the M/s PFC Ltd, New Delhi (Nodal Agency).

The Cost Analysis was done by comparing the Awarded price of APCPDCL with awarded rates of DISCOMs of other states across India under RDSS Scheme.

S. No.	DISCOM	1-Ph Meters (Nos.)	1-Ph Meters (INR per meter per month)	3-Ph Meters (Nos.)	3-Ph Meters (INR per meter per month)	DT Meters (Nos.)	DT Meters (INR per meter per month)
APCPDCL final Negotiated offer from M/s Adani transmission		7,23,131	**95.99**	**1,09,220**	**185.87**	**1,13,650**	**265.62**
1	APDCL Package-1, Assam	6,73,000	96.14	7,400	123.26	11,353	563.5
2	APDCL Package-2, Assam	6,83,000	96.54	8,000	129.34	11,872	640.04
3	APDCL Package-3, Assam	7,00,000	94.53	11,200	126.8	11,740	637.49
4	APDCL Package-4, Assam	7,21,000	97.08	12,800	129.34	18,044	640.04
5	APDCL Package-5, Assam	7,34,000	94.53	15,300	126.8	11,134	637.49
6	APDCL Package-6, Assam	7,45,000	108.43	12,700	164.8	13,404	475.06
7	PVVNL, Uttar Pradesh	58,32,464	90.48	2,97,290	127.93	5,31,164	329.06
8	TSECL, Tripura	4,02,686	109.48	10,328	150.46	10,893	279.2
9	PGVCL, Gujarat	20,01,895	92.59	2,28,041	117.58	1,09,130	264.28
10	DGVCL, Gujarat	14,77,850	93.45	1,81,833	122.51	82,336	264.06
11	CSPDCL-Package 1, Chhattisgarh	25,01,113	90.26	1,67,704	126.84	-	-
12	CSPDCL-Package 2, Chhattisgarh	15,73,545	87.28	2,05,818	130.25	-	-
13	13 DVVNL (Agra-1, Agra-2 & Aligarh)	24,09,789	81.26	34,649	127.09	99,932	349.8
14	PuVVNL (Prayagraj & Mirzapur)	20,40,005	78.58	66,375	122.96	1,70,995	332.1
15	PuVVNL (Varanasi & Azamgarh)	25,15,516	81.28	53,469	126.5	1,53,788	335.64
16	Mizoram PD	272866.0	158.44	16,517	202.84	2,270	511.91
17	BEST, Maharashtra	901212.0	126.32	1,68,419	183.81	3,398	191.02

The majority quantities are Single Phase Prepaid Smart meters which cover almost 74% of the Entire project quantities. The awarded rates of Single-phase prepaid meters are almost comparable to DISCOMs of other States. For DT Metering (covering 11% of the project quantities) awarded rate is less when compared to other states.

From the above comparative table of the awarded rates of DISCOM of other states it is evident that the negotiated awarded price for APCPDCL is less than most of the DISCOMs of other states for almost 85% of the awarded quantities.

Thus, the claim that bidding process was manipulated to show competitive bidding is not true.

14. The reports of cost analysis made by a private consultant "Advisor" engaged by the DISCOMs show that a number of companies participated in the biddings relating to purchase of pre-paid meters by several other states. They are : Apraava Energy Private Limited, Genus Power Infra Limited, Hi-Print Metering Solutions Pvt. Ltd. (Genus), Adani Transmission Limited, Intellismart Infra Private Limited, Tata Power Company Limited, GMR Mining & Energy Private Limited, NCC Ltd., and Secure Meters. Shirdi Sai Electricals Ltd. did not figure in the list of companies who participated in the biddings floated by other states. It can be presumed that Shirdi Sai is not a serious bidder in the tenders floated by AP DISCOMs in view of the fact that it must have quoted much higher contract value exceeding the very high contract value quoted by L I in the price bid. That Shirdi Sai did not participate in reverse tendering and later in negotiations with the DISCOMs underlines need for examining what those terms and conditions were. Even if they participated, those details are not furnished by the DISCOMs. It is intriguing as to why only three companies participated in the bidding floated by AP DISCOMs. What were the terms and conditions for bidding that went through the so-called judicial preview and whether any changes have been made

later before floating the tenders need to be examined. That several other companies in the country did not participate in the bidding indicates that the terms and conditions and the process of bidding were skewed to avoid their participation. Or, is it that the situation in the state is not conducive in politico-corporate-bureaucratic terms to other companies to participate in the bidding, but conducive only to crony capitalists being pampered by the governments at the centre and in the state? Needless to say that terms and conditions of bidding should give scope for wider participation of bidders in the country to ensure real competition and the benefit of competitive prices and charges.

Reply: APCPDCL has invited open tenders through AP-e procurement portal for providing smart meters to system metering and pre-paid smart meters to consumer metering as per the guidelines issued by the MoP/GoI under RDSS. Prior to floating of the tender, the bidding document was prepared in line with Standard Bidding Document (SBD) published by REC and obtained clearance from Judicial preview without making any changes. As such the claim that terms and conditions were skewed is not correct.

Further, tender notice was published in newspapers (Regional & National) for giving wide publicity for participation of a greater number of bidders for competitive prices. The list of participants mentioned have liberty to participate in open tendering. Also, APCPDCL conducted pre bid meeting with following list of companies.

Sl.No	Firm
1	M/s Linkwel Telelinks (P) Ltd
2	M/s Elsource
3	M/s Monte Carlo Pvt Ltd
4	M/s Elsource
5	M/s Intellismart
6	M/s JIO
7	M/s Genus Power

15. The total consumers in the state are 1,96,78,976, as per the information furnished by the DISCOMs. Under phases I and II, the DISCOMs are installing pre-paid meters to 38,63,537 service connections. As per the report of the private consultant, the weighted average cost of pre-paid meters in A.P. works out to R.13,578 to Rs14319, whereas the same works out for other states to Rs.12047 to Rs.12713. Prices worked out under three methods are different. Going by the three methods based on which the prices are worked out in the said report are higher than the weighted average cost discovered in other states. What are the rates for which the DISCOMs are awarding the contract is not mentioned specifically.

Reply: Under Phase-1, APCPDCL has programmed to roll out 9.78 lakh of pre-paid smart meters to all Government, Commercial & Industrial Consumers, (excluding Agriculture) and to all the 11 KV Feeders & Distribution transformers with 25 KVA and above rating. The total single phase pre-paid smart meters being provided for 7.23 lakh of consumers (74%) @ Rs. 8,927. The remaining meters are 3-Phase meters of CT meters, HT meters, Feeder meters & DT meters, whose meter cost includes cost of CTs, PTs, cables & sundries.

