

**No. 14/04/2008-APDRP
Government of India
Ministry of Power**

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**Shram Shakti Bhavan, Rafi Marg,
New Delhi- 110001
Dated September 19, 2008**

ORDER

Subject: Re-structured Accelerated Power Development and Reforms Programme (APDRP) during XI Plan

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Sanction of the President is conveyed for implementation of re-structured Accelerated Power Development and Reforms Programme (APDRP) during the XIth Five Year Plan as a Central Sector Scheme with the following revised terms and conditions:

1. The focus of the programme shall be on actual, demonstrable performance in terms of sustained loss reduction. Establishment of reliable and automated systems for sustained collection of accurate base line data, and the adoption of Information Technology in the areas of energy accounting will be necessary pre-conditions before sanctioning any project. This will enable objective evaluation of the performance of utilities before and after implementation of the programme, and will enforce internal accountability leading to better performance.
2. Power Finance Corporation (PFC) would be the Nodal Agency to operationalise the programme under the guidance of Ministry of Power (MoP).
3. It is proposed to cover urban areas – towns and cities with population of more than 30,000 (10,000 in case of special category states). In addition, in certain high-load density rural areas with significant loads, works of separation of agricultural feeders from domestic and industrial ones, and of High Voltage Distribution System (11kv) will also be taken up. Towns / areas for which projects have been sanctioned in X Plan APDRP shall be considered for the XI Plan only after either completion or short closure of the earlier sanctioned projects.
4. Projects under the scheme shall be taken up in two Parts. Part-A shall include the projects for establishment of baseline data and IT applications for energy accounting/auditing & IT based consumer service centers. Part-B shall include regular distribution strengthening projects. Apart from this, the programme will require enabling activities which would be covered under Part-C. The activities to be covered under each part are as follows:

Part – A: Preparation of Base-line data for the project area covering Consumer Indexing, GIS Mapping, Metering of Distribution Transformers and Feeders, and Automatic Data Logging for all Distribution Transformers and Feeders and SCADA / DMS system (only in the project area having more than 4 lacs population and annual input energy of the order of 350 MU). It would include Asset Mapping of the entire

distribution network at and below the 11Kv transformers and include the Distribution Transformers and Feeders, Low Tension lines, poles and other distribution network equipment. It will also include adoption of IT applications for meter reading, billing & collection; energy accounting & auditing; MIS; redressal of consumer grievances; establishment of IT enabled consumer service centers etc. The base line data and required system shall be verified by an independent agency appointed by the Ministry of Power.

Part – B: Renovation, modernization and strengthening of 11 kV level Substations, Transformers/Transformer Centers, Re-conductoring of lines at 11kv level and below, Load Bifurcation, feeder separation, Load Balancing, HVDS (11kv), Aerial Bunched Conductoring in dense areas, replacement of electromagnetic energy meters with tamper proof electronics meters, installation of capacitor banks and mobile service centers etc. In exceptional cases, where sub-transmission system is weak, strengthening at 33 kV or 66 kV levels may also be considered.

Part – C: An enabling component for the implementation of APDRP and for facilitating the process of reforms in the power sector. This part, to be implemented by Ministry of Power / PFC, will include:

- **Preparation of a template for System Requirement Specifications** for sub-division automation and for customer relations management module, as well as for automated baseline data collection systems.
- **Validation of the Base-line Data System** to be done by independent agencies identified through bidding process by the Ministry or its nominee. Independent agencies will also verify the AT&C losses and monitor quality of works to be executed under Part-B.
- **Project Advisors and Project Management Consultants** – Project advisor and project management consultants will be appointed to assist the Ministry in monitoring of APDRP and to validate the project proposals submitted by the Distribution companies. They will also facilitate in standardization of bidding/contract documents, monitoring of progress, quality assurance etc. They will also facilitate the Management Information System.
- **Project Evaluation** by Third Party introduced in the Tenth Plan will continue and will be the basis of computation of the extent of conversion of loan into grant for the specific project. A panel of Project evaluators will be finalized through a bidding process.
- **Capacity Building and development of franchisees** in Distribution Sector will be a major focus area to provide training to employees of the Distribution companies and existing & prospective franchisees in management, technical, commercial and consumer related areas, exposure to latest developments in electricity distribution, loss reduction, theft and pilferage control within India and abroad, dissemination of knowledge through Best Practice Workshops and Conferences, standardization of

specifications of equipment required in electricity distribution network, standardization of contractual documents for outsourcing project management, turnkey jobs, franchising etc.

