Registered No. HSE-49/2016

ఆంధ్రప్రదేశ్ రాజపత్రము

THE ANDHRA PRADESH GAZETTE

PUBLISHED BY AUTHORITY

PART II EXTRAORDINARY

No.267 AMARAVATI, MONDAY, AUGUST 3, 2026 **G.458**

NOTIFICATIONS BY HEADS OF DEPARTMENTS, Etc.

--x--

ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION KURNOOL

Lr. No. APERC/Secy/F.No. S-19(Vol-IV)/D.No.682 Date:31-07-2026

The Andhra Pradesh Electricity Regulatory Commission (Procurement, Investment and Cost Control) Regulations, 2026.

Regulation No.06 of 2026

Introduction

The Transmission and Distribution Licensees in the State of Andhra Pradesh undertake substantial procurement of materials, equipment, works and services involving significant capital and operational expenditure, the cost of which ultimately forms part of the consumer tariff. While the Licensees are presently governed by various internal financial controls, Board-approved procurement procedures, audit mechanisms, the Uniform Procurement Guidelines issued by the Government of Andhra Pradesh, and the Guidelines on Investment Approval, 2006 issued by the Commission, the Commission observed that no comprehensive and uniform regulatory framework existed to govern procurement, investment approval and expenditure control across all Licensees.

The Commission therefore considered it necessary to establish a comprehensive regulatory framework to ensure transparency, competition, standardisation and prudence in procurement and investment activities; promote uniform technical specifications, benchmark costs and procurement practices; prevent restrictive tender conditions, preferential procurement practices, cartelisation, collusive bidding, artificial splitting of procurement and avoidable cost escalation; and ensure that only expenditure prudently incurred, competitively procured and compliant with the approved procurement framework is considered for capitalisation and recovery through tariff.

Accordingly, the Andhra Pradesh Electricity Regulatory Commission (hereinafter referred to as "the Commission") issued the Draft Andhra Pradesh Electricity Regulatory Commission (Procurement, Investment and Cost Control) Regulations, 2026 along with a Public Notice dated 22.05.2026, inviting comments, suggestions and objections from all stakeholders. In response to the Public Notice, the Commission received comments, suggestions and objections from the three Distribution Licensees, viz APSPDCL, APCPDCL and APEPDCL. After careful examination of the suggestions as detailed in the Order dated 31-07-2026, in exercise of the powers conferred under Section 181 of the Electricity Act, 2003, read with Sections 61(c) and (d), 62, 86(1)(k) thereof, and all other powers enabling it in this behalf, the Commission hereby issues the regulation, as below:

CHAPTER-I

PRELIMINARY

1. Short Title, Commencement and Applicability

1.1. This Regulation shall be called the Andhra Pradesh Electricity Regulatory Commission (Procurement, Investment and Cost Control) Regulations, 2026.

1.2. This Regulation shall extend to the whole of the State of Andhra Pradesh.

1.3. This Regulation shall come into force from the date of its publication in the Andhra Pradesh Gazette.

1.4. This Regulation shall apply to the Transmission Licensees and all Distribution Licensees operating in the State of Andhra Pradesh, in respect of capital investment, procurement of materials, execution of works, and related expenditure, to the extent such expenditure is considered in tariff determination.

1.5. This Regulation shall apply to:

(a) Transmission schemes above Rs. 20 Crores; and

(b) Distribution schemes above Rs. 5 Crores.

CHAPTER-II

DEFINITIONS

2. Definitions

2.1. In this Regulation, unless the context otherwise requires:

a) "**Act**" means the Electricity Act, 2003, as amended from time to time;

b) "**Approved Investment Scheme**" means a capital investment scheme approved by the Commission under this Regulation, including approved scope, cost, timelines and phasing;

c) "**Benchmark Cost**" means the benchmark or reference cost determined or recognised by the Commission for materials, equipment, works or projects based on market data, competitive bidding outcomes, comparable utilities or historical trends;

d) "**Capital Expenditure**" or "**Capex**" means expenditure incurred for the creation, acquisition, augmentation, replacement or improvement of fixed assets;

e) "**Commission**" means the Andhra Pradesh Electricity Regulatory Commission;

f) "**Detailed Project Report**" or "**DPR**" means a project report containing technical, financial, economic and implementation details of a proposed investment scheme;

g) "**Distribution Licensee**" and "**Transmission Licensee**" shall have the meanings assigned to them under the Act;

h) "**E-Procurement**" means procurement undertaken through electronic tendering platforms ensuring transparency, competition and traceability;

i) "**Licensee**" means the Transmission Licensee or Distribution Licensee, as the case may be;

j) "**Material Specification**" means technical and quality specifications relating to materials, equipment or systems;

k) "**Operational Expenditure**" or "**Opex**" means recurring expenditure towards operation and maintenance of existing assets excluding capital expenditure;

l) “**Prudence Check**” means scrutiny undertaken by the Commission to assess the necessity, efficiency, competitiveness, reasonableness and compliance of expenditure for tariff determination;

m) “**Schedule of Rates**” or “**SoR**” means the schedule of standardised rates for materials, labour and works adopted by the Licensee and reviewed or approved by the Commission;

n) “**Standard Bidding Document**” or “**SBD**” means the standardised tender document approved by the Commission for procurement of materials, works or services;

o) “**Standard Technical Specification**” means technical standards, performance requirements, testing protocols and quality criteria approved by the Commission;

p) “**Total Expenditure**” or “**Totex**” means a lifecycle cost-based approach considering the combined impact of Capex and Opex over the useful life of an asset or project.

