CHAPTER – 4

FACTORs EFFECTING ORGANIZATIONAL CLIMATE IN APCPDCL & NSLPL

4.1 ORGANIZATIONAL CONTEXT

4.1.1. ORGANIZATIONAL CONTEXT IN APCPDCL

(i) It is observed that all the available resources are utilized to the maximum extent in APCPDCL.

(ii) Both human and non-human resources are utilized effectively. Non-human resources are more effectively utilized than compared to human resources. Because of implementation of latest technology like SAP many of the human resources are not updated with the latest knowledge.

(iii) Employee’s goals are not perfectly matched with the organizational goals, as a result of which employees work without pleasure.

(iv) Many of the employees do not know about their organizational goal.

4.1.2. ORGANIZATIONAL CONTEXT IN NSLPL

(i) In NSL PL it is observed that all the available resources are utilized to the maximum extent in NSL PL.

(ii) Both human and non-human resources are utilized effectively.

(iii) Employee’s goals are perfectly matched with the organizational goals, so employees work with pleasure.

(iv) Majority of the employees know about their organizational goal.

(v) Organization goal is clearly explained to the employees and they are made to work accordingly in a direction of achieving the objectives which lead to organization goal.
4.2 ORGANIZATIONAL STRUCTURE

4.2.1. ORGANIZATIONAL STRUCTURE IN APCPDCL
4.2.2. ORGANIZATIONAL STRUCTURE IN NSLPL
4.3 ORGANIZATION PROCESS
4.3.1 DECISION – MAKING

4.3.1. a. Decision Making in APCPDCL

(i) The top-level management takes care of total decision-making in APCPDCL. All the solutions possible for a problem are pre-decided by the top level management and the same are communicated to all the employees.

(ii) The possible outcomes of the solution are analyzed by the top level management and the solutions are decided.

(iii) Policy matters, financial issues and Tariff plans are decided by the State Government by discussing with top level management.

(iv) The State Government bears the difference between Income and Expenditure of the company, so it holds a vital role in decision-making regarding Tariff plans and other financial issues.

(v) Middle level employees have to implement all the decisions ordered by the top level duly discussing the new problems if any.

(vi) Participative decision-making cannot be seen as it is a centralized sector. Chairman and Managing Director (CMD) is vested with all the powers regarding decision-making.

(vii) A clear hierarchy can be seen where all the directions flow from one cadre to another and also in case of problems for obtaining solutions the same hierarchy is maintained from lower level to top level.
(viii) The Electricity Act, 2003 explains about the total Organizational process, Physical Environment and System Values and Norms in APCPDCL. The same Act is also applicable in NSL PL regarding generation of power. The important clauses of Electricity Act 2003, which cover about these aspects are explained in brief in this chapter in 4.5 system values and norms.

4.3.2.b. DECISION – MAKING IN NSLPL

(i) In NSL PL Participative decision-making is observed. Before taking any decision the possible outcomes are discussed with the people involved with that situation or problem.

(ii) A decentralized structure is observed where information flows freely from top to bottom and bottom to top.

(iii) The top level management entrusts work to the middle level managers and also delegates authority to them along with responsibility and they are suppose to ascertain the targets using their own knowledge and skills in getting the work done with in the stipulated time period.

(iv) The middle level managers will in turn discuss the situation with the team members and take their opinion in performing that particular job.

(v) The team members are also given a chance to participate in the decision-making process as they are people who has to face the outcome of the situation and can solve the problems better.

(vi) All the time participative decision-making is not found depending upon the situation and priority of solving the problem top level management also takes the decisions on its own.
4.3.2. TRAINING

4.3.2.a. TRAINING IN APCPDCL

(i) Training is an important aspect in any organization which increases the productivity of the employee and also change the behaviour and attitude of the employee according to organizational requirements.

(ii) Training refers to the methods used to give new or present employees the skills they need to perform their jobs (Dessler, 2008).

(iii) Training is an expensive venture and organization need some assurance of return on investment on training in the form of enhanced productivity. The question is does training increase performance? Organization use performance–related pay as an extrinsic motivator to recognize and reward those employees that meet the set performance targets. Intrinsic motivation is provided when people feel that the work they do is intrinsically interesting, challenging and important and involves the exercise of responsibility, autonomy or freedom to act, and opportunities for advancement and growth.

(iv) According to Armstrong (2006) effective training can minimize learning costs improve individual team and corporate performance in terms of output quality speed and overall productivity improve operational flexibility by extending the range of skills possessed by employees (multi-skilling) attract high quality employees by offering them learning and development opportunities increasing their levels of competence and enhancing their skills thus enabling them to obtain more job satisfaction to gain higher rewards and to progress within the organization help to manage change by increasing
understanding of the reasons for change and providing people with the knowledge and skills they need to adjust to new situations help to develop a positive culture in the organization one that is oriented towards performance improvement provide higher levels of service to customers.

There are two main centers for training in APCPDCL:

1. **Corporate Training Institute (CTI)**: This institute was established during APSEB period and still providing training to APTRANSCO, APGENCO & for all DISCOM’S and functions under the control of CGM (HRD) of APTRANSCO.

2. **Central Power Training Institute (CPTI)**: This institute provides training exclusively for APCPDCL staff and functions under the control of CGM(HRD) of APCPDCL.

The following training programme’s are conducted at CTI:

1. **Right to Information Act** - All cadres
2. **Coaching Counseling & Communication skills, innovation & lateral thinking & Morale Dev** - Middle Level.
3. **Budgeting ARR & Tariff Analysis** - Middle Level.
4. **Stress Management & Time management for women employees** - All cadres
5. **Personal effectiveness & self management** - Middle Level
6. **Companies Act & Corporate Governance & Accounting Standards & Specific Higher** - cadres from SAO, DE.
7. **Knowledge of labour laws & legal drafting’s.**
8. **Inter personal Skills.**
9. **Multi buyer, market & ambulance settlement systems.**
10. **Competency Development on commercial aspects, preparation & handling of PPAS.**
11. **Tax administration.**
12. **Overview of functioning of JAO’s & UDC’s.**
13. **Technical inputs to non-tech officers.**
15. Technical “DRUM” Training Programmes on Distribution Business Management & IT based Solution’s for Technical staff only.
14,15 & 16 are for only technical staff.

