



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
4th Floor, Singareni Bhavan, Red Hills, Hyderabad 500 004

R.P.No. 1 of 2017 in O.P.No. 25 of 2016
Dated: 03-06-2017

Present
Sri Justice G. Bhavani Prasad, Chairman
Dr. P. Raghu, Member

Between:

Southern Power Distribution Company of
Andhra Pradesh Limited

... Petitioner

AND

-NIL-

... Respondent

The petition has come up for hearing on 20-05-2017 in the presence of Sri P. Shiva Rao, learned Standing Counsel for the petitioner. There is no representation by any other stakeholder. After carefully considering the material available on record and after hearing the arguments of the learned Standing Counsel for the petitioner, the Commission passed the following:

ORDER

1. Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL/Distribution Company) filed the review petition seeking revision of the order dated 07-12-2016 in OP.No. 25 of 2016 to implement the Domestic Efficient Fans Programme (DEFP). The Commission in its order in OP.No. 25 of 2016 issued approval for implementation of the DEFP in the seven districts (Viz., Guntur, Prakasam, S.P.S.R. Nellore, Chittoor, Kadapa, Anantapur and Kurnool) of Southern Power Distribution Company of AP Limited in the State of Andhra Pradesh under Demand Side Management (DSM) programme with the financial support of M/s. Energy Efficiency Services Limited (EESL), New Delhi.

2. The petitioner submitted that the Commission directed M/s. Energy Efficiency Services Limited (EESL) to prefer M/s. APSEEDCO as the distribution agency to undertake the distribution of fans in APSPDCL area. Further Commission also directed that if EESL proposes any other agency for undertaking distribution activity of fans, the same has to be done with the prior approval of the Commission.

3. The petitioner stated that APSEEDCO being separate legal entity, to undertake distribution activity, it has to bear all the taxes. The amount of Rs. 50 set part out of Rs. 1020 towards distribution, transportation, storage and registration would not suffice to APSEEDCO. As such APSEEDCO expressed its inability to undertake distribution activity. However, APSEEDCO volunteered to monitor, supervise and co-ordinate all the concerned with the project by undertaking necessary steps including awareness creation programmes among the consumers for smooth implementation of the project by receiving a small amount of Rs. 10 (exclusive of applicable taxes) per fan. Further, petitioner mentioned that M/s. EESL informed to APSPDCL that considering the views of APSEEDCO, it is necessary to select other agency other than APSEEDCO to undertake distribution activity of fans and requested to give approval for the same.

4. EESL will undertake procurement of fans using the technical specifications of BEE 5 star rated ceiling fans and will ensure the quality of fans with 2½ year technical warranty. EESL shall extend the guarantee for replacement of the faulty fans due to technical defects free of cost for 2½ years from the date of distribution of fans. Physical damage will not be considered as technical defect. EESL will replace the defective fans within a period 5 (five) working days from the date of receipt of complaint from a consumer.

5. After the petition was taken on file, a Public Notice was given to all interested persons/stakeholders through placing the petition on the websites of the Commission and the petitioner calling for responses/objections and also intimating about the hearing on 20-05-2017.

6. The petitioner stated that M/s. EESL requested to revise the fan cost computations as mentioned in the table below, wherein interest on debt portion, RoE and taxes applicable are revised in accordance with the applicable procedures.

FAN COST COMPONENTS		
Particulars	Price per fan Filed in review	
	OBF	Upfront
Cost of the Fan including taxes	796.95	796.95
Payment to APSEEDCO (incl. service tax)	11.5	11.5
Software cost (incl. service tax)	2.3	2.3
Cost of the Distribution (incl. service tax)	51.75	51.75
Total Cost per fan (Sl.No. 1+2+3+4)	862.50	862.50
AMC (1.5% of the Cost of the fan per annum for 2.5 years)	34.37	34.37
Sales Tax Liability 14.5%	115.56	115.56
Total Cost (6+7+8)	1012.43	1012.43
Interest cost (10%)	118.14	20.25
Return on Equity (21.41%)	65.28	10.84
Selling price per fan	1195.85	1043.52
Round off	1200.00	1040.00
EMI for 24 months	50	