2.2. Words and expressions used but not defined in this Regulation and defined in the Act or other Regulations of the Commission shall have the meanings respectively assigned to them therein.

2.3. Reference to any Act, Rule, Regulation, guideline or standard shall include amendments or modifications thereto from time to time.

CHAPTER-III

OBJECTIVES AND GUIDING PRINCIPLES

3. Objectives

3.1. The objectives of this Regulation are:

a) to ensure prudent, necessary, efficient and cost-effective investment by Licensees;

b) to promote standardisation in planning, design, procurement and execution of works;

c) to ensure transparent, competitive, fair and efficient procurement of materials, equipment, works and services and to prevent restrictive or preferential procurement practices;

d) to ensure procurement of quality materials and equipment in accordance with approved standards and specifications;

e) to safeguard consumer interest through cost optimisation and regulatory prudence;

f) to promote accountability, transparency, and value for money in expenditure recoverable through the tariff.

4. Guiding Principles

4.1. All investments shall be planned, designed, and executed in accordance with the Central Electricity Authority's (CEA) Manual on Transmission Planning Criteria or Electricity Distribution Network Planning Criteria, as amended from time to time, as applicable, or in accordance with the criteria approved by the Commission.

4.2. All procurement and investment decisions shall be guided by the principles of transparency, fairness, competition, economy, efficiency, quality assurance, accountability, and the protection of consumer interests.

CHAPTER-IV

PROCUREMENT GOVERNANCE FRAMEWORK

5. Procurement Framework

5.1. The Licensee shall comply with the Investment Approval Guidelines and such Practice Directions, Standard Documents, Technical Specifications, Benchmark Costs, Manuals or Procedures as may be issued by the Commission from time to time.

5.2. Every Licensee shall, within three months from the commencement of this Regulation, submit for approval:

a) Procurement Policy;

b) Procurement or Purchase Manual;

c) Standard Technical and Material Specifications;

d) Standard Bidding Documents.

5.3. Any amendment to the approved procurement framework shall require the Commission's prior approval.

5.4. Distribution Licensees may jointly develop common procurement manuals, standard specifications, and bidding documents.

5.5. Procurement shall be undertaken in accordance with approved investment schemes and the approved procurement framework.

5.6. The Licensee shall comply with the applicable policies, financial rules, procurement guidelines, vigilance guidelines, and administrative directions, including the Uniform Procurement Guidelines, wherever applicable, issued by the Government of Andhra Pradesh from time to time. The Licensee shall also comply with applicable guidelines, circulars and advisories issued by the Central Vigilance Commission (CVC), Government of India, relating to public procurement and tender transparency.

CHAPTER-V

TENDERING AND COMPETITION PRINCIPLES

6. Procurement Principles

6.1. Procurement shall be undertaken through transparent, competitive, non-discriminatory and e-procurement-based processes.

6.2. Procurement shall ordinarily be through open competitive bidding using a two-part bid system comprising technical and financial bids.

6.3. Tender conditions shall be designed to encourage adequate competition and wider participation.

6.4. Technical specifications, qualification criteria, turnover requirements, experience conditions and tender terms shall be objective, generic, non-restrictive and non-discriminatory and shall not favour or exclude any bidder, manufacturer, supplier, contractor, technology or brand except where technically justified and recorded in writing.

6.5. Procurement through nomination, proprietary purchase, single tender or limited tender shall be resorted to only under exceptional circumstances for reasons recorded in writing and shall be subject to regulatory scrutiny. The procurement undertaken under exceptional circumstances for restoration of electricity supply, maintenance of system reliability, public safety, disaster management, compliance with statutory directions or other unforeseen system contingencies shall be subject to recording of reasons in writing, the applicable internal approval procedures of the Licensee, and post-facto regulatory scrutiny by the Commission.

6.6. Artificial splitting or fragmentation of procurement to avoid competition, approval thresholds, delegated authority limits, or regulatory scrutiny shall constitute a violation of this Regulation. The bona fide segregation of procurement or execution of works undertaken for valid technical, geographical, operational, administrative or project implementation requirements shall not be construed as artificial splitting.

6.7. The Licensee shall establish safeguards against cartelisation, collusive bidding, bid rigging, fraud, corruption, coercive practices and conflict of interest in procurement processes.

6.8. Officers associated with procurement, evaluation, and contract administration shall disclose any conflicts of interest.