The following training programmes are conducted at Corporate power training Institute (CPTI) :

1. Stress Management Art of successful living meditation & Thinking.
2. Technical 33/11 KV Line maintenance.
3. Technical Preparation of Schemes for various projects.
4. Change management.
5. Safety & work culture. Only for technical staff.
6. Customer Service Centre & EBS
7. MS Office & SAP Awareness.
8. Team Building & Leadership.
11. Energy Audit & HUDS. Only for technical staff.
12. Tax Administration.

(i) The number of employees to be sent from each circle are communicated by both the institutes.

(ii) The circles will send the list of employees who are suppose to attend each programme to these institutes and also to the controlling officers to relieve the employees for the training.

(iii) Training schedule is not prepared by the circles, which employee has to be provided with what kind of training etc., is not pre-decided by the circles. The cost spent on each employee on any of the training programme is around Rs. 800 – 1000 per day.
(iv) Other than these training programmes for the top level management sometimes training is also provided in other States, to study the nature of work how they are generating, transmitting and distributing power.

(v) Middle level employees are sent to the training programmes conducted in some training institutions and HR development institutions managed by Government.

(vi) When ever there is a change in any organization system training is being provided to the employees regarding the new work.

4.3.2.b. TRAINING IN NSL PL

(i) The type of training provided in NSL PL is totally on the job training and also on-line training is provided.

(ii) The cost incurred on each employee towards training programme is almost nil or negligible.

(iii) While recruitment itself the individuals with experience in the respective work are selected and they will be given on-line training and placed in the sections where they get on the job training.

(iv) Induction training is provided which is also on the job training only.

(v) For the first six months employees are kept under training period where the employees are supposed to learn the work on the job by observing their trainers work and also by taking the guidance from their trainer.


4.3.3. COMMUNICATION

4.3.3.a. COMMUNICATION IN APCPDCL

(i) Communication is a process by which information flows from one person to another. There should not be any barriers in communication. It can be oral or written.

(ii) In majority of the cases in APCPDCL written communication is followed. All the rules, regulations & norms are published and all the employees are suppose to go through these rules before they work.

(iii) There are certain manuals published by the company which any employee can access and follow according.

(iv) The communication observed here is only one way communication, the orders flow from top to bottom. But from bottom to top there is no communication found here except through Unions.

4.3.3.b. COMMUNICATION IN NSL PL

(i) In NSL PL communication is mainly through online systems and oral communication is found where ever necessary.

(ii) In NSL PL two way communication is observed where information flows from top to bottom and also from bottom to top.

(iii) Information flows from top to bottom in the form of official mails and also through team meetings where the targets are specified to each and every employee. Awards and rewards are also announced sometimes in the team meetings for recognition of work of the employee.
(iv) Information flows from bottom to top in the form of regular interactions with the employees and also through one – o – one’s by their immediate bosses where employee problems are discussed and efforts are made to solve them.

4.3.4. MOTIVATION

Motivating employees in an organization is of the challenging task for the seniors. It becomes more & more difficult with the differences in caste creed & religion. However there are some fundamental motivation factors which when brought into play can have extraordinary results.

a) **We cant:** motivate people as they are already motivated. But we can determine what motives them & use this knowledge to channel their energies towards our company goals.

b) **People do things for their reasons not for yours or mine:** Management have to show employees what’s in it for them, when they follow behaviors that benefit the company, we can show them by using rewards & recognition appealing to their sense of pride & achievement.

c) **People change because of pain:** when pain of staying the same becomes greater than the pain of changing people will change.

d) **The best way to get people to pay attention to you is to pay attention to them:** that means tislening to others and not just hearing them. We need to take time to get to know them not just by name, but also by their interests & aspirations.

e) **Pride is a powerful motivator:** There’s only one thing that counts in a business is building the self esteem of the employees. Because what they feel about themselves is what they give to the customer.

f) **People can’t be changed only their behaviours can be changed:** To change behavior their feelings & beliefs have to be changed. This requires more than training. It requires education.
When we judge others we judge by their actions but when we judge ourselves we judge by our motives.

When employees engage in undesirable behavior we shouldn’t try to assess motives or change them just deal with behavior. We can’t change the motives of our employees, but through positive or negative rein-forcement we can affect their actions.

**4.3.4.a. MOTIVATION IN APCPDCL**

In APCPDCL employees are motivated mainly based on monetary benefits. The employees are provided with adequate monetary benefits. Other factors or motivation like understanding employees, their behavior are not given priority. Employees have to be motivated taking into consideration both monetary factors & non-monetary factors, neglecting either of them will not motivate the employees.

**4.3.4.b. MOTIVATION IN NSLPL**

(i) In NSLPL both monetary & non-monetary factors are considered to motivate the employees.

(ii) Performance appraisals post performance appraisal are very effectively used in NSLPL for motivating their employees in NSLPL.

**4.3.5. ORGANIZATIONAL CHANGE**

(i) The change in organization is driven by the change in the people in the organization. Any company which has to stay in the business has to change.
(ii) For many people change is more threatening than challenging. They see it as the destroyer of what is familiar & comfortable rather than the creator of what is new & exciting.

(iii) The steady reliable people in any organization are often fearful of change as they feel that the change mean an end to their world. They do not understand that the change is a process of continuation and path for the development. When people understand the logic behind change it becomes more rational & more comfortable.

(iv) For change to be successful it must be planned.

**Planned change involves a three step process.**

1. **Softening Stage:** This stage is most uncomfortable for employees. During this stage the old behaviours have to be discontinued & change the system under which they rose to their present jobs, which needs skill full communication to make clear the reasons for change & the consequences of not changing.

2. **Re-Shaping:** It calls for a positive approach. This phase is less concerned with rooting out old ways & more concerned with implanting new ways. The staff & employees must learn a whole new attitude towards their work.