16. The charges for maintenance per meter per month are higher. No comparison with the present expenditure for maintenance of post-paid meters is shown. Under the present post-paid arrangement, meter reading is being taken every month and bills are being issued. For D-list operations, that is, disconnecting service connections for delay in paying bills and reconnecting them, the DISCOMs have been collecting applicable charges from the consumers. Therefore, under the pre-paid system, the question of saving to the DISCOMs does not arise, because the DSCOMs are not bearing any expenditure, excepting collecting charges applicable from the consumers. Under the post-paid arrangement, the DISCOMs are collecting security deposits from the consumers equivalent to billing for two to three months and collecting additional security deposit as and when the consumption exceeds the contracted capacity. At the same time, interest on security deposits is being paid to consumers. The assumption that under the pre-paid arrangement, there will be saving of interest to the DISCOMs implies that no interest will be paid to the consumers for the amounts pre-paid, while the DISCOMs get rebate for paying bills before due date to generators for power supplied. Under the prepaid arrangement, the DISCOMs get benefit at the cost of consumers. The grant being given by the GoI under RDSS for installing pre-paid meters is a one-time affair. After useful life span of the pre-paid meters expires, apart from bearing higher burden for their maintenance during the proposed 93 months, the consumers will be compelled to bear repetitive burdens for replacing old meters with new meters periodically. The proposed pre-paid arrangement would impose additional burdens on the consumers. Regarding computation of corporate overheads, installation charges and O&M expenses to be paid to AMISP, it is made clear in the report of the private consultant that "while the actual compensation for the above may vary across the levels, we have considered only allocated cost for computations." In other words, the maintenance charges estimated are not final and may increase further.

Reply: With regard to the provisions of security deposit, disconnection, treatment of arrears and billing, will adhere with the directions issued by the Hon'ble Commission. AMISP charges are fixed for entire life cycle of 93 months. Cost of replacing the smart meter after the O&M period will not be passed to the consumer

17. Since the entire maintenance of the system of pre-paid arrangement will be entrusted to a private company, they will have access to all the information relating to various categories of consumers. As proposed by the GoI, when private companies are allowed to take up power distribution in areas of their choice, the information available with the private company which operates and maintains the entire pre-paid system will help the private DISCOMs for cherry-picking. Adani group has already entered into the distribution and transmission business also elsewhere in the country and will continue to do so. Adani Transmission Limited and Bosch Global Software Technologies Private Limited, Bangalore, have entered into a consortium agreement on 8.12.2022 and this consortium is the "selected bidder". As per available information, not furnished by the DISCOMs, the latter are entering into agreements for appointment of Advanced Metering Infrastructure (AMI) Service Provider (AMISP) for smart pre-paid metering by replacing the existing meters to all government, domestic (confining to Amrut Cities), commercial and industrial consumers (excluding agriculture) and to all the 33 KV& 11 KV feeders and distribution transformers with 25 KVA and above rating in the districts within the jurisdiction of the DISCOM concerned in TOTEX mode on DBFOOT basis. Adani Transmission Step Seven

Limited is the AMISP for the purpose of this agreement. The DISCOMs have not made it clear whether they have entered into the said agreement and not revealed the terms and conditions therein.

Reply: APCPDCL submits that M/s Adani Transmission Limited, Ahmadabad has been selected for "Appointment of Advanced Metering Infrastructure Service Provider (AMISP) for Smart Prepaid Metering and System metering by replacing the existing meters to all Govt., Commercial, Industrial & Domestic (>200 U) Consumers (excluding Agriculture) and to all the 33KV & 11KV Feeders and Distribution Transformers with 25KVA and above rating , in the erstwhile revenue districts of Krishna, Guntur & Prakasam within the Jurisdiction of the APCPDCL in TOTEX mode on DBFOOT basis" under RDSS Scheme.

Accordingly, APCPDCL has entered into agreement for providing of smart meters/pre-paid smart meters for system metering/consumer metering including O&M period of 93 months as per the terms and conditions therein.

18. In its directive No.26, the Hon'ble Commission has stated that "regarding the material procurement at comparatively higher rates, the DISCOMs are directed to apprise the Commission of the rice at which they procured the important items such as DTRs, Power Transformers, conductors, poles, etc during the last year with the comparison of the rates at which the utilities in neighbouring stats procured the same during the same period (last year) within 45 days from the release of this Order for passing appropriate directions in this regard." The observation of the Hon'ble Commission about material procurement at comparatively higher rates must have been made based on information available to it or considered by it. In response to the same, APCPDCL has given data relating to different items comparing rates at which TSDISCOMs procured the same materials partially. No comparison is made with other neighbouring states. Even the limited data given by CPDCL confirm that compared to the prices at which TSDISCOMs purchased the indicated materials, the prices paid by it are higher. It is not known whether the Hon'ble Commission has passed any appropriate directions in this regard to the APDISCOMs, as no details have been made public. Copy of a report, explaining how rates of transformers and other materials are inflated abnormally, published in Andhra Jyoti dated 27.10.2023, is enclosed. Comparison of prices paid by DISCOMs of a neighbouring state/states alone may not be sufficient to justify the prices being paid by APDISCOMs, because the purchases made by DISCOMs of some other states cannot be taken for granted as outcome of real competitive bids. Prices for materials concerned prevailing in the market in the year and period of purchase need to be ascertained for any realistic and objective comparison. In view of the very limited comparison of prices, we request the Hon'ble Commission to examine the entire process of how biddings are conducted, their terms and conditions, and purchasing the said materials by APDISCOMs and comparing prices prevailed in the market during the said year and prices paid for the same materials by power entities in other neighbouring states by calling for all relevant records from APDISCOMs and issue appropriate orders and make the details public so that the same can be examined by interested public to make their submissions during the public hearing on true-up claims for distribution business of the DISCOMs for the 4th control period and for the Commission for finalising MYT for distribution business for the 5th control period.

Reply: The cost of DTRs, PTRs, Conductor & Poles procured by various DISCOMs of Andhra Pradesh and some of the other states is furnished vide annexure (3Nos.) enclosed. The comparison of rates of DTRs and PTRs has to be done by considering the uniform specifications of the equipment's, then only comparison is possible.

1) For comparing the rates of DTRs, all the aspects such as mentioned below have to be considered.
   i) Design aspects.
   ii) Type and grade of core material used.
   iii) Winding wire material used.
   iv) Winding wire sizes.
   v) Weight of core and windings
   vi) Core type (or) shell type Transformers
   vii) Transformer tank design and its weight
   viii) Type of Transformer Oil used and quantity of oil used.
   ix) Iron loss and copper losses
   x) Guarantee period
   xi) Quality of insulation material used.
   xii) Workman ship with high Tech methods etc.
   xiii) Price variation, penalty clauses
   xiv) Star rating of DTRs
   xv) Payback period for the difference amount of the cost of Distribution Transformer.
   xvi) Amount saved with the energy losses in life period of 25 years of the Distribution Transformer etc.
   xvii) DTR testing clauses (Type tests, routine tests, acceptance tests)
   xviii) Vendor premises evaluation conditions
2) For comparing the rates of PTRs, all the following aspects have to be considered.
   i) Design aspects
   ii) Quality of Insulation materials
   iii) Winding methodology used
   iv) Winding wire sizes.
   v) Type and grade of the core material used.
   vi) Core, windings, Tank weights, Oil quantity
   vii) Price variation, penalty clauses
   viii) Guarantee period clauses etc
   ix) Workmanships
   x) DTR testing clauses (Type tests, routine tests, acceptance tests)
   xi) Vendor premises evaluation conditions
3) In general, the suppliers consider the items such as actual payment period, transportation distances etc while quoting their bids and hence material cost depends on the said factors also. The annexures are here with enclosed.