- **Consumer Attitude Survey** will be carried out to assess the impact of the measures taken in the distribution sector towards improving of services, improving the reliability and quality of power supply.

5 Funding Mechanism:

Part-A: Initially 100% funds for the approved projects shall be provided through loan from the Government of India on the terms decided by Ministry of Finance. The loan shall be converted into **grant** once the establishment of the required system is achieved and verified by an independent agency. The interest on the converted loan shall be capitalized. No conversion to grant will be made in case Part A is not completed within 3 years from the date of sanctioning of the project. The project will be deemed to be completed on the establishment of the required system duly verified by an independent agency appointed by Ministry of Power (MoP).

Part-B: Initially up-to 25% funds for the projects shall be provided through loan from the Government of India (GoI) on the terms decided by Ministry of Finance. For special category States, GOI loan would be 90%. However, the project-wise requirement of Gross Budgetary Support will be decided by the Steering Committee. The balance funds shall be raised from Financial Institutions (FIs). All other conditions / methodology applicable to non-special category states shall also be applicable to the special category states. If the Distribution Utilities achieve the target of 15% AT&C loss on a sustained basis for a period of 5 years in the project area and the project is completed within the time schedule fixed by the Steering Committee, which shall in no case exceed five years from the date of project approval, up-to 50% (90% for special category states) loan against Part-B projects will be convertible into grant in equal tranches, every year for 5 years starting at the latest one year after the year in which the Part A of project area concerned is established and verified by the independent agency appointed by MoP. If the utility fails to achieve or sustain the 15% AT&C loss target in a particular year, that year's tranche of conversion of loan to grant will be reduced in proportion to the shortfall in achieving 15% Aggregate Technical & Commercial (AT&C) loss target from the starting base-line assessed figure. The interest on the converted loan from GOI and FIs will be capitalized on an annual basis. Illustration is given through a typical example at **Annexure**.

6. The sanction process and other formalities for execution of Part-A and Part-B components can be taken up simultaneously except that Part-B activities are likely to start 3-6 months after the start of Part-A for making arrangements of ring fencing for the project area and verification of the starting figure of AT&C loss of the project area by independent agency appointed by MoP with three billing cycle data. This may not be necessary where ring fencing of the project area has already been done by the State Utilities except for the time required for verification of the starting figure of AT&C loss of the

project area. This would help the utilities to reduce the over all project execution cycle.

7. Conversion into grant will take place yearly based on the AT&C loss figures of the project area as on 31st March duly verified by the independent agency appointed by Ministry of Power.

8. **Incentive Scheme for Utility Staff:** Scheme also envisages incentive for utility staff in towns where AT&C loss levels are brought below 15%. Each distribution company would be required to implement an incentive programme for utility employees of the specific project area. Details of the incentive scheme and the milestones/achievements that trigger incentive payments shall be agreed to in the project proposals presented by each utility. A maximum amount equivalent to 2% of the grant for Part-B project is allocated for this purpose. The utility is expected to match these funds and disburse the total amount among its employees according to a suitably devised incentive scheme. Each utility must submit a duly approved incentive scheme prior to seeking disbursements under Part-B. State Governments and distribution companies will work with the concerned regulator to ensure that a part of the financial benefits arising out of the AT&C loss reduction are also passed on to the consumers of the project area.