3. **Re-Stabilizing Stage:** During this stage the new behaviours become a natural past of the everyday work. Pilot projects can help managers & employees feel comfortable & natural with the new ways during this stage. Throughout the change process, everyone from line workless to senior management must be convinced that the company is behind the change.
4.3.5.a. ORGANIZATIONAL CHANGE IN APCPACL

(i) Restructuring of APSEB started in 1998 & went an till 2003, during which reorganization of APSEB took place & it was un bundled into Generation (APGENCO) Transmission (APTRANSCO) & Distribution Companies (DISCOMS).

(ii) The Distributions companies would act as independent entities as per the Indian Companies Act 1956. The Distribution companies APCPACL, APNPACL, APEPACL & APSPACL have been formed in April 2000.

(iii) During restricting the administration & management have changed completely. Employees have to completely change their work culture for which they faced lot of problems.

(iv) During 2006 SAP was implemented in APCPACL the implementation itself took 2years, as it was very difficult to train & change the employees towards a new software.

(v) From the employees point of view the company APCPACL itself formed in 2000 which was a resultant of restructuring of APSEB during which employees have to change & mould themselves without any training & guidance.

(vi) As they were getting adjusted to the new atmosphere again they had to learn new software & new methods in working.

(vii) EBS (Energy Billing System) software was also implemented which is very user friendly & easily understandable which employees learned & started working on it without any problems.
(viii) As change is inevitable the employees of APCPDCL are continuously changing themselves according to the change in the Administration Management & work culture.

4.3.5.b. ORGANIZATIONAL CHANGE IN NSL PL

(i) Many expansions & diversifications took place in NSL PL.

(ii) Re-Organization also took place before which NSL PL used to function as independent subsidiary companies as NSL cotton corporation Hyd, NSL infrastructure Hyd, SCM sugar Ltd, NSL textile.

(iii) Nuziveedu seeds limited (NSL) is formed for faster implementation of power plants based on thermal, Hydal, wind & other renewable energies.

(iv) But the company is diversified into several other activities like IT, infrastructure, real Estate, sugar, textile cotton production & trading wind mill equipment manufacture Etc.

(v) NSP PL during diversification & Expansions of employ’s competent skilled knowledgeable people & provides training to them & takes it up as a new project.

(vi) The employees of any area in NSL PL doesn’t have to face any problem during the change phases as it treats change as a new project & works on it.
4.4. PHYSICAL ENVIRONMENT

4.4.1 PHYSICAL ENVIRONMENT IN APCPDCL

(i) CPDCL is the biggest distribution company in the state, catering to the power supply requirement of around 57.4 million consumers.

(ii) The Central Power Distribution Company of Andhra Pradesh Limited is covering seven districts including the capital city of Andhra Pradesh (Hyderabad, Medak, Nalgonda, Mahabubnagar, Kurnool & Anantapur).

(iii) The head office i.e., Corporate office of APCPDCL is situated in Hyderabad which is modified recently with all the facilities on par with MNC with regard to work atmosphere. Many other branch offices in Hyderabad are also modified. 90 percent of the branch offices are situated in the company’s own land or in the Government land.

(iv) The Company has a vast infrastructure facility in its operating area with 1057 Nos. of 33/11 KV substations, 1,641 Nos. of power transformers, 618 Nos. of 33 KV feeders, 4,187 Nos. of 11 KV feeders and around 1,73,795 Nos. of distribution transformers of various capacities.

4.4.2 PHYSICAL ENVIRONMENT IN NSL PL

(i) The company is diversified into several activities which include renewable power, IT, Infrastructure, real estate, sugar, textile, cotton production and trading, wind mill equipment manufacturing, etc., and invested subsidiary amounts in establishing these business segments.

(ii) The Corporate office is situated in Hyderabad.
**4.5. SYSTEM VALUES AND NORMS**

APCPDCL follows Electricity Act 2003.
NSL PL also follows Electricity Act 2003, regarding Power generation and also follows companies Act 1956, for its other business.

**4.5.1. FEW HIGHLIGHTS OF ELECTRICITY ACT 2003**

**4.5.1.a. PURPOSE OF THE ACT :**

Electricity Act, 2003 was enacted by the Parliament in the 54th year of the Republic of India with the objective of not only consolidating the laws relating to generation, transmission, distribution, trading and use of electricity, but also, in general, for taking measures conducive to the development of electricity industry including promoting competition, protecting the interests of the consumers and supply of electricity to all areas, rationalization of electricity tariff, ensuring efficient and environmentally benign policies etc. The Act also aimed at constituting a Central Electricity Authority, Regulatory Commissions and establishment of Appellate Tribunal and such other matters connected therewith or incidental thereto.

**4.5.1.b. REPEALS AND SAVINGS :**

The Act vide Sec. 185 thereof has repealed, by saving the things done or action taken already under the respective Acts, certain existing enactments, namely the Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948 and the Electricity Regulatory Commissions Act, 1998. Sub-section (3) of Section 185 of the Act validates the provisions of the following State enactments specified in the Schedule to the Act to the extent of there being no inconsistency with its own provisions.

2. The Orissa Electricity Reform Act, 1995.
4. The Uttar Pradesh Electricity Reform Act, 1999.
5. The Karnataka Electricity Reform Act, 1999.

4.5.1.c. APPLICABILITY:

The Act is extended to the whole of India except the State of Jammu and Kashmir as per sub-section (2) of Section 1, and it shall come into force on the date as the Central Government may appoint by notification, and that different dates may be appointed for different provisions of the Act, as provided under sub-section (3) of Section 1. Section 2 of the Act provides definitions to some of the important terms used under the Act.

4.5.1.d. NON-APPLICABILITY OF THE ACT:

While Section 183 empowers the Central Government to remove difficulties that may arise in giving effect to the provisions of the Act, Section 184 exempts the application of the Act to the Ministry or Department of the Central Government dealing with Defence, Atomic Energy or such other similar Ministries or Departments or undertakings or Boards or Institutions under the control of such Ministries or Departments as notified by Central Government.

4.5.1.e. NATIONAL ELECTRICITY POLICY:

Section 3 of the Act empowers the Central Government to prepare a National Electricity Policy and Tariff Policy in consultation of the State Governments including an authority for development of the power
system. Such a national policy may also pertain to a standalone system and electrification and local distribution in rural areas as provided under Sections 4 and 5. Section 6 empowers the appropriate Government to endeavour for the supply of electricity to all areas including villages and hamlets.