19. The DISCOMs have projected their O&M expenses (in Rs. crore) year-wise for the 5th control period as hereunder:

DISCOM	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
SPDCL	3,351	3,309	3,660	4,222	4,605	4,959
CPDCL	1,459	1,606	1,784	1,994	2,230	2,473
EPDCL	2,489	2,835	3,248	3,757	4,303	4,836

Compared to their O&M expenses for the last year of the 4th control period (2023-24), the projected O&M requirements of the DISCOMs for the last year of the 5th control period (2028-29) are higher by 67.57% for SPDCL, 58.99% for CPDCL and 95.38% for EPDCL. Since the components of O&M expenditure are being determined on normative basis, they need to be revised downwards as per relevant factors of capital investments to be approved by the Commission and assets approved to be created.

Reply: The licensee arrived O&M expenses after taking into consideration of factors such as inflation, future provisions towards pensions of APSEB origin employees, capital expenditure and previous years expenses.

20. The DISCOMs have shown value of asset additions during the 5th control period to the tune of Rs.64,922 crore - SPDCL Rs.27,572 crore, CPDCL Rs.15,438 crore and EPDCL Rs.21,912 crore. Compared to the projected capital investment of Rs.46,274 crore, the value of projected asset additions during the 5th control period is higher by 40.29%. It implies that backlog of the 4th control period also is going to be included in the asset additions during the 5th control period. It has various implications. In such a case, the capital investment should be less than what is approved by the Commission for the 4th control period. The wheeling charges fixed for that control period would turn out to be higher. The projected works under capital investment for the 4th control period also must have been inflated or they have not been required at the projected level for the same control period. If the projected works under approved capital cost are required during the 4th control period, it is clear that there has been deficiency in creating required assets during the same control period. It also indicates that there would be true-down for the 4th control period, unless there has been cost escalation exceeding the capital and non-capital expenditures approved by the Commission. In view of the same, there is need for effective and transparent prudence check of prices for materials and expenditures projected for the 5th control period, following serious concerns being expressed that they are inflated unrealistically and abnormally, to reduce the projected capital investment and value of asset additions for the 5th control period.

Reply: APCPDCL submits that the approved capital expenditure works of AP DISCOM's for the 4th control period is Rs.24,162Cr getting spilled over to the 5th Control period's asset additions. At the same time 5th control period projected capital expenditure works Rs.46,274Cr are getting capitalized (converted to assets and put into use) in the proposed 5th control period itself. That is why the net asset additions of 5th control period Rs.64,922Cr are higher than projected capital investment

21. For the 5th control period, while SPDCL and CPDCL have adopted the depreciation rates as per the guidelines of the Ministry of Power, GoI, EPDCL has adopted the same as per the rates notified by CERC. We request the Hon'ble Commission to consider the rates of depreciation of MoP, GoI, or CERC, whichever are lower, so as to reduce the burden of frontloading the tariff.

Reply: Under the Purview of Hon'ble APERC

22. The DISCOMs have shown rates of interest on loans differently and at higher level. Weighted average rates of interest shown for the 5th control period by SPDCL range from 9.75% to 10.12%, those of CPDCL range from 10.8% to 11.7% and of EPDCL range

from 9.08% to 11.24%. Though the DISCOMs highlight "financial assistance" from the GoI under Revamped Distribution Sector Scheme (RDSS), subject to achieving targets of operational performance by the DISCOMs within the stipulated time, the rate of interest being charged on loans granted by PFC and REC Limited is as high as 12.15%% on some of the loans granted by them. In other words, whatever "financial assistance" the DISCOMs may get from GoI under RDSS, a considerable part of it is taken back in the form of higher rates of interest being charged by its entities PFC and REC. We request the Hon'ble Commission to re-examine the projected interest rates and determine the same in a realistic manner in tune with interest rates prevailing in the market. Also, the Hon'ble Commission may direct the DISCOMs to resort to swapping of loans with high interest rates with fresh loans at relatively lower rates of interest to the extent available.

Reply: All the possible steps will be taken for swapping of higher rate of interest loans to the extent possible lower rate of interest duly consulting with the other Financial Institutions.

23. The DISCOMs have shown different rates of income tax. APCPDCL has shown a rate of 15%, while SPDCL has shown a rate of 17.47% and EPDCL a rate of 20%. Why different rates of income tax are being projected by the DISCOMs? Why cannot all the DISCOMs opt for the lowest rate of income tax? Moreover, since RoE @ 14% on 25% of regulatory rate base is being paid by the consumers as a part of tariffs, imposing the burden of income tax on RoE would be tantamount to penalising them for the amount they have already paid in the form of RoE. Moreover, rate of RoE has been and continues to be higher than the rate of interest. Income tax is to be paid by the entity or person who derives that taxable income, not by others. The amounts of RoE claimed by the DISCOMs and the rates of income tax shown by them make it clear that they afford to pay and bear the income tax, without passing it through to the consumers. Therefore, we request the Hon'ble Commission to dispense with this obnoxious and iniquitous arrangement by recording valid reasons in writing for deviating from the applicable regulation, or by incorporating a clause in the applicable regulation, that income tax on RoE and other taxable income of the licensees shall be borne by them only and shall not be allowed as a pass through to be collected from consumers, directly or indirectly.

Reply: The APCPDCL computed taxes on income @15% of RoE. As the taxes on income are the legitimate expenses under the regulatory regime, the same shall be received from the consumers.

24. The DISCOMs have projected their revenue requirement (in Rs. crore) year-wise (net transferred to retail supply business) for the 5th control period as hereunder:

DISCOM	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**
SPDCL	4,227	4,490	5,502	6,800	7,835	8,770
CPDCL	1,936	2,161.32	2,545	3,262	4,185	4,946
EPDCL	2,625	2,863	3,613	5,277	6,662	7,558

Compared to their revenue requirement for the last year of the 4th control period (2023-24), the projected revenue requirements of the DISCOMs for the last year of the 5th control period (2028-29) are higher by 207.47% for SPDCL, 255.47% for CPDCL and 287.92% for EPDCL. The DISCOMs have claimed wheeling charges to recover their entire projected revenue requirements with similar higher percentages of increase.

Reply: Already replied in earlier paras

25. The projected growth in requirement of energy and peak load and capital investment required for strengthening and expansion of the distribution system for the 5th control period are interlinked. Had the Hon'ble Commission given its orders on the long-term load forecast, procurement plan, etc., of the licensees for the 5th control period, that would have provided the basis for projections in the subject petitions and submissions to be made by interested stakeholders. Nevertheless, a realistic assessment and determination of these projections, expenditures and revenue requirements projected by the DISCOMs in the subject petitions by the Hon'ble Commission would lead to substantial reduction in capital investment, other expenditures and revenue requirement of the DISCOMs for their distribution business for the 5th control period. It would lead to substantial reduction in the wheeling charges proposed by the DISCOMs for the 5th control period.

