**ANDHRA PRADESH CENTRAL POWER DISTRIBUTION CORPORATION LIMITED**
**Dr. Y.S.R Vidyuth Soudha, Corporate office, ITI Road, Vijayawada-520 008**

From
The Chief General Manager/RAC,
Corporate office,
APCPDCL, Vijayawada

To
Sri P. Vydehi
Secretary (I/c),
Federation of Andhra Pradesh Chambers
of Commerce and Industry,
54-16-1/2-A, 3rd floor, Central Excise colony
Road.No.1, Gunadala,
Vijayawada-520008

**Lr.No.CGM/RAC/GM/PP&RAC/CP/VJA/F.No.76/D.No. 369 /24, Dt: 18.01.2024**

Sir,

Sub: APCPDCL - Replies to further objections raised by Smt. P.Vydehi, Secretary (I/c), Federation of Andhra Pradesh Chambers of Commerce and Industry, on ARR & Tariff Proposals of Retail Supply Business for the FY 2024-25 and ARR of Distribution Business for 5th Control Period - Reg.

Ref: Party's representation, dt.08.01.2024.

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Referring to the further objections raised by Smt. P.Vydehi, Secretary (I/c), Federation of Andhra Pradesh Chambers of Commerce and Industry, on ARR & Tariff Proposals of Retail Supply Business for the FY 2024-25 and ARR of Distribution Business for 5th Control Period, the reply is furnished as hereunder.

## Objections & Replies:

### THE STATEMENT OF OBJECTIONS BY THE OBJECTOR

### 1 STATEMENT OF OBJECTIONS

The distribution licensees namely Andhra Pradesh Southern Power Distribution Corporation Limited (hereinafter referred to as the 'APSPDCL' or 'AP discom' or 'South Discom' or 'Petitioner' or 'distribution company' or 'Licensee'), Andhra Pradesh Eastern Power Distribution Corporation Limited (hereinafter referred to as the 'APEPDCL' or 'AP discom' or 'East Discom' or 'Petitioner' or 'distribution company' or 'Licensee') and Andhra Pradesh Central Power Distribution Corporation Limited (hereinafter referred to as the 'APCPDCL' or 'AP discom' or 'Central Discom' or 'Petitioner' or 'distribution company' or 'Licensee') have filed the Aggregate Revenue Requirement Petitions for the Retail Supply Business for FY 2024-25 respectively in accordance with the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation No.4 of 2005 and its First Amendment notified in 2014 namely Regulation No. 1 of 2014 (hereinafter collectively referred to as 'Tariff Regulations').

The Statement of Objections is herein being filed on behalf of A.P. Ferro Alloys Producers Association (APFAPA)' (hereinafter called the 'Objector'), an Association which is an umbrella body of the Ferro Alloys Industry in the State of Andhra Pradesh.

The special characteristics of the Industrial consumers that benefit the Utilities are:

- They are still the subsidising category of consumers for the utilities. Hence they are the revenue earners ensuring better returns for the utilities.
- The Load curve and consumption pattern enable better capacity utilisation and low Cost of Service for the Utilities in comparison to LT consumer categories.

Despite being rich in minerals reserves, the consumers in state of Andhra Pradesh have been made to bear increasingly high tariff rates in past few years. The historically low industrial tariffs were a result of low cost of production of power and an advantageous fuel mix of hydro, coal and gas power plants. However, the current levels of cross subsidisation built into the tariff design have made the industrial tariffs highly uncompetitive when compared to other states.

The above facts coupled with the extremely high cross subsidy surcharge (CSS) imposed on the power purchase through open access has stymied the growth of industries in the state.

A.P. Ferro Alloys Producers Association (Objector) strongly objects to the Filing of the ARR for the Retail Supply Business for FY 2024-2025 (herein after referred to as the 'Tariff Petitions' or 'Petitions') and prays that the submissions and objections made herein may be accepted and approved by the Hon'ble Commission, in the interest of justice and equity.

The Objector also prays that it may be permitted to make additional submissions specific to these Petitions, in the Public Hearings as per the Public Hearing schedule announced by this Hon'ble Commission.