4.5.1.f. ESTABLISHMENT OF GENERATING STATIONS

Section 7 of the Act empowers a generating company for the establishment, operation and maintenance of generating stations without obtaining any licence the compliance of certain technical standards provided under Sec. 73(b). As provided in Section 8 notwithstanding anything contained in Section 7 such a generating company may also set up a hydro-generating station by submitting to the competent authority for its concurrence a scheme in accordance with the prescribed procedure. Similarly Section 9 empowers any person to construct, maintain or operate a captive generating plant and dedicated transmission lines subject to the conditions specified therein.

4.5.1.g. GRANTING LICENSES:

Section 12 provides that no person unless authorized so to do by a license issued under Sections 14, 34 and 35 or is exempted under Sec. 13 can transmit or distribute or undertake trading in electricity.

The appropriate commission is empowered to grant a requisite license under Section 14 subject to the conditions provided therein read with Sec. 15 of the Act.

Sections 16 to 20 and 23, 24 etc., of the Act deal with the subject of licenses.
4.5.1.h. DISTRIBUTION OF ELECTRICITY :

Section 42 to 51 provide provisions for the distributions of electricity and duties etc. of distribution of licensees.

Section 52 of the Act provides provisions with respect to electricity traders and Section 53 provides provisions with respect to supply of electricity and the safety. Section 54 provides control of transmission and use of electricity and the electricity meters. Section 56 provides provision by disconnection of electricity supply in default of payment. Section 67 empowers the licensee to lay down or place electricity supply lines without the area of supply to carry out works such as opening and breaking up the soil and pavement of any street, railway or tram way any sewer, drain or tunnel etc. subject to the conditions provided there under.

4.5.1.i. CONSUMER PROTECTION :

Sections 57 to 60 of the Act provide provision for the protection of the consumers and the standard of performance of a licensee or a Class of licensees.

4.5.1.j. AUTHORITIES AND THEIR POWERS TO MAKE RULES AND REGULATIONS :

Section 176 empowers the Central Government to make necessary rules by notification by carrying out the provisions of this Act as provided there under. Section 177 empowers the authority to make regulations consistent with the Act and the rules to carry out the provisions of the Act in relation to matters specified therein. Section 178 empowers the Central Commission to make regulations consisting with the Act and rules to carry out the provisions of the Act in respect of matters contemplated therewith. The rules and regulations made by the Central Government or
the authority or the Central Commission shall be laid before the Parliament in accordance with the provisions of Section 179. Similar Powers of making rules, regulations etc along with requisite procedure or assigned to the State Government, with the State Commission in respect of the matters contemplated in Sections 180 and 181 of the Act subject to the provisions of Section 182 namely laying of such rules and regulations before the State Legislature.

[Act No.36 of 2003]

An Act to consolidate the loss relating generation, transmission, distribution, trading and use of electricity and generally for taking measures conducive to development of electricity industry, promoting competition therein, protecting interest of consumers and supply of electricity to all areas, rationalization of electricity tariff, ensuring transparent policies regarding subsidies, promotion of efficient and environmentally benign policies, constitution of Central Electricity Authority, Regulatory Commissions and establishment of Appellate Tribunal and for matters connected therewith or incidental thereto.

4.5.1.k. STATEMENT OF OBJECTS AND REASONS

The Electricity Supply Industry in India is presently governed by three enactments namely, the Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948, the Electricity Regulatory Commissions Act, 1998.

The Indian Electricity Act, 1910 created the basic framework for electric supply industry in India which was then in its infancy. The Act envisaged growth of the electricity industry through private licensees. Accordingly, it provided for licensees who could supply electricity in a specified area. It created the legal frame work for laying down of wires and other works relating to the supply of electricity.
The Electricity (Supply) Act, 1948 mandated the creation of a State Electricity Board. The State Electricity Board as the responsibility of arranging the supply of electricity in the State. It was felt that electrification which was limited to cities needed to be extended rapidly and the State should step in to shoulder this responsibility through the State Electricity Boards. Accordingly the State Electricity Boards through the successive Five Year Plans undertook rapid growth expansion by utilizing Plan funds.

Over a period of time, however the performance of SEBs as deteriorated substantially on account of various factors. For instance though power to fix tariff vests with the State Electricity Boards, they have generally been unable to take decisions on tariffs in a professional and independent manner and tariff determination in practice has been done by the State Governments. Cross-subsidies have reached unsustainable levels. To address this issue and to provide for this distancing of government from determination of tariffs, the Electricity Regulatory Commissions Act, was enacted in 1998. It created the Central Electricity Regulatory Commission and has an enabling provision through which the State Government can create a State Electricity Regulatory Commission. 16 States have so far notified/created State Electricity Regulatory Commissions either under the Central Act or under their own Reforms Acts.

Starting with Orissa, some State Governments have been undertaking reforms through their own Reform Acts. These reforms have involved unbundling of the State Electricity Boards into separate Generation, Transmission and Distribution Companies through transfer schemes for the transfer of the assets and staff into successor Companies. Orissa, Haryana, Andhra Pradesh, Karnataka, Rajasthan and Uttar Pradesh have passed their Reform Acts and unbundled their State Electricity Boards into separate companies. Delhi and Madhya Pradesh
have also enacted their Reforms Acts which, inter area, envisage unbundling/corporatization of SEBs.

With the Policy of encouraging private sectors participation in generation, transmission and distribution and the objective of distancing the regulatory responsibilities from the government to the Regulatory Commissions, the need for harmonizing and rationalizing the provisions in the Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948 and the Electricity Regulatory Commissions Act, 1998 in a new self-contained comprehensive legislation arose. Accordingly it became necessary to enact a new legislation for regulating the electricity supply industry in the country which would replace the existing laws, preserve its core features other than those relating to the mandatory existence of the State Electricity Board and the responsibilities of the State Government and the State Electricity Board with respect to regulating licensees. There is also need to provide for newer concepts like power trading and open access. There is also need to obviate the requirement of each State Government to pass its own Reforms Act. The Bill has progressive features and endeavors to strike the right balance given the current realities of the power sector in India. It gives the State enough flexibility to develop their power sector in the manner they considered appropriate. The Electricity Bill, 2001 has been finalized after extensive discussions and consultations with the States and all other stake holders and experts.

