

Project Summary Information (PSI)

Report No: 000009

Project Name	Andhra Pradesh 24x7 – Power For All To be co-financed with the World Bank (WB)
Country	Republic of India
Sector	Energy (Power)
Project No	000009
Borrower	Republic of India
Implementation Agencies	Andhra Pradesh (AP) Electricity Utility Companies: AP Transmission company (APTRANSCO), AP Southern Power Distribution Company (APSPDCL) and AP Eastern Power Distribution Company (APEPDCL)
Environmental and Social Category	Category B
Date of PSI prepared or updated	May 02, 2017
Date of Board Consideration	May 02, 2017
Board Decision	Approved on May 02, 2017

I. Introduction

India is a lower-middle-income country, with a population of 1.3 billion accounting for 17% of the world's population. India is also the world's 3rd-largest economy based on PPP GDP. India's average per capita consumption of electricity is only one third of the global average, 20% of China's and 5% of the USA's even though India is the world's third largest consumer of electricity (based on data for the year 2014).

Efficient, reliable and affordable electricity supply is critical to India's ongoing economic growth and socioeconomic transformation. As India's economy continues growing, demand for power is expected to grow significantly, to meet current suppressed demand (evidenced by load shedding and unreliable supply), to support economic diversification and the growing manufacturing sector, and to meet the rising economic aspirations of India's people.

Recognizing the fact that efficient supply of reliable electricity to all its citizens is essential for the sustained growth of the Indian economy, in 2014, the Government of India (GoI) launched the Power for All (PFA) program, involving a partnership approach with the states, that aims to ensure 24X7 electricity supply to all consumer categories across the selected states. Andhra Pradesh (AP) is one of the three states (along with Rajasthan and Delhi) selected by the GoI to roll out the 'Power for All' program.

AP with a population 49 million, is a middle-income state and is growing at a rate of 10.5%¹ which is higher than the country average. Service sectors registered a growth rate of 11.39 % in FY 2016 and they are the engine for pushing the overall growth. AP is situated in the south-eastern coast of the country.

AP was among the first Indian states to initiate legal, structural, regulatory and institutional reforms in the power sector in the late 1990s. The reforms resulted in the state's energy deficit being reduced to 1.5 % during FY 2004, while the country-wide average was 7.1 %. In 2003, the credit rating agency, CRISIL, ranked AP as the best state among all Indian states, based on the performance parameters for the power sector. However, after 2004 the reforms were not maintained and the sector started facing considerable challenges including (i)

¹ Government of India's FY 2015. FY in this report refers to Government of India's financial year. FY 2015 means April 2014 to March 2015; FY 2016 means April 2015 to March 2016 and so on.

high peak deficit and energy deficit that led to significant additional cost spent on procuring power from short term sources at higher cost, (ii) managing scarce power supply among agricultural, small domestic and industrial consumers (with the latter facing forced consumption cuts) and (iii) under investment in transmission and distribution infrastructure due to poor financial performance of the utilities (which was caused mainly by i and ii above).

Since 2014, the Government of Andhra Pradesh (GoAP) has taken significant steps to improve the power sector in the state. The political leadership has accorded a high priority to improving the availability and quality of power supply for the state's economic development. AP was one of the first states to sign the 24x7 Power for All plan.

The World Bank, as the lead co-financier will administer the Bank's loan on behalf of the Bank including procurement, disbursements, environmental and social compliance, and project monitoring and reporting. For further project details, please see the following website of the World Bank:

<http://documents.worldbank.org/curated/en/300581475042280168/Project-Information-Document-Appraisal-Stage-24x7-Power-for-all-in-Andhra-Pradesh-P155038>

II. Project Objectives and Expected Results

The objective of the proposed Project is to increase the delivery of electricity to customers and to improve the operational efficiency and system reliability in distribution of electricity in selected areas in AP. The Project's direct beneficiaries are the (existing and new) customers of the power distribution companies in AP, who will benefit from an increase in the supply of grid-based electricity, resulting from the augmentation and strengthening of the intrastate transmission and distribution (T&D) network. Around half of the proposed investments are targeted towards improving power supply to rural areas thus providing opportunities to increase the household income and thus standards of living in some of the poorer communities in India.

III. Project Description

The Project consists of the following components:

Component 1: Power Transmission System Strengthening

This component includes priority investments in 220 kV, 132 kV, 66 kV, and 33 kV lines and associated substations for system augmentation. These investments will reduce overall transmission system losses and increase the transfer capability of the state transmission network.

Component 2: Smart Grid Development in Urban Areas

This component would support investments in smart grids and underground cables in selected cities as part of smart cities initiative promoted by GoI. These investments would include smart meters on selected consumers, distribution SCADA, automated sub-stations, and ring main units. It also includes investments on distribution network strengthening & augmentation (33kV and 11kV) in urban areas to meet the growing power demand, reduce technical & commercial losses, improve operational efficiency and increase the system reliability especially in coastal towns prone to natural calamities.

Component 3: Distribution System Strengthening – Rural

This component would support strengthening and augmentation of the distribution network (33kV and below) and construction of the High Voltage Distribution System (HVDS) in rural areas. The majority of the investments under this component are located in Anantapur and Kurnool - the two new districts that have been transferred to APSPDCL post the restructuring of the state. The state of infrastructure in these districts is poor and the majority of power transformers, distribution transformers and feeding lines are overloaded leading to frequent outages and high technical losses

Component 4: Technical Assistance for Institutional Development and Capacity Building

This component would improve the project management capabilities and commercial performance of the Andhra Pradesh utilities by (i) improving ICT systems, (ii) improving the business processes, (iii) supporting supervision of contracts through Project Management Consultants, as required, and (iv) building staff capacity through training, workshops, and study tours.

IV. Environmental and Social Category

The Bank has decided to use the World Bank’s (WB) Environmental and Social Safeguard Policies (ESSP) since (i) they are consistent with the Bank’s Articles of Agreement and materially consistent with the provisions of the Bank’s Environmental and Social Policy and relevant Environmental and Social Standards; and (ii) the monitoring procedures that the WB has in place to ascertain compliance with the WB ESSP are appropriate for the project. Under the WB ESSP, the project has been assigned Category B, as the potential impacts are expected to be site specific, readily identified and addressed through mitigation and monitoring measures that were defined in an Environmental and Social Management Framework (ESMF) prepared for the project.

An Environmental and Social Management Framework has been prepared to address the Environmental and Social issues that have been identified during the initial review of the project.

The ESMF has been disclosed and is posted on the following WB website:

<http://documents.worldbank.org/curated/en/435591472024110073/Environment-and-social-management-framework>

V. Estimated Project Cost and Financing Source

The total project cost is estimated to be US\$ 571 million, of which US\$ 160 million will be financed by the Bank. The table below indicates the project cost and financing plan (all figures in US\$ millions)

Financing Plan	Amount
Government of Andhra Pradesh	171.00
AIIB	160.00
World Bank (IBRD)	240.00
Total	571.00

VI. Implementation

The transmission and distribution companies in Andhra Pradesh namely, APTRANSCO (transmission company), APEPDCL and APSPDCL (distribution companies) will be the Implementation Agencies (IA) of this project.

World Bank plans to present the project to their Board of Directors on May 26, 2017.

Expected Project Implementation Period (Start Date – End Date): August 2017 – June 2022

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