Reply: As explained for the item No:4 & 5.

26. Compared to the targets of reduction of distribution losses for the 4th control period, the targets proposed by the DISCOMs for reduction of the same for the 5th control period indicate that they could not achieve the said targets for the 4th control period. It is strange that SPDCL has projected its distribution loss trajectory for the 5th control period, i.e., proposed reduction of distribution loss is less than what it proposed for the 4th control period, i.e., the percentage of distribution loss during the 5th control period is more than what was proposed by it for the 4th control period. Similar is the case with EPDCL. Though the DISCOMs have maintained that the Commission has "to exercise suitable caution and recognise the current level of performance of the licensee, before fixing up performance benchmarks," it is to be noted that the Commission fixed targets for reduction of distribution losses for the 4th control period marginally increasing the targets proposed by the DISCOMs themselves. For making the proposals for distribution loss reduction during the 5th control period, the DISCOMs have claimed that they have taken various steps to reduce losses and that based on the historical performance and the measures taken for loss reduction in the state. For the first four years of the 4th control period, EPDCL has exceeded the targets approved by the Commission at LT level, but lagged behind the targets at 11kv and 33 kv levels. SPDCL has not shown details of its performance during the 4th control period in reduction of distribution losses. "The historical performance and the loss reduction measures carried out" are found to be inadequate. Despite starting implementation of RDSS and to be continued during the 5th control period, the distribution loss reduction targets proposed by the DISCOMs for the 5th control period are not realistic and justifiable. It shows lack accountability on the part of the DISCOMs to improve their performance to the targeted levels, despite spending approved capital and non-capital investments for taking the proposed measures. The untenable contention implied in the submission of the DISCOMs is that their historical performance and measures taken for reduction of distribution losses are optimum. The trend of their inflating costs for materials and non-capital expenditure is not getting reflected in the trend of distribution loss reduction. This calls for a realistic and efficient prudence check and assessment of all applicable factors by the Hon'ble Commission. We request the Hon'ble Commission to take a realistic and holistic view of the factors concerned and fix targets appropriately for reduction of distribution losses during the 5th control period, making the DISCOMs accountable for the same.

27. Taking the above-mentioned points, among others, into consideration, we request the Hon'ble Commission to reduce capital and non-capital expenditures, revenue requirement and wheeling charges proposed by the DISCOMs considerably, besides determining the levels of different aspects of their performance objectively.

Reply: Already replied in earlier paras

28. One of the objectives of RDSS is reduction of the AT&C losses to pan-India levels of 12-15% by FY 2024-25. What are the AT&C losses of the DISCOMs at present? Will they be able to achieve the objective of reducing the same to 12-15% by next financial year? Since collection efficiency is one of the ingredients of the so-called AT&C losses, collection of accumulated dues of power bills, especially from the entities and departments of GoAP and local bodies, and dues of subsidy the GoAP has to pay turns out to be one of parameters for efficiency improvement. Affordability of power supply to consumers through a financially sustainable and operationally efficient distribution sector has its inherent limitations, because policies and directions of the GoI and GoTS, which are leading to increase in cost of generation and supply of power, are outside the purview of regulatory process. Since the Hon'ble Commission has been determining ARR of the DISCOMs, after factoring cross subsidy, tariff hike, etc., and subsidy the GoAP is agreeing to provide every year, and allowing permissible true-up claims of the DISCOMs, it, in effect, is bridging the gap between ACS and ARR, and RDSS has nothing to do with it. The other works proposed under RDSS have to be taken up, even without RDSS, by the DISCOMs periodically even otherwise as a part and parcel of strengthening and expanding the distribution system. Will the DISCOMs get "financial assistance" from the GoI under RDSS, if they cannot achieve the stipulated objectives within the time limits fixed?

Reply: APCPDCL submits that as per the RDSS Guidelines issued Vide Lr.No.REC/RDSS/21-22/18, Dt 29.07.2021, "For works other than metering works under Part A, counterpart funding for 40% other than the grant will be provided to the DISCOM/ State Government". DISCOM can raise funds from REC, PFC, Banks & other FIs. Further, counterpart funding from bilateral/multilateral funding agencies can also be leveraged for which the Government of India would extend benefits of reduced Government Guarantee fee. The loan may be drawn at any stage of the project, whenever grant funds are not available to meet the obligations of the project. After grant is disbursed, the DISCOM may prepay the loan component to the extent of the grant disbursed, for which no prepayment shall be levied by REC and PFC, in case loan is taken from them.

APCPDCL has already applied for counterpart funding to PFC under RDSS.

In addition to this APCPDCL is working aggressively to complete the works within prescribed timelines.

29. We would like to remind the Hon'ble Commission that, in our submissions dated January 31, 2022, on the ARR and tariff proposals of the DISCOMs for the year 2022-23, we submitted the following points:

"1. The Discoms have replied that they have submitted ARR filings to the Hon'ble Commission as per the direction of the GoAP given in GO Rt.No.161 dated 15.11.2021. However, the Discoms have not explained the purpose for which the GoAP has given the direction to them to submit tariff proposals to the Hon'ble Commission without taking into account any Government subsidy; nor have they responded to the points

raised by me. When I have pointed out that the real purpose of that direction of the GoAP is to implement the direct benefit transfer (DBT) scheme being advocated by the Modi Government at the Centre, the Hon'ble Chairman, Justice C V Nagarjuna Reddy garu, has asked me as to why the DBT system is objectionable. As submitted during the public hearing, I am giving my views on the issue hereunder:

a) It is proposed by the GoI in the amendments to the Electricity Act, 2003, that consumption of electricity by the consumer shall be metered and charges shall be paid in accordance with the tariff determined by the appropriate Commission and that where the State Government or any other agency (and the Central Government also) proposes to provide any subsidy to any category of consumer, it shall be through direct benefit transfer. This kind of arrangement would affect the interests of the hitherto subsidised consumers.

b) In States like Andhra Pradesh and Telangana where the scheme of free supply of power to agriculture, without metering pump sets, is being implemented, the proposed change of collecting charges from them and paying subsidy through direct transfer to their Bank accounts would invite strong resistance from the farmers, leading to social turmoil. The consequences of such social unrest will have to be faced by the State Government, with the Government of India taking no responsibility and accountability for the same.

c) It will complicate the entire process and increase the work burden of the distribution licensees and the State Government. For DBT, the Government has to make arrangements for opening bank accounts of the subsidised consumers in the entire State and collecting and maintaining that information. They have to verify the power bills issued by the Discoms every month and work out the amount of subsidy to be provided to every subsidised consumer based on his/her consumption shown in the power bill. Compared to the present arrangement of paying agreed subsidy in twelve equal monthly instalments in advance to the Discoms directly by the Government, the DBT will be problematic, saddling the Govt., the subsidised consumers and the Discoms with avoidable work and risks. Instead of providing the subsidy amount directly to the Discoms, as has been the standard practice over the years, what benefit is going to accrue either to the Government, or the Discoms, or the agricultural and other subsidised consumers, through this circuitous arrangement of depositing subsidy amount in the individual accounts of the farmers and other subsidised consumers and then transferring that amount to the Discoms by the Government is inexplicable.