1. The main features of the Bill are as follows:-

(i) Generation is being delicensed and captive generation is being freely permitted. Hydro projects would, however, need approval of the State Government and clearance from the Central Electricity Authority which would go into the issues of dam safety and optimal utilisation of water resources.

(ii) There would be a Transmission, Utility at the Central as well as State level, which would be a Government company and have the responsibility of ensuring that the transmission network is
developed in a planned and co-ordinated manner to meet the requirements of the Sector. The load despatch function could be kept with the Transmission Utility are separated. In the case of separation the load despatch function would have to remain with a State Government organisation/company.

(iii) There is provision for private transmission licensees.

(iv) There would be open access in transmission from the outset with provision for surcharge for taking care of current level of cross subsidy with the surcharge being gradually phased out.

(v) Distribution licensees would be free to undertake generation and generating companies would be free to take up distribution licensees.

(vi) The State Electricity Regulatory Commissions may permit open access in distribution in phases with surcharge for –

(a) current level of cross subsidy to be gradually phased out along with cross subsidies; and

(b) obligation to supply.

(vii) For rural and remote areas stand alone system for generation and distribution would be permitted.

(viii) For rural areas the centralised management of distribution through Panchayats, Users Associations, Cooperatives or Franchisees would be permitted.

(ix) Trading as a distant activity is being recognised with the safeguard of the Regulatory Commissions being authorised to fix ceilings on trading margins, if necessary.

(x) Where there is direct commercial relationship between a consumer and a generating company or a trader the price of power would not be regulated and only the transmission and wheeling charges with surcharge would be regulated.

(xi) There is provision for a transfer scheme by which company/companies can be created by the State Governments from the State Electricity Boards. The State Governments
have the option of continuing with the State Electricity Boards which under the new schemes of things would be a distribution licensee and the State Transmission Utility which would also be owning generation assets. The service conditions of the employees would as a result of restructuring not be inferior.

(xii) An Appellate Tribunal has been created for disposal of appeals against the decision of the CERC and State Electricity Regulatory Commissions so that there is speedy disposal of such matters. The State Electricity Regulatory Commissions is a mandatory requirements.

(xiii) Provision relating to theft of electricity have a revenue focus.


3. The Bill seeks to achieve the above objects

   Be it enacted by Parliament in the Fifty-fourth year of the Republic of India as follows:

   This Act may be called the Electricity Act, 2003

   (1) It extends to the whole of India except the State of Jammu and Kashmir.

   (2) It shall come into force on such date as the Central Government may, by notification, appoint; Provided the different date may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

4.5.1.1. NATIONAL ELECTRICITY POLICY AND PLAN

   1) The Central Government shall, from time to time, prepare the national electricity policy and tariff policy, in consultation with the
State Governments and the Authority for development of the power system based on optimal utilisation of resources such as coal, natural gas, nuclear substances or materials, hydro and renewable sources of energy.

(2) The Central Government shall publish National Electricity Policy and tariff policy from time to time.

(3) The Central Government may, from time to time, in consultation with the State Government and the Authority, review or revise, the National Electricity Policy and tariff policy referred to in sub-section (1).

(4) The Authority shall prepare a National Electricity Plan in accordance with the National Electricity Policy and notify such plan once in five years:
Provided that the Authority while preparing the National Electricity Plan shall publish the draft National Electricity Plan and invite suggestions and objections thereon from licensees, generating companies and the public within such time as may be prescribed:
Provided further that the Authority shall-
(a) notify the plan after obtaining the approval of the Central Government;
(b) revise the plan incorporating therein the directions, if any, given by the Central Government while granting approval under clause (a).

(5) The Authority may review or revise the National Electricity Plan in accordance with the National Electricity Policy.

National Policy on stand alone systems for rural areas and non-conventional energy systems:- The Central Government shall, after consultation with the State governments, prepare and notify a national policy, permitting stand alone systems (including those based on renewable sources of energy and other non-conventional sources of energy) for rural areas.
National policy on electrification and local distribution in rural areas:- The Central Government shall also formulate a national policy, in consultation with the State Governments and the State Commission, for rural electrification in rural areas through Panchayat Institutions, users associations, co-operative societies, non-Governmental organisations or franchisees.

Obligations to supply electricity to rural areas:- The appropriate Government shall endeavor to supply electricity to all areas including villages and hamlets.

4.5.1.m. Generation of Electricity

Generating company and requirement for setting up of generating station:- Any generating company may establish, operate and maintain a generating station without obtaining a licence under this Act if it complies with the technical standards relating to connectivity with the grid referred to in clause (b) of Section 73.

Hydro-electric generation:-

(1) Notwithstanding anything contained in Section 7, any generating company intending to set-up a hydro-generating station shall prepare and submit to the Authority for its concurrence, a scheme estimated to involve a capital expenditure exceeding such sum, as may be fixed by the Central Government, from time to time, by notification.

(2) The Authority shall, before concurring in any scheme submitted to it have particular regard to, whether or not in its opinion:

The proposed river-works will prejudice the prospects for the best ultimate development of the river or its tributaries for power generation, consistent with the requirements of drinking water, irrigation, navigation, flood-control, or other public purpose, and for this purpose the Authority shall satisfy itself, after consultation with
the State Government, the Central Government, or such other agencies as it may deem appropriate, that an adequate study has been made of the optimum location of dams and other river-works. The proposed scheme meets the norms regarding dam design and safety.

Where a multipurpose scheme for the development of any river in any region is in operation, the State Government and the generating company shall co-ordinate their activities with the activities of the persons responsible for such scheme in so far as they are inter-related.

4.5.1.n. Captive Generation:-

(1) Notwithstanding anything contained in this Act, a person may construct, maintain or operate a captive generating plant and dedicated transmission lines:

Provided that the supply electricity from the captive generating plant through the grid shall be regulated in the same manner as the generating station of a generating company.