CHAPTER-VI

STANDARDISATION AND BENCHMARKING

7. Standardisation and Benchmarking

7.1. Procurement shall be guided by principles of standardisation, benchmark pricing, lifecycle cost optimisation, quality assurance and total cost of ownership.

7.2. The Licensee shall procure materials and equipment only in accordance with Commission-approved specifications and standards.

7.3. The Commission may benchmark procurement prices, technical specifications, and project costs against comparable utilities, Government agencies, market trends, or national standards, and may disallow unreasonable variations during the prudence check. The Commission shall ordinarily resort to benchmarking only where there is a material deviation from the approved investment scheme or the approved annual cost data, or where it considers benchmarking necessary, with reasons recorded in writing. Before undertaking benchmarking, the Commission shall seek the relevant information and justification from the Licensee. Where the explanation furnished is found to be unsatisfactory, or the Licensee fails to furnish the required information within the stipulated time, the Commission may proceed with benchmarking and determine the prudence and admissibility of expenditure in accordance with this Regulation.

7.4. The Licensee shall submit annual cost data, including material prices, labour rates and benchmark costs for the ensuing year, before 31st December every year for approval by the Commission.

CHAPTER-VII

CONTRACT AND INVENTORY MANAGEMENT

8. Contract Management

8.1. The Licensee shall ensure effective contract management, including monitoring of delivery schedules, quality assurance, testing, performance obligations and enforcement of contractual terms.

8.2. The Licensee shall establish vendor registration, evaluation and performance monitoring systems.

9. Inventory Management

9.1. The Licensee shall prepare annual procurement and material requirement plans aligned with approved schemes and system requirements.

9.2. The Licensee shall establish inventory management systems, including monitoring of stock levels, slow-moving inventory, and non-moving materials.

9.3. Excess procurement, avoidable emergency procurement and accumulation of non-moving inventory shall be avoided.

CHAPTER-VIII

TRANSPARENCY, DISCLOSURE AND AUDIT

10. Transparency and Disclosure

10.1. The Licensee shall publish on its website:

a) tender notices;

b) corrigenda;

c) pre-bid clarifications;

d) approved technical specifications;

e) bid results and contract awards;

f) schedule of rates (SoR);

g) such other procurement information as may be directed by the Commission.

10.2. The Licensee shall maintain transparency in procurement except where confidentiality is justified.

11. Audit and Inspection

11.1. The Commission or its authorised representatives may conduct an audit, inspection or verification of procurement, investment and execution activities.

11.2. The Licensee shall maintain complete and auditable procurement records, including tender documents, bids, evaluations, approvals, contracts and payment records.

11.3. The Commission may direct independent technical, financial, quality or procurement audits through third-party agencies wherever necessary.

CHAPTER-IX

PRUDENCE CHECK, ACCOUNTABILITY AND ENFORCEMENT

12. Prudence Check and Cost Control

12.1. The Commission may disallow wholly or partly any expenditure found imprudent, excessive, avoidable, non-competitive, improperly procured or incurred in violation of this Regulation. Before disallowing any expenditure, the Commission shall seek the relevant information and justification from the Licensee. If the Licensee fails to furnish the required information or justification, or if the explanation provided is found to be unsatisfactory, the Commission may, for reasons to be recorded in writing, disallow such expenditure in accordance with this Regulation. The Licensee may furnish further justification in subsequent tariff proceedings or filings, which shall be considered by the Commission in accordance with law.

12.2. Only assets created under approved investment schemes and in accordance with the approved procurement framework and specifications shall be eligible for capitalisation and tariff consideration.

12.3. Any cost overrun or delay shall be subject to prudent scrutiny and supported by proper justification.

12.4. Expenditure incurred in deviation from approved procedures or Commission directions shall be liable for disallowance in the tariff.

13. Accountability of Licensee

13.1. The Board of Directors of the Licensee shall be responsible for ensuring compliance with this Regulation.

13.2. Violation of this Regulation shall constitute regulatory non-compliance and may attract appropriate action, including disallowance of expenditure.

13.3. The Licensee shall provide for the debarment or blacklisting of suppliers in cases of fraud, misrepresentation, poor performance, or breach of contract, in accordance with transparent procedures, and such information shall be published on its websites.

CHAPTER-X

MISCELLANEOUS

14. Power to Issue Directions

The Commission may issue orders, practice directions, procedures, formats, manuals or guidelines for the implementation of this Regulation.

15. Power to Relax

The Commission may, for reasons recorded in writing and after giving an opportunity of hearing to affected parties, relax any provision of this Regulation.

16. Power to Amend

The Commission may amend, vary, alter, modify or repeal any provision of this Regulation from time to time.

17. Power to Remove Difficulties

If any difficulty arises in giving effect to this Regulation, the Commission may issue appropriate orders not inconsistent with the Act or this Regulation for the removal of such difficulty.

(By Order of the Commission)

Place: Kurnool
Date : 31/07/2026

P.KRISHNA
Commission Secretary i/c

---x---

Published and Uploaded by the Commissioner of Printing, Government of Andhra Pradesh at Government Regional Press, Vijayawada, www.apegazette.cgg.gov.in