9. **Eligibility Criteria for assistance under re-structured APDRP:** The States / Utilities will be required to:

- a) Constitute the State Electricity Regulatory Commission for availing assistance under re-structured APDRP.
- b) Achieve the following target of AT&C loss reduction at utility level:

Utilities having AT&C loss above 30%: Reduction by 3% per year

Utilities having AT&C loss below 30%: Reduction by 1.5% per year

- c) commit a time frame for introduction of measures for better accountability at all levels in the project area;
- d) submit previous year's AT&C loss figures of identified project area as verified by an independent agency appointed by Ministry of Power (MoP) by 30th June; the independent agency would verify that:
 - i. All input points are identified and metered with downloadable meters for energy inflow accounting in scheme area.
 - ii. All outgoing feeders are to be metered in substation with downloadable meters.
 - iii. Scheme area should be ring fenced i.e. export and import meters for energy accounting shall be ensured besides segregating the rural load of the scheme area by ring fencing if not on separate feeder.

The above shall provide the input energy and corresponding cash collected for calculating AT&C losses. The same shall be carried out for at least for three billing cycles and got verified by the independent agency. This loss level will be the baseline for considering conversion of loan into grant for Part B activities.

- e) devise a suitable incentive scheme for staff in the project area linked to achievements of milestones as laid down in Para 8.

10. Approval and Monitoring Mechanism: A Steering Committee under Secretary (Power) comprising of representatives of Ministry of Finance, Planning Commission, Central Electricity Authority, Power Finance Corporation, Rural Electrification Corporation, selected State Governments (on one year rotation basis) and of Ministry of Power will be constituted. The Steering Committee will –

- i. Sanction projects, including modification or revision of estimates; Monitor and review the implementation of the Scheme;
- ii. Approve the guidelines for operationalisation of various components of the scheme including payment of fees to nodal agency;
- iii. Approve and sanction activities to be taken up by the Ministry under Part C of the Scheme;
- iv. Appoint agencies for verification and validation of base-line data systems, for verifying the fulfilment of programme conditions by utilities;
- v. Approve conversion of loan into grant upon fulfilment of the necessary conditions;

11. Distribution Reforms Committee (DRC) at the State level under the Chairmanship of the Chief Secretary/Principal Secretary/Secretary Power/Energy constituted by the State will continue to monitor the Scheme at the State level. DRC will –

- a) Recommend the Project proposals of the distribution companies to the Ministry of Power after ensuring that all the required formalities have been complied with;
- b) Monitor the compliance to conditionalities;
- c) Monitor the achievement of milestones and targets under the Scheme.

12. APDRP Assistance to Private Distribution Companies: The assistance under APDRP would not be applicable for private distribution companies. The participation of the private utilities in APDRP will be considered after a period of two years from the issue of sanction.

13. The programme would be of the size of Rs. 51,577 Crore. Initially Rs. 50,000 crore will be provided / arranged as loan from Govt. of India / Financial Institutions, out of which an estimated amount of Rs. 30,000 crore would be converted into grant. The total grant from Government of India is estimated as Rs. 31,577 Crore. However the actual requirement would depend on the achievements of targets by the utilities.

- a) **Rs. 50,000 Crore** for Part A and Part B of the projects.

- **Rs. 10,000 Crore** for Part A activities
- **Rs. 40,000 Crore** for Part B activities

- b) **Rs. 1,177 Crore** for enabling activities to be implemented by Ministry of Power (Part-C).

- **Rs. 850 Crore** for the services rendered by the nodal agency for operationalisation of the scheme; validation of Base-line data system and yearly verification of AT&C loss figures of project

areas; Advisors and project management consultants to vet the project proposals, monitor implementation of the projects, MIS.

- **Rs. 200 Crore** for capacity building and franchisee development, exposure to latest developments in electricity distribution within India and abroad
- **Rs. 50 Crore** for few pilots for adopting new innovations
- **Rs. 77 Crore** for miscellaneous activities such as 'Best Practices' workshops and conferences; Consumer Attitude survey; Project Specific Evaluation; Standardisation of specifications of equipments and contractual documents.

c) **Rs. 400 Crore** for incentive to Utility Staff of the project areas for establishment of base line data and for achieving targeted reduction in AT&C loss.