(2) Every person, who has constructed a captive generating plant and maintains and operates such plant, shall have the right to open access for the purposes of carrying electricity from his captive generating plant to the destination of his use:

Provided that such open access shall be subject to availability of adequate transmission facility and such availability of transmission facility shall be determined by the Central Transmission Utility or the State Transmission Utility, as the case may be:

Provided further that any dispute regarding the availability of transmission facility shall be adjudicated upon by the Appropriate Commission.
(3) **Duties of Generating companies:**

(A) Subject to the provisions of this Act, the duties of a generating company shall be to establish, operate and maintain generating stations, tie-lines, sub-stations and dedicated transmission lines connected therewith in accordance with the provisions of this Act or the rules or regulations made there under.

(B) A generating company may supply electricity to any licensee in accordance with this Act and the rules and regulations made thereunder and may, subject to the regulations made under sub-section (2) of Section 42, supply electricity to any consumer.

(c) Every generating company shall submit technical details regarding its generating stations to the appropriate commission and the Authority co-ordinate with the Central Transmission Utility or the State Transmission Utility, as the case may be, for transmission of the electricity generated by it.

(4) **Direction to generating companies:**

(A) The Appropriate Government may specify that a generating company shall, in extraordinary circumstances operate and maintain any generating station in accordance with the directions of that Government.

For the purposes of this section, the expression "extraordinary circumstances" means circumstances arising out of threat to security of the State, public order or a natural calamity or such other circumstances arising in the public interest.

(B) The Appropriate Commission may offset the adverse financial impact of the directions referred to in sub-section (1) on any
generating company in such manner as it considers appropriate.

4.5.1.o. Licensing

Authorized persons to transmit, supply, electricity:-

No person shall

(a) transmit electricity; or
(b) distribute electricity; or
(c) undertake trading in electricity,

unless he is authorized to do so by a licence issued under Section 14, or is exempt under Section 13.

Power to exempt:- The Appropriate Commission may, on the recommendations, of the Appropriate Government, in accordance with the national policy formulated under Section 5 and in public interest, direct, by notification that subject to such conditions and restrictions if any, and for such period or periods, as may be specified in the notification, the provisions of Section 12 shall not apply to any local authority, Panchayat Institution, users’ association, co-operative societies, non-governmental organizations, or franchisees:

Grant of License:- The Appropriate Commission may, on application made to it under Section 15, grant any person licence to any person—

(a) to transmit electricity as a transmission licensee; or
(b) to distribute electricity as a distribution licensee; or
(c) to undertake trading in electricity as an electricity trader, in any area which may be specified in the licensee:

Provided that any person engaged in the business of transmission or supply of electricity under the provisions of the repealed laws or any Act specified in the Schedule on or before the appointed date shall be deemed to be a licensee under this Act for such period as may be
stipulated in the license, clearance or approval granted to him under the repealed laws or such Act specified in the Schedule, and the provisions of the repealed laws or such Act specified in the Schedule in respect of such license shall apply for a period of one year from the date of commencement of this Act or such earlier period as may be specified, at the request of the licensee, by the Appropriate Commission and thereafter the provisions of this Act shall apply to such business:

Provided further that the Central Transmission Utility or the State Transmission utility shall be deemed to be a transmission licensee under this Act:

Provided also that in case an Appropriate Government transmits electricity or distributes electricity or undertakes trading in electricity, whether before or after the commencement of this Act, such Government shall be deemed to be a licensee under this Act, but shall not be required to obtain a licence under this Act:

Provided also that the Damodar Valley Corporation, established under sub-section (1) of Section 3 of the Damodar Valley Corporation Act, 1948, shall be deemed to be a licensee under this Act and the provisions of the Damodar Valley Corporation Act, 1948, in so far as they are not inconsistent with the provisions of this Act, shall continue to apply to that Corporation:

Provided also that the Government company or the company referred to in sub-section (2) of Section 131 of this Act and the company or companies created in pursuance of the Acts specified in the Schedule, shall be deemed to be a licensee under this Act:

Provided also that the Appropriate Commission may grant a license to two or more persons for distribution of electricity through their own distribution system within the same area, subject to the conditions that the applicant for grant of license within the same area shall, without
prejudice to the other conditions or requirements under this Act, comply with the additional requirements (including the capital adequacy, creditworthiness, or code of conduct) as may be prescribed by the Central Government, and no such applicant who complies with all the requirements for grant of license, shall be refused grant of license on the ground that there already exists a licensee in the same area for the same purpose:

Provided also that in a case where a distribution licensee proposes to undertake distribution of electricity for a specified area within his area of supply through another person, that person shall not be required to obtain any separate license from the concerned State Commission and such distribution licensee shall be responsible for distribution of electricity in his area of supply:

Provided also that where a person intends to generate and distribute electricity in a rural area to be notified by the State Government, such person shall not require any license for such generation and distribution of electricity, but he shall comply with the measures which may be specified by the Authority under Section – 53:

provided also that a distribution licensee shall not require a licence to undertake trading in electricity.

4.5.1.p. Distribution of Electricity

Provisions with respect to distribution licensees

Duties of distribution Licensee and open access:- It shall be the duty of a distribution licensee to develop and maintain an efficient, co-ordinated and economical distribution system in his area of supply and to supply electricity in accordance with the provisions contained in this Act.
State Commission shall introduce open access in such phases and subject to such conditions, (including the cross subsidies, and other operational constraints) as may be specified within one year of the appointed date by it and in specifying the extent of open access in successive phases and in determining the charges for wheeling, it shall have due regard to all relevant factors including such cross subsidies, and other operational constraints. Provided that such open access may be allowed before cross subsidies are eliminated on payment of a surcharge in addition to the charges for wheeling as may be determined by the State Commission. Provided further that such surcharge shall be utilised to meet the requirements of current level of cross subsidy within the area of supply of the distribution licensee. Provided also that such surcharge and cross subsidies shall be progressively reduced and eliminated in the manner as may be specified by the State Commission: Provided also that such surcharge shall not be livable in case open access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use.

Where any person, whose premises are situated within the area of supply of a distribution licensee, (not being a local authority engaged in the business of distribution of electricity before the appointed date) requires a supply of electricity from a generating company or any licensee other than such distribution licensee, such person may, by notice, require the distribution licensee for wheeling such electricity in accordance with regulations made by the State Commission and the duties of the distribution licensee with respect to such supply shall be of a common carrier providing non-discriminatory open access.