d) If more power is supplied to agricultural consumers, exceeding the quantum determined by the Commission for a particular financial year, the Govt. is providing additional subsidy. In the case of other subsidised consumers, if their consumption exceeds, for the excess consumption, with no provision of cross subsidy and Government subsidy, additional burdens are being imposed on them in the form of true-up claims of the Discoms on par with subsidising consumers. If subsidy is provided under the DBT, the Government will have to provide additional subsidy to the subsidised consumers, even for their excess consumption based on their monthly bills. If such is the lofty purpose with which the Government wants to implement the DBT, it can provide additional subsidy to additional consumption of subsidised consumers by dispensing with the system of true-up/true-down and permitting the Discoms to include their variations in

expenditures and resultant revenue gap of a financial year in the ARR of the next financial year. We have already submitted this proposal to the Hon'ble Commission, giving detailed reasons therefor.

e) The very purpose of free supply of power to agriculture and some categories of consumers and subsidised supply of power to some other consumers like the lower slabs in the LT domestic and commercial categories is that, as a part and parcel of redistributive social justice, and as the said consumers cannot afford to pay power tariffs without subsidies, the present arrangement is being implemented. That is the purpose why cross subsidy also is being provided to the subsidised consumers. If cross subsidy is discontinued as is being proposed by the GoI, for free supply of power to agriculture, the entire cost will have to be borne by the GoAP as subsidy either under the present arrangement or the proposed DBT, or tariffs will have to be determined and imposed.

f) If agricultural consumers of power and other subsidised consumers have to pay power bills every month as per cost of service, which is more than Rs.7 per kwh, it will be very difficult for them to pay such higher amounts. In such a situation, if the State Government does not transfer subsidy in time to the accounts of the subsidised consumers, the latter will continue to be saddled with the burden of higher power tariffs. If such consumers cannot pay higher tariffs, will their services be disconnected by the Discoms? If the Discoms won't disconnect such services, the dues will get accumulated, forcing the Discoms into financial problems. If they disconnect such services, the consumers will face difficulties.

g) The Discoms have submitted that they are receiving tariff subsidy amount regularly from the Govt. of A.P for the current financial year 2021-22. They have also informed that they are trying to get the old dues of subsidy from the GoAP. If the GoAP provides the subsidy it agrees to provide regularly and in time, there will be no problem to the Discoms. If GoAP does not provide the agreed subsidy accordingly, the Discoms face financial problems. Under the DBT, if the GoAP does not provide the agreed subsidy to the consumers concerned directly, the latter will face problems. Therefore, the root cause of the problem is in not providing the agreed subsidy by the Government, whether it is to the Discoms or to the consumers concerned. If the Govt. honours its commitment to provide subsidy as agreed by it, under the present arrangement of factoring the same in the tariffs and providing to the Discoms directly, there will be no problem and there will be no need for the DBT scheme. If the Govt. does not honour its commitment to provide subsidy to the consumers directly, the proposed DBT system cannot prevent or resolve the problem arising from the failure of the Government.

h) As already noted, the Discoms have to receive thousands of crores of Rupees from the GoAP towards subsidy and the dues include subsidy to be provided to SC and ST consumers also. In other words, where DBT system is already being implemented by the Government to certain categories of consumers, dues of subsidies are continuing. The Government is flouting its own decisions and commitments with impunity. There is no guarantee that such a situation will not recur and continue in the case of other consumers for whom the Government proposes to implement the DBT system.

i) If the Government does not provide the subsidy it agrees to provide to consumers of its choice directly to the Discoms under the present arrangement, the Discoms will be in trouble for delay in getting the subsidy amount. Under DBT, if the Government does not provide the subsidy it agrees to provide to consumers of its choice – it need not even convey the same to the Commission – the subsidised consumers will be in trouble; it will be difficult for them to continue to pay full cost recovery tariffs to be determined by the Commission. In other words, the burden and problems that may be created due to failure of the Government to provide the subsidy it agrees to will be shifted from the Discoms to the subsidised consumers under the DBT system.

j) After factoring cross subsidy, the Hon'ble Commission is determining the tariffs for different categories of consumers and getting a written commitment from the Government on subsidy it agrees to provide to consumers of its choice and based on that final tariffs are being determined in the retail supply tariff order. Despite the direction of the Commission to provide the agreed subsidy in twelve equal monthly instalments in advance to the Discoms, dues of subsidies are getting accumulated. Since its inception, APERC has been consistently taking the stand that, if the Government does not provide the subsidy it agreed to provide, the Discoms have to collect that subsidy component also from the subsidised consumers concerned. Such a stand of the Commission indicates, directly or indirectly, that the Government can flout its commitment on providing subsidy given to the Commission in writing and that nothing can be done about such dishonouring of the commitment of the Government. If such is the position, even when the Government flouts its commitment on subsidy given to the Commission, under the DBT system, even without any such commitment, what would be the approach of the Government is anybody's guess. That is the reason why we have already suggested to the Hon'ble Commission to get the written commitment of the Government on providing subsidy to consumers of its choice in a legally binding manner.

k) In G.O. Rt. No.161, dated 15.11.2021, the GoAP requested APERC "to notify the unit wise Government subsidy for different consumer categories as part of annual tariff order from the next financial year i.e. FY 2022-23 onwards." Unless the GoAP conveys its commitment to provide subsidy to consumers of its choice, the question of the Hon'ble Commission taking the same on record and into account for the purpose of determining tariffs and notifying unit-wise Government subsidy to the consumers concerned in the annual tariff order does not arise. If the Government wants to implement the DBT system, there will be no need to convey to the Commission the quantum of subsidy it wants to provide to consumers of its choice. Based on the monthly power bills of the subsidised consumers, the Government will have to transfer the subsidy amount to their bank accounts directly. In other words, under the DBT system, the Hon'ble Commission will have no role to play as far as subsidy to be provided by the Government to consumers of its choice is concerned. If the pros and cons of the DBT system are analysed carefully, the demerits of the system outweigh its merits. For these reasons, among others, being gung-ho and going in for the DBT system is unwarranted."

Our submissions made in response to the question of the Hon'ble Chairman were not incorporated in the tariff order for 2022-23. However, the Hon'ble Commission

responded in the RSTO for 2022-23 thus: "As regards the metering of the aricultural services, it is the policy of the GoAP to channel the agriculture subsidy through Direct Benefit Scheme (DBT) mode by metering all the agriculture services. In this regard, the government has committed itself to bear all the costs associated with the metering. APSPDCL has already approached the Commission for approval of the investment proposal to provide smart meters for all the agriculture services in its area. The Commission has examined the proposal in depth and identified certain short falls in the implementation of the scheme like whether the smart meter technology is mature enough for wider deployment, recent news on the technical problems experienced with the integration of smart meters, etc., and accordingly sought some clarifications from APSPDCL and directed it to proceed further meanwhile" (pp 244-245).