The brief facts, propositions, analysis, grounds and point wise objections to the Petitions are narrated herein below:

## 2 Lack of transparency in Tariff Filings

### 2.1 Non-adherence to MYT Regulations

#### Non-adherence to MYT filings

As per the Regulation (1) 8 of the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005 (herein after referred to as the 'Tariff Regulations'), the term "Control Period" is defined as follows:

> *"Control Period" means a multi-year period fixed by the Commission from time to time, usually 5 years, for which the principles for determination of revenue requirement will be fixed, the first Control Period, however, being of the duration of 3 years"*

Further, the Regulation 6(2) of the Tariff Regulations provides as under:

*"6 FILING PROCEDURE*

*6.2 The ARR filing for the Distribution business shall be for the entire Control Period. For the Retail Supply business, the ARR filing will be on annual basis for the first Control Period and the entire Control Period for the subsequent Control Periods."*

The Tariff Regulations have been inexplicably clear as to what the filing procedure needs to be however, to the dismay of the Objector's Association, the Petitioner has claimed relaxation in fling of the Retail Supply Tariff Petition not for the entire Control period (FY2024-29) but only for the FY 2024-25. The relevant extracts of the RST Petition in such connection is as follows:

"As per Regulation No. 4 of 2005, the licensee is required to file the Aggregate Revenue Requirement (ARR) for Retail Supply Business and Tariff proposal for the entire control period i.e., for the period from FY 2024-25 to FY 2028-29. However, the FY 2024-25 is the first year of the 5th control period (FY 2024-25 to FY 2028 29). For the previous years of the control period, the DISCOM filed ARR for Retail Supply Business on yearly basis duly taking approval from the Honourable APERC in view of the uncertainties in power purchase cost, policy and sales. As FY 2024-25 is the first year of the control period, the Honourable APERC has requested to file the ARR & FPT for Retail Supply Business for FY 2024-25 by 30th November, 2023 vide Proceedings. No.8/T-100/2023 Date:10-10-2023. Hence the DISCOM is filing the ARR & FPT for retail supply business for FY 2024-25."

It is clear from the above submissions of the AP discoms that the non-compliance to the Tariff Regulations is wilful. It has been a routine since the discoms have been filing RST Petitions on an annual basis instead of Control period basis. Time and again, the AP discoms have been emphasizing upon the uncertainty in power purchase cost, policy and sales. While, it may be true once in a while, such factors may necessitate the filing of RST Petition on an annual basis (for such year only) however, the said factors would not affect every year from FY 2005-06.

It is further stated that the Tariff Regulations being framed in the year 2005 provides as under:

*"12.2 Except in the case of Retail Supply Business insofar as for the first Control Period is concerned:*

*The Commission shall adopt the Sales Forecast, the Distribution loss trajectory and the Power Procurement Plan approved as part of the Resource Plan for the purpose of determining the Power Purchase Requirement of the Distribution Licensee for the Control Period;*

*b. The power procurement plan will not generally require any revisions during the Control Period, and the Commission-approved category-wise power procurement forecast shall be applied for estimating the Distribution Licensees' power procurement requirement for each year of the Control Period;*

*c. While approving the cost of power Procurement, the Commission shall determine the quantum of electricity to be procured, consistent with the power procurement plan, from various sources of supply, in accordance with the principle of merit order schedule and dispatch. based on a ranking of-all approved sources of supply in the order of variable cost or price.*

The above provisions contained in the Tariff Regulations clearly establishes that the MYT framework was to be adopted for the Control periods after the 1st Control period especially in the projection of Cost of Power procurement.

While the Objector would not disagree to the Annual filing towards Retail Supply Tariff (RST) determination PROVIDED that the MYT filings (or MYT Order for RST) are in place (or MYT Order have been issued) for the entire Control period FY 2024-29.

The Hon'ble Commission while issuing the 1st amendment to the principle Tariff Regulations 2005 (Regulation 1 of 2014) has not disregarded the MYT filings in context of the RST determination, it has merely introduced the provisions for the Annual True-up.