Where the State Commission permits a consumer or class of consumers to receive supply of electricity from a person other than the distribution licensee of his area of supply, such consumer shall be liable to pay an additional surcharge on the charges of wheeling, as may be
specified by the State Commission, to meet the fixed cost of such
distribution licensee arising out of his obligation to supply.

Every distribution licensee shall, within six months from the
appointed date or date of grant of license, whichever is earlier, establish a
forum for redressal of grievances of the consumers in accordance with the
guidelines as may be specified by the State Commission.
Any consumer, who is aggrieved by non-redressal of his grievances
under sub-section (5), may make a representation for the redressal of his
grievance to an authority to be known as Ombudsman to be appointed or
designated by the State Commission.

The Ombudsman shall settle the grievance of the consumer within
such time and in such manner as may be specified by the State
Commission.

The provisions of sub-sections (5),(6) and (7) shall be without
prejudice to right which the consumer may have apart from the rights
conferred upon him by those sub-sections.

**Power to recover expenditure:**- The State Commission may, by
regulations, authorise a distribution licensee to charge from a person
requiring a supply of electricity in pursuance of Section 43 any expenses
reasonably incurred in providing any electric line or electrical plant used
for the purpose of giving that supply.

**Power to require security:**- (1) Subject to the provisions of this
section, a distribution licensee may require any person, who requires a
supply of electricity in pursuance of Section 43, to give him reasonable
security, as determined by regulations, for the payment to him of all
money which may become due to him ---

(a) in respect of the electricity supplied to such persons; or
(b) where any electric line or electrical plant or electric meter is to be provided for supplying electricity to person, in respect of the provision of such line or plant or meter.

And if that person fails to give such security, the distribution licensee may, if he thinks fit, refuse to give the supply of electricity or to provide the line or plant or meter for the period during which the failure continues.

Where any person has not given such security as is mentioned in sub-section (1) or the security given by any person has become invalid or insufficient, the distribution licensee may, by notice, require that person, within thirty days after the service of the notice, to give him reasonable security for the payment of all monies which may become due to him in respect of the supply of electricity or provision of such line or plant or meter.

(3) If the person referred to in sub-section (2) fails to give such security, the distribution licensee may, if he thinks fit, discontinue the supply of electricity for the period during which the failure continues.

(4) The distribution licensee shall pay interest equivalent to the bank rate or more, as may be specified by the concerned State Commission, on the security referred to in sub-section (1) and refund such security on the request of the person who gave such security.

(5) 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.

**Additional terms of supply:**— A distribution licensee may require any person who requires a supply of electricity in pursuance of Section 43 to accept—

(a) any restrictions which may be imposed for the purpose of enabling the distribution licensee to comply with regulations made under Section 53;
(b) any terms restricting any liability of the distribution licensee for economic loss resulting from negligence of the person to whom the electricity is supplied.

**Agreements with respect to supply or purchase of electricity:**
Where the Appropriate commission has allowed open access to certain consumers under Section 42, such consumers notwithstanding the provisions contained in clause (d) of sub-section (1) of Section 62, may enter into an agreement with any person for supply or purchase of electricity on such terms and conditions (including tariff) as may be agreed upon by them.

**The Electricity Supply Code:**
The State Commission shall specify an Electricity Supply code to provide for recovery of electricity charges, intervals for billing of electricity charges disconnection of supply of electricity for non-payment thereof; restoration of supply of electricity; tampering, distress or damage to electrical plant, electric lines or meter, entry of distribution licensee or any person acting on his behalf for disconnecting supply and removing the meter; entry for replacing, altering or maintaining electric lines or electrical plant or meter.

**Other business of distribution licensees:**

(1) A distribution licensee may, with prior intimation to the appropriate Commission, engage in any other business for optimum utilization of its assets:

Provided that a proportion of the revenues derived from such business shall, as may be specified by the concerned State Commission, be utilised for reducing its charges for wheeling:

Provided further that the distribution licensee shall maintain separate accounts for each such business undertaking ensure that distribution business neither subsidies in any way such business under taking nor encumbers its distribution assets in any way to support such business.
Provided also that nothing contained in this section shall apply to a local authority engaged, before the commencement of this Act, in the business of distribution of electricity.

**Disconnection of supply in default of payment:**— (1) Where any person neglects to pay any charge for electricity or any sum other than a charge for electricity due from him to a licensee or the generating company in respect of supply, transmission or distribution or wheeling of electricity to him, the licensee or the generating company may, after giving not less than fifteen clear days’ notice in writing, to such person and without prejudice to his rights to recover such charge or other sum by suit, cut off the supply of electricity and for that purpose cut or disconnect any electric supply line or other works being the property of such licensee or the generating company through which electricity may have been supplied, transmitted, distributed or wheeled and may discontinue the supply until such charge or other sum, together with any expenses incurred by him in cutting off and reconnecting the supply, are paid, but no longer:

Provided that the supply of electricity shall not be cut off if such person deposits, under protest, -

(a) an amount equal to the sum claimed from him, or

(b) the electricity charges due from him for each month calculated on the basis of average charges for electricity paid by him during the preceding six months,

Whichever is less, pending disposal of any dispute between him and the licensee.

(3) Notwithstanding anything contained in any other law for the time being in force, no sum due from any consumer, under this section shall be recoverable after the period of two years from the date when such sum became first due unless such sum has been shown continuously, as recoverable as arrear of charges for electricity
supplied and the licensee shall not cut off the supply of the electricity.

**Standards of performance of licensee:-**

(1) The Appropriate Commission may, after consultation with the licensees and persons likely to be affected, specify standards of performance of a licensee or a class of licensees.

(2) If a licensee fails to meet the standards specified under sub-section (1), without prejudice to any penalty which may be imposed or prosecution be initiated, he shall be liable to pay such compensation to the person affected as may be determined by the Appropriate Commission:

Provided that before determination of compensation, the concerned licensee shall be given a reasonable opportunity of being heard.

(3) The compensation determined under sub-section (2) shall be paid by the concerned licensee within ninety days of such determination.