14. The utilization certificate along with the unspent balance may be submitted along with the proposal of the release of funds.

15. The expenditure involved on the above scheme would be debit to the following Heads under Grant No. 74 - Ministry of Power for the year 2008-09 and corresponding Head of account for the subsequent years:-

(i) For the grant portion the amount will be debit to following Head:-

2801 Power (Major Head)
80-General
80.800- Other expenditure
26- Accelerated Power Development and Reforms Programme
26.00.31- Grant-in-Aid

(ii) For the loan portion of the scheme the amount will be debit to following Head:-

6801 – Loans for power projects (Major Head)
00.190- Loans to Public sector and other Undertakings (Minor Head)
04- Loans to Power Finance Corporation

16. This issues with the concurrence of Finance Branch of the Ministry of Power vide their Dy. No. JS&FA/1967 dated 18.09.2008.

(Kapil Mohan)
Director (Distribution)

To

1. Chief Secretaries of all States
2. Energy/Power Secretaries of all the State Governments
3. Chairmen of State Electricity Boards/ CMDs of State Power Utilities

4. Chairman & managing Director, Power Finance Corporation Ltd., New Delhi.

Copy forwarded to:

1. Cabinet Secretariat (Shri K.L.Sharma, Director), Rashtrapati Bhavan, New Delhi.
2. Ministry of Finance, Department of Expenditure (Plan Finance Division-II), North Block, New Delhi.
3. Ministry of Finance, Department of Economic Affairs, North Block, New Delhi.
4. Planning Commission, Yojana Bhavan, New Delhi.
5. Chairperson, Central Electricity Authority, R.K. Puram, New Delhi.
6. Finance/Budget Section, Ministry of Power, New Delhi.
7. Controller of Accounts, Ministry of Power, New Delhi.
8. Principal Director of Audit, Economic & Services Ministries, AGCR Building, I.P. Estate, New Delhi.
9. C&MD, Rural Electrification Corporation, New Delhi.
10. 12th Finance Commission, Ministry of Finance, Jawahar Vyapar Bhavan, New Delhi.
11. Department of Programme Implementation, Sardar Patel Bhavan, New Delhi.

Copy to:

PS to Minister of Power/ PS to Minister of State for Power
PPS to Secretary (Power)
PS to Joint Secretary (Dist)/ PS to JS&FA

Typical Example

Take the example of a distribution utility from a non-special category State whose starting AT&C loss figure is 60% in the year 2008-09, the year in which the base-line data system (Part A) is established and verified by the independent agency appointed by MoP. If this distribution utility achieves and sustains the 15% AT&C loss level for a period of 5 years after the grace period of one year i.e. 2009-10, one fifth of the 50% loan shall be converted into grant each year from the year 2010-11 onwards. However, if this distribution utility could only achieve AT&C loss figures of 30%, 40%, 30%, 15% and 20% in 1st, 2nd, 3rd, 4th and 5th year respectively of the period in question, the year wise loan conversion into grant shall be as follows:

<u>2010-11</u>	1st year: $(60-30)/(60-15)$ i.e. 2/3 of Annual tranche (1/5 of 50% loan i.e. 10% of project cost) shall be converted into grant.
<u>2011-12</u>	2nd year: $(60-40)/(60-15)$ i.e. 4/9 of Annual tranche (1/5 of 50% loan i.e. 10% of project cost) shall be converted into grant.
<u>2012-13</u>	3rd year: $(60-30)/(60-15)$ i.e. 2/3 of Annual tranche (1/5 of 50% loan i.e. 10% of project cost) shall be converted into grant.
<u>2013-14</u>	4th year: $(60-15)/(60-15)$ i.e. full Annual tranche (1/5 of 50% loan i.e. 10% of project cost) shall be converted into grant.
<u>2014-15</u>	5th year: $(60-20)/(60-15)$ i.e. 8/9 of Annual tranche (1/5 of 50% loan i.e. 10% of project cost) shall be converted into grant.