Reply: APCPDCL submits that, the Energy Department, Government of Andhra Pradesh (GoAP) vide GO.MS. No.22 dt 01.09.2020, has launched an innovative scheme, "YSR Uchita Vyavasaya Vidyut Pathakam", to implement Direct Benefit Transfer (DBT) to all agriculture.

Based on the monthly consumption, agriculture subsidy amount will be credited to the farmer's bank accounts and intern the same amount will be transferred automatically to DISCOM's Account under Direct Beneficiary Transfer (DBT) Scheme. The cost of the project will be borne by the GoAP in the form of subsidy along with electricity bills and there will be no burden on the farmers.

The Government vide G.O.Rt.No.67, dt.21.06.2023, has issued revised Administrative Sanction for Rs. 1,863.54 Crores for installation of Smart Meters and allied materials to the 5 Lakh Agriculture pump sets in APCPDCL. The agriculture service wise actual consumption will be arrived by installing smart meters to agriculture services for retrieving data through online as per the direction of the GoAP.

The Investment proposal for the same was submitted to the Hon'ble commission for approval and the commission informed that as the entire cost will be borne by the Government and as no burden is passed on to the consumer. Commission's approval is not required.

The government is releasing subsidy with regular intervals and also committed for clearing of all previous subsidy dues. As per the commitment by the government, all subsidies must be paid to DISCOMs. There is no possibility to avoid the subsidy payment to DISCOMs as per the government decisions without any concurrence from the Hon'ble APERC

30. In our submissions dated January 3, 2023, on the ARR and tariff proposals of the DISCOMs for the year 2023-24, we have made the following points:

"1. It is reported that the GoAP has decided to install pre-paid smart meters to about 1.89 crore power consumer services in the state in a phased manner and complete the process by March, 2025, under revamped distribution sector scheme (RDSS). The special chief secretary, department of energy, has announced (2.1.2023) that the cost of the pre-paid meters would be collected from the consumers and that works worth Rs.13,252 crore would be taken up under RDSS out of which around Rs.5480 crore would be given as grant by the government of India, subject to installation of pre-paid meters. There is no explanation as to what benefit would accrue to the consumers on account of installing pre-paid meters. Moreover, the cost of smart meters would be collected from the consumers, the special CS has announced. In other words, with its usual approach of being more loyal than the king to whatever

the GoI dictates, the Jaganmohan Reddy government is implementing this programme, unmindful or irrespective of its implications. We request the Hon'ble Commission to consider the following points, among others:

1. This move is to be seen in the background of the so-called reforms being imposed on the states by the Modi government for privatizing power sector, and in conjunction especially with privatization of power distribution and implementation of the direct benefit transfer (DBT) scheme. Implementation of RDSS, including installation of pre-paid meters, is to benefit the private operators, who will be permitted to take up power distribution in areas of their choice, as proposed by the GoI.
2. It is obvious that, the purpose of installing pre-paid meters is to force the consumers of power to pay in advance for power to be consumed by them, contrary to the standard practice over the decades of paying power bills monthly/bi-monthly for the power consumed by them. What is wrong with the present post-paid arrangement and what is the benefit and to whom with pre-paid arrangement under the proposed smart meters is left unexplained by its sponsors.

Reply: The prepaid metering works are taken up as per the directions and guidelines issued under the Revamped Distribution sector Scheme (RDSS) by the Ministry of Power, Government of India.

As per the Guidance note issued for the Smart Metering works (AMISP) SBD. The government has directed as per Sl.No. IX Accounting process of AMISP payment

"Regulatory Treatment: DISCOM to consider AMISP payments (AMISP service charge along with the lumpsum payment per meter) as operational expenditure while filing ARR and tariff review petition to the state ERC".

3. As proposed by the GoI, private operators will be permitted to use the existing transmission and distribution networks of the DISCOMs of the government, paying some nominal rentals for carrying on their distribution business. In other words, they need not invest the amounts required for establishing their own distribution network, make arrangements for its maintenance, etc.
4. Allowing private operators to use distribution network of the DISCOMs or rather, forcing the DISCOMs to allow private operators to use their network on lease, with DISCOMs themselves maintaining the network, is nothing but forcing the latter to lose a considerable part of their business, especially cross-subsidizing component, to private operators, who get the opportunity to cherry-picking. Will the GoI apply this Tuglaquian approach to allow utilization of such networks of private companies in this manner, for example, utilizing the network of private telecom companies by others?
5. The protagonists of pre-paid meters are arguing that pre-paid arrangement is there for cell phones. Then, why not similar arrangement for power consumption also, they ask. First, there is post-paid arrangement for cell phones and landlines. Second, under pre-paid arrangement for a specific period, there is no limit on number of calls that can be made. In the case of power consumption, consumers have to pay for the entire power they consume in a month; they are not allowed to consume any number of units of power during a specified period, pre-paying a specified amount.

Reply: APCPDCL submits that electricity consumption is entirely different from the tele communication calls. The generated/purchased power are consumed by the various category of consumers and being accounted are compared with respect to input energy (generated/purchased) every month. Accordingly, DISCOMs will prepare Energy accounting and conduct Energy Audit every month. The power utilisation depends on consumer load pattern and seasonal basis. The Govt., of India has launched RDSS for roll out of Prepaid smart meters for consumers to ensure better energy accountability, transparency and monitoring of supply parameters thereby improving the quality of power (voltage, interruptions) supplied to consumers.

6. The DISCOMs have a grace period of one month to pay bills to generators/suppliers of power for the power supplied by them and even rebate if they pay before the grace period. Under the existing arrangement, consumers are being given a period of 14 days from the date of issuing the bill for paying their bills for power consumed by them in a month. If payment of monthly bill is delayed, exceeding the due date, penalty is being collected by the DISCOMs, besides disconnecting the service. Moreover, all the permissible expenditure and return on equity for supplying power to consumers from the point of generation to end point is being passed through in the form of tariffs to be paid by the consumers. When such is the case, why should the consumers be forced to pay in advance for power to be consumed by them under the arrangement of pre-paid meters?

Reply: The prepaid metering works are taken up as per the directions and guidelines issued under the Revamped Distribution sector Scheme (RDSS) by the Ministry of Power, Government of India.

7. As per Regulation 6 of 2004 of APERC, "security deposit amount shall be two months charges in case of monthly billing and 3 months charges for bi-monthly billing." In addition to collecting such a security deposit from the consumers, the DISCOMs also are collecting additional security deposit whenever the consumers exceed their contracted load. Then why should the consumers be forced to pay in advance for power to be consumed by them under the arrangement of pre-paid meters?

Reply: The prepaid metering works are taken up as per the directions and guidelines issued under the Revamped Distribution sector Scheme (RDSS) by the Ministry of Power, Government of India.