**Different Standards of performance by licensee:** The Appropriate Commission may specify different standards under sub-section (1) of Section 57 for a class or classes of licensee.

**Information with respect to levels of performance:**

(1) Every licensee shall, within the period specified by the Appropriate Commission, furnish to the Commission the following information, namely:-

(a) the level of performance achieved under sub-section (1) of the Section 57;

(b) the number of cases in which compensation was made under sub-section (2) of Section 57 and the aggregate amount of the compensation.

(2) The Appropriate Commission shall at least once every year arrange for the publication, in such form and manner as it considers appropriate, of such of the information furnished to it.
Market domination:- The Appropriate Commission may issue such directions as it considers appropriate to a licensee or a generating company if such licensee or generating company enters into any agreement or abuses its dominant position or enters into a combination which is likely to cause or causes an adverse effect on competition in electricity industry.

4.5.1.q. TARIFF REGULATION:

Sections 61 to 66 of the Act provide provisions rating relating to tariff and tariff regulations wherein the appropriate Government shall determine the tariff for the supply of electricity by a generating company to a distribution licensee, the appropriate Commission shall specify the terms and conditions for the determination of tariff, fix the minimum and maximum of tariff for sale or purchase subject to condition provided there under.

Tariff Regulations:- The Appropriate Commission shall, subject to the provisions of this Act, specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the following, namely:-

(a) the principles and methodologies specified by the Central Commission for determination of the tariff applicable to generating companies and transmission licensees;

(b) the generation, transmission, distribution and supply of electricity are conducted on commercial principles;

(c) The factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments;

(d) safe guarding of consumers’ interest and at the same time, recovery of the cost of electricity in a reasonable manner;

(e) the principles rewarding efficiency in performance;
(f) multi year tariff principles;

(g) that the tariff progressively reflects the cost of supply of electricity and also, reduces and eliminates cross-subsidies within the period to be specified by the Appropriate Commission;

(h) the promotion of co-generation and generation of electricity from renewable sources of energy;

(i) the National Electricity Policy and tariff policy:

Provided that the terms and conditions for determination of tariff under the Electricity (Supply) Act, 1948 (54 of 1948), the Electricity Regulatory Commission Act, 1998 (14 of 1998) and the enactments specified in the Schedule as they stood immediately before the appointed date, shall continue to apply for a period of one year or until the terms and conditions for tariff are specified under this section, whichever is earlier.

**Determination of Tariff:-**

(1) The Appropriate Commission shall determine the tariff in accordance with provisions of this Act for-

(a) supply of electricity by a generating company to a distribution licensee:

Provided that the Appropriate Commission may, in case of shortage of supply of electricity, fix the minimum and maximum ceiling of tariff for sale or purchase of electricity in pursuance of an agreement, entered into between a generating company and a licensee or between licensees, for a period not exceeding one year to ensure reasonable prices of electricity;

(b) transmission of electricity;

(c) wheeling of electricity;

(d) retail sale of electricity.
Provided that in case of distribution of electricity in the same area by two or more distribution licensees, the Appropriate Commission may, for promoting competition among distribution licensees, fix only maximum ceiling of tariff for retail sale of electricity.

(2) The Appropriate Commission may require a licensee or a generating company to furnish separate details, as may be specified in respect of generation, transmission and distribution for determination of tariff.

(3) The Appropriate Commission shall not, while determining the tariff under this Act, show undue preference to any consumer of electricity but may differentiate according to the consumer’s load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required.

(4) No tariff or part of any tariff may ordinarily be amended, more frequently than once in any financial year, except in respect of any changes expressly permitted under the terms of any fuel surcharge formula as may be specified.

(5) The Commission may require a licensee or a generating company to comply with such procedures as may be specified for calculating the expected revenues from the tariff and charges which he or it is permitted to recover.

(6) If any licensee or a generating company recovers a price or charge exceeding the tariff determined under this section, the excess amount shall be recoverable by the person who has paid such price or charge along with interest equivalent to the bank rate without prejudice to any other liability incurred by the licensee.

**Determination of tariff by bidding process:** Notwithstanding anything contained in Section 62, the Appropriate Commission shall adopt
the tariff if such tariff has been determined through transparent process of bidding in accordance with the guidelines issued by the Central Government.

**Procedure for tariff order:**

1. An application for determination of tariff under Section 62 shall be made by a generating company or licensee in such manner and accompanied by such fee, as may be determined by regulations.

2. Every applicant shall publish the application, in such abridged form and manner, as may be specified by the Appropriate Commission.

3. The Appropriate Commission shall, within one hundred and twenty days from receipt of an application under sub-section (1) and after considering all suggestions and objections received from the public:
   
   (a) issue tariff order accepting the application with such modifications or such conditions as may be specified in that order:
   
   (b) reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of this Act and the rules and regulations made there under or the provisions of any other law for the time being in force:

   Provided that an applicant shall be given a reasonable opportunity of being heard before rejecting his application.

4. The Appropriate Commission shall, within seven days of making the order, send a copy of the order to the Appropriate Government, the Authority, and the concerned licensees and to the person concerned.

5. Notwithstanding anything contained in Part X, the tariff for any inter-State supply, transmission or wheeling of electricity, as the case may be, involving the territories of two States may, upon application made to it by the parties intending to undertake such
supply, transmission or wheeling, be determined under this section by the State Commission having jurisdiction in respect of the licensee who intends to distribute electricity and make payment there for:

(6) A tariff order shall, unless amended or revoked, shall continue to be in force for such period as may be specified in the tariff order.

**Provision of subsidy by State Government:** If the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission under Section 62, the State Government shall, notwithstanding any direction which may be given under Section 108 pay, in advance and in such manner as may be specified, the amount to compensate the person affected by the grant of subsidy in the manner the State Commission may direct, as a condition for the licence or any other person concerned to implement the subsidy provided for by the State Government:

Provided that no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in this section and the tariff fixed by the State Commission shall be applicable from the date of issue of orders by the Commission in this regard.

**Development of market:** The Appropriate Commission shall endeavour to promote the development of a market (including trading) in power in such manner as may be specified and shall be guided by the National Electricity Policy referred to in Section 3 in this regard.