7. The petitioner submitted that the EESL be permitted to fix up agency for distribution of fans through bidding process, permit to collect costs of the fan as mentioned above, permit EESL to pay Rs. 10 for each fan to APSEEDCO to monitor, supervise and co-ordinate all the concerned with the project by undertaking necessary steps including awareness creation programmes among the consumers for smooth implementation of the project.

8. The point for consideration is whether the request for review of the order has to be positively considered and if so, subject to what terms and conditions.

9. The Commission obtained information from EESL regarding calculations of Annual Maintenance Charges (AMC), Sales Tax, Interest costs and RoE. After detailed examination, the Commission has arrived Rs. 1050/- towards Upfront fan cost and Rs. 1176/- (EMI of Rs. 49/- per month for 24 months) towards On

Billing Finance fan cost. The details of price breakup for both Upfront fan cost and On Billing Finance (OBF) fan cost are furnished below.

Sl.No	Programme Cost	OBF (Rs.Ps)	Upfront (Rs.Ps)
1	Cost per FAN Including taxes	796.95	796.95
2	APSEEDCO Payment (incl.service tax)	11.50	11.50
3	Software	2.30	2.30
4	Distribution cost	51.75	51.75
5	Total cost FAN	862.50	862.50
6	Interest Cost (10%)	112.06	17.25
7	Return on equity (21.41%)	49.38	9.23
8	Price of FAN	1,023.94	888.98
9	Sales Tax @ 14.5%	148.47	128.90
10	Fan cost including sales tax	1,172.41	1,017.88
11	AMC @ 1.5% p.a. for 2.5 years	----	30.40
12	Fan cost for EMI (862.50+148.47)	1,011.00	---
13	Total fan cost	---	1,048.28
14	Round off	1,011.00	1,050.00
15	EMI for 24 months on Rs. 1011/-	47.72	---
16	AMC cost Rs. 30.40 spread over 24 months	1.27	----
17	Final EMI (Rs. 47.72+Rs.1.27)	49.00	----

10. The sales tax of Rs. 128.90 is arrived considering price per fan of Rs.888.98 which includes APSEEDCO payment, Software, Distribution cost, Interest cost, Return on Equity and base cost which is apt as per the prevailing commercial taxes rules. Due to difference in sales tax cost, the upfront cost of fan is coming to Rs. 1050/- against the claimed amount of Rs. 1040/-.

11. In case of OBF, to arrive at EMI rate Rs. 47.72, fan cost of Rs. 1011/- is arrived by adding sales tax component of Rs. 148.47 and total cost per fan component of Rs. 862.50. The final EMI rate of Rs. 49/- is arrived by adding Rs. 1.27 to EMI rate of Rs. 47.72.

12. Therefore, the petitioner is permitted to allow EESL to fix up agency for distribution of fans through bidding process and also permitted to implement DEFP in licensed area of APSPDCL subject to the following modifications in the terms and conditions specified in para 18 of the order of this Commission in OP.No. 25/2016 dated 07-12-2016.

- a) If consumer opts to pay in monthly instalments, he shall have to pay a maximum of Rs.49/- per month subject to the benefit of any reduction in the cost through open competitive bidding being passed on to the consumer.
- b) M/s. Energy Efficiency Services Limited shall during the period of warranty of 2½ years be responsible for observance of warranty and the consequential maintenance.

13. The petition is allowed accordingly subject to the above directions. The petitioner and Energy Efficiency Services Limited can proceed to take steps for implementation of the programme accordingly.

This order is corrected and signed on this the 3rd day of June, 2017.

Sd/-
Dr. P. Raghu
Member

Sd/-
Justice G. Bhavani Prasad
Chairman