8. Payment in advance for power to be consumed by the consumers is nothing but providing investment for private distribution company to purchase of power. Private distribution companies need not take loans for their working capital and they can retain the amount paid in advance by the consumers and use as they like till they have to pay for power purchased by them from generators/suppliers. In other words, private operators of distribution need not invest any amounts for developing and maintaining distribution network and for purchasing power. Arrangement of pre-paid meters is intended for bestowing this undue benefit to private operators.

Reply: The prepaid metering works are taken up as per the directions and guidelines issued under the Revamped Distribution sector Scheme (RDSS) by the Ministry of Power, Government of India.

9. The works proposed to be taken up under RDSS need to be, and are being, taken up by the DISCOMs as a part and parcel of expanding, strengthening and maintaining their distribution network. For that no conditionalities, as imposed under RDSS, are required. The grant component under RDSS is a ruse to impose conditionalities like installation of pre-paid meters to ensure undue benefits to private operators of distribution of power.

Reply: APCPDCL submits that, Ministry of Power has launched Revamped Distribution Sector Scheme- a Reforms-based and Results-linked Scheme with the objective to improve the quality, reliability and affordability of power supply to consumers through a financially sustainable and operationally efficient distribution sector. This scheme includes Pre-paid Smart Metering, System Metering and Distribution infrastructure works for loss reduction and modernisation. Implementation of the Scheme would lead to consumer empowerment by way of prepaid Smart metering. The Scheme has a major focus on improving electricity supply for the farmers through separation of agriculture feeders and for providing electricity during daytime.

10. Whatever money the DISCOMs spend for purchasing and installing pre-paid meters is nothing but squandering public money, whether it is collected from the consumers concerned or spent from the grant under RDSS. The consumers have already spent their money for their existing meters. Forcing them to pay for pre-paid meters is nothing but imposing additional burden on them without any benefit to them.

Reply: The prepaid metering works are taken up as per the directions and guidelines issued under the Revamped Distribution sector Scheme (RDSS) by the Ministry of Power, Government of India.

11. The scheme of pre-paid meters benefits their manufacturers. Experience in power sector, as elsewhere in other sectors, shows that terms and conditions of bidding can be manipulated to select bidders of their choice by the powers-that-be. Bidding procedures and terms and conditions issued by the GoI have been found to be wanting in ensuring transparency and fair play, going by the way crony capitalism is being promoted and pampered. It is reported that crony capitalists, who have been promoted and pampered by the GoI, are entering into manufacturing of pre-paid meters.

Reply: APCPDCL submits that roll out of Pre-paid smart meters programme launched by MoP, GoI through RDSS to improve financial sustainability and Operational efficiency of the DISCOMs. The selection of bidders was carried through open and transparency tendering procedure as per the guidelines issued by MoP, GoI. The Pre-paid smart meters are already installed in various states of the country and also their performance has been duly considered while evaluating the bids. APCPDCL followed standard Bidding Document (SBD) for appointing Advance Metering Infrastructure Service Provider (AMISP). The AMISP has to be empanelled in the list communicated by the Nodal agency (M/s REC Ltd, New Delhi) which is mandatory for participation of the bid.

12. Though it is announced that pre-paid meters would be installed for the service connections of consumers whose monthly consumption is more than 200 units, it will be extended to all the consumers gradually.

Reply: The prepaid metering works are taken up as per the directions and guidelines issued under the Revamped Distribution sector Scheme (RDSS) by the Ministry of Power, Government of India.

13. There will be practical problems to consumers for paying in advance for power to be consumed by them under the system of pre-paid meters. How much amount and how many times they have to pay in a month, keeping track of their consumption recorded in the pre-paid meter to avoid disconnection and mode of such payment will be problematic to the consumers.

14. Under smart pre-paid meter, if a consumer does not pay after the existing balance exhausts, his service connection will be disconnected automatically. If a consumer does not pay power bill before due date under the existing post-paid arrangement, his service will be disconnected. The DISCOMs are unable to disconnect service connections of offices of the government and its instrumentalities and local bodies, whatever be the reasons. Even under pre-paid meter system, there is no guarantee that the DISCOMs would not come under pressure not to disconnect services of offices of the government, its instrumentalities and local bodies for their default in paying power bills. It is ironical that the GoAP, which is failing in getting power bills paid by its offices, its instrumentalities and local bodies in time and itself failing in paying the committed subsidy to the DISCOMs in time, has decided to install pre-paid meters to service connections of power consumers. Though the Hon'ble Commission has directed the DISCOMs to disconnect service connections of the offices of the government, etc., when they fail to pay the bills in time, the DISCOMs have not been in a position to comply with the direction. The DISCOMs have replied that "the financial losses are mainly due to the non-receipt of the Govt. dues. That disconnection notices have been issued to all the Govt. department offices & local body offices for collecting the C.C. Charges arrears from them (pp 233-234 of RSTO for 2022-23). Only notices and no further action!"

These submissions also are not incorporated in the retail supply tariff order for 2023-24. However, the Hon'ble Commission has stated in the RSTO for 2023-24 that "the merits/demerits of the DBT scheme formulated by the Government are not part of this proceeding while on the other hand the Government and the DISCOMs are clarifying that there will not be any burden on the DISCOMs or farmers because of the implementation of DBT" (page 134). In which proceedings will they become a part?

Reply: After installation of pre-paid meters, the supply automatically disconnect when no balance in their wallet and automatically reconnected immediate after re-charge. Hence, non disconnection of supply dose not arises. How ever after installation / Implementation of pre-paid meters, the prescribed regulation as determined by the Hon'ble APERC will be followed.

31. If expenditure relating to installation of smart meters to agricultural service connections is not going to be collected from the consumers, as is being contended by the DISCOMs and reiterated by the Hon'ble Commission, implying that it is not within the purview of the Commission as far as the said expenditure is concerned,

there is no point in showing the estimated expenditure for that purpose in the investment plans of the DISCOMs. There is no need to consider that expenditure as a part and parcel of the capital expenditure to be approved by the Hon'ble Commission for the control period concerned.

Reply: APCPDCL submits that the cost of the DBT Scheme will be borne by the GoAP in the form of subsidy along with electricity bills and there will be no burden on the farmers

32. Whatever be the views expressed by GoI, GoAP, the DISCOMs and the Hon'ble Commission, the said initiatives would facilitate implementation of the DBT scheme, along with metering of agricultural services and pre-paid metering of other services, and there is no guarantee that the above-articulated adverse consequences would not follow as a result. By meekly submitting itself to the diktats of the Modi government, the Jagan Mohan Reddy government in Andhra Pradesh is paving the way for debilitating APDISCOMs to serve interests of crony capitalists and imposing more avoidable burdens on the consumers of power at large, as explained above.

Reply: APCPDCL submits that the cost of the DBT Scheme will be borne by the GoAP in the form of subsidy along with electricity bills and there will be no burden on the farmers The prime objective of the project is to improve financial sustainability and Operational Efficiency of DISCOM.

33. We request the Hon'ble Commission to consider the above-mentioned points, among others, and take appropriate decisions before finalising MYT orders on the subject petitions. We request the Hon'ble Commission to permit us to make further submissions during public hearings after receiving and studying responses of the DISCOMs.

34. I request the Hon'ble Commission to provide me a link to enable me to participate in the public hearings from Hyderabad through virtual mode on the subject issues of all the three DISCOMs.

Reply: Under the Purview of APERC.

It is to inform that, the Honourable APERC is conducting public hearings on Retail and Distribution businesses through video conference from Conference Hall, APEPDCL, Visakapatnam. The hearings will be held in respect of all the three DISCOMs on 29-01-2024 to 31-01-2024, from 10.30 AM to 1.00 PM and from 2.00 PM to 4.30 PM. APCPDCL has facilitated Video Conference at all offices of Superintending Engineer / Operation at district headquarters and at all remaining offices of Executive Engineer / Operation. Specification of the date and time for objector is under the purview of Honourable Commission.

Yours faithfully

Chief General Manager /RAC
APCPDCL::Vijayawada

Copy submitted to
The Secretary, APERC, 11-4-660, 4th Floor, Singareni Bhavan, Red Hills, Hyderabad.s

Reply of

ANNEXURE - 1

Sl. No	Capacity of PTRs & DTRs/ Conductor/ Type of poles	Name of the DISCOM	PO placed in the last year i.e FY-2022-23	Price per each/KM incl. all (Rs.)	Remarks
1	3PH 63KVA DTR BEE 5 STAR (Aluminum)	APCPDCL	5100006772, 23.02.2023	2,81,000	Price variation is applicable
		APEPDCL	5100004627, 15.10.2022	2,73,720	Price variation is applicable
		APSPDCL	5100006574 dt:24-8-2022	2,54,750	Price variation is applicable
		TSNPDCL			5 Star not procured
		TSSPDCL			5 Star not procured
2	3PH 100KVA DTR BEE 5 STAR (Aluminum)	APCPDCL	5100006778, 25.02.2023	3,58,000	Price variation is applicable
		APEPDCL	5100004621, 14.10.2022	3,53,250	Price variation is applicable
		APSPDCL	5100006572 dt:24-8-2022	3,21,798.98	Price variation is applicable
		TSNPDCL			5 Star not procured
		TSSPDCL			5 Star not procured

Sl. No	Capacity of PTRs & DTRs/ Conductor/ Type of poles	Name of the DISCOM	PO placed in the last year i.e FY-2022-23	Price per each/KM incl. all (Rs.)	Remarks
3	3PH 160KVA DTR BEE 5 STAR (Aluminum)	APCPDCL	5100006757, 13.02.2023	6,36,000	Price variation is applicable
		APEPDCL	5100004440, 12.07.2022	5,71,500	Price variation is applicable
		APSPDCL	5100006573, 24.08.2022	5,69,700	Price variation is applicable
		TSNPDCL			5 Star not procured
		TSSPDCL			5 Star not procured

Sl. No	Capacity of PTRs & DTRs/ Conductor/ Type of poles	Name of the DISCOM	PO placed in the last year i.e FY-2022-23	Price per each/KM incl. all (Rs.)	Remarks
		TSSPDCL	PM-3733 18.04.2023	3,422.00	
		TSNPDCL	PM-7285 24.04.2023	3,270.00	
4	11.0M/350 Kg SPUN Poles	APCPDCL	5100006766 .20.02.2023	16,900.00	
		APEPDCL	5100004309 09.06.2022	17,400.00	
		APSPDCL	5100006632 Dt.26.09.2022	16,900.00	
		TSNPDCL			Not Procured
		TSSPDCL			Not Procured
5	12.5M/365 Kg SPUN Poles	APCPDCL	5100006561 Dt.23.06.2022	18,400.00	
		APEPDCL	5100004584 Dt.01.09.2022	18,600.00	
		APSPDCL	5100006333 Dt.26.09.2022	17,949.99	
		TSNPDCL			Not Procured
		TSSPDCL			Not Procured

ANNEXURE - 3

Sl. No	Capacity of PTRs & DTRs/ Conductor/ Type of poles	Name of the DISCOM	PO placed in the last year i.e FY-2022-23	Price per each/KM incl. all (Rs.)	Remarks
1	55 Sq.mm AAA Conductor	APCPDCL	5100006575, 14.07.2022	49,861.37	PV Rate (As per CACMAI Base rate of Rs2,46,950 per MT Dt:01.07.2023)
		APSPDCL	5100006847 15.12.2022	49,499.88	
		APEPDCL	5100004747 12.04.2023	41,887.60	
		TSNPDCL	REPM-7219, 16.02.2023	37008.70	
		TSSPDCL	PM-3811/23-24 06.06.2023	38925.95	
2	8M/200 Kg PSCC Poles	APCPDCL	5100006746 09.01.2023	3,450.00	
		APSPDCL	5100006825 .01.12.2022	3,199.99	
		APEPDCL	5100004502 11.08.2022	3,450.00	
		TSNPDCL			Not Procured
		TSSPDCL			Not Procured
3	9.1M/280 Kg PSCC Poles	APCPDCL	5100006745 09.01.2023	4,910.00	
		APEPDCL	5100004510 11.08.2022	4,910.00	
		APSPDCL	5100006826 01.12.2022	4,750.00	

Sl. No	Capacity of PTRs & DTRs/ Conductor/ Type of poles	Name of the DISCOM	PO placed in the last year i.e FY-2022-23	Price per each/KM incl. all (Rs.)	Remarks
					(Price variation is applicable)
		TSNPDCL			Not procured
		TSSPDCL	3662/22-23 09.03.2023	83,66,200	Losses (in KW) No Load Full Load 5.0 41.8 (Price variation is applicable)

ANNEXURE – 2

Sl. No	Capacity of PTRs & DTRs/ Conductor/ Type of poles	Name of the DISCOM	PO placed in the last year i.e FY-2022-23	Price per each/KM incl. all (Rs.)	Remarks
1	33/11 KV 5 MVA PTR	APCPDCL	5100006741 23.12.2022	85,35,294	Losses (in KW) No Load Full Load 4.0 23 (Price variation is applicable)
		APEPDCL			Material with same specifications material not procured
		APSPDCL	5100006872 04.02.2023	84,06,500	Losses (in KW) No Load Full Load 4.0 23 (Price variation is applicable)
		TSNPDCL			Not procured
		TSSPDCL			Not procured
2	33/11 KV 8 MVA PTR	APCPDCL	5100006742 23.12.2022	1,06,82,658.00	Losses (in KW) No Load Full Load 5.0 41.8 (Price variation is applicable)
		APEPDCL	5100004609, 01.10.2022 (Repeat Order)	84,49,000	Losses (in KW) No Load Full Load 5.0 41.8 (Price variation is applicable)
		APSPDCL	5100006871 04.02.2023	1,05,12,199.99	Losses (in KW) No Load Full Load 5.0 41.8