While it may be true that this Hon'ble Commission may have powers to relax any provision of the Tariff Regulations however, the very purpose of introducing the Multi Year Tariff Regulatory Framework is to bring certainty and predictability as stated in the Tariff Policy:

*"8.1 Implementation of Multi-Year Tariff (MYT) framework*

1) *This would minimise risks for utilities and consumers, promote efficiency and appropriate reduction of system losses and attract investments and would also bring greater predictability to consumer tariffs on the whole by restricting tariff adjustments to known indicators on power purchase prices and inflation indices. The framework should be applied for both public and private utilities.*

(Emphasis Supplied)

**Non-adherence to Annual True-up**

It is also pertinent to mention that in absence of truing up of FY 2021-22 and FY 2022-23, and the paucity of data provided in the True Up Order dated 26.11.2020 (True-Up of Retail Supply Business for the FY 2014-15, FY 2016-17, FY 2017-18 & FY 2018-19 for APSPDCL and APEPDCL) and the Order dt. 30.03.2022 (Tariff for Retail Sale of Electricity during FY 2022-23 & True-up for FY 2019-20 and FY 2020-21 and True-up for Distribution Business for 3rd Control Period), the stakeholders find it very difficult to comment upon the veracity of numbers claimed by the discoms in Petition. Following may also be noted in this regard:

- True up exercises are extremely important towards definite closure of the tariff determination scheme and therefore must be completed on time. Even when the true-up application for 2015-16 was filed, the Hon'ble Commission was compelled to make strong observations noticing that,

*"The filings are devoid of verifiable information to satisfactorily determine the permissibility or impermissibility of the various amounts and purchases claimed. The bald information, without support of any details of the purchases and costs being inconformity with the detailed Tariff Order issued by this Commission for FY 2015-16 cannot provide any satisfactory basis for any comprehensive adjudication of the claim and even stakeholders are disabled from expressing any concrete views/objections on such inadequate material."*

Furthermore, the Hon'ble Commission in the matter of pass-through of Fuel & Power Purchase Cost Adjustment (FPPCA) for each quarter of FY 2021-22 (refer Order dated 01.03.2023) directed to discoms as under:

"64. *Further, the DISCOMS are directed to furnish the actual FPPCA charges collected from the consumers including the FPPCA charged to GoAP in respect of all eligible consumers including those other than agricultural consumers under the free power category as per regulation as against the power purchase cost variations approved in this Order along with the True-up of Retail Supply Business for the fourth control period to be filed before the Commission after the end of control period for correction if there be any excess/shortfall."*

(Emphasis Supplied)

In view of the aforesaid, it is humbly requested before the Hon'ble Commission that the Annual True-up is of paramount interest and the same need to be complied in a timely manner. The present conduct of the proceedings i.e. RST filing on Annual basis and True up on Control basis period basis (end of FY 2019-24) tilts the balance of interest in favour of the Licensees.

Notably, many SERCs across the country have been conducting Annual True ups so that the burden of the True up Surplus/ Gap does not give rise to Tariff shocks to the retail consumers.

Therefore, on account of the above submissions, the Objector humbly pleads before the Hon'ble Commission that it may direct the Licensees to:

- File Petition for the determination of Retail Supply Tariffs for the Multi-year Control period FY 2019-24.
- File True-up Petition for the Retail Supply Tariffs for the FY 2023-24 along with compliance to Annual True up filing.

In view of the above submissions, the Objector submits that the Hon'ble Commission may reprimand the Discoms and disallow or withhold 30% of its ARR (claimed in the RST) on account of non-adherence to MYT Regulations.

**Reply:** In view of the uncertainties involved in projection of quantum of power purchase and costs and sales forecast, the APDISCOMs requested the Honourable APERC for permission to file ARR and Tariff for Retail Supply Business for FY 2024-25 on annual basis instead of control period. The Honourable APERC has accorded permission for filing the ARR & FPT for Retail Supply Business for FY 2024-25 on annual basis on or before 30th November, 2023 vide Proceedings. No.8/T-100/2023 Date:10-10-2023. Hence the DISCOM has filed the ARR & FPT for retail supply business for FY 2024-25 on annual basis on 30-11-2023.

The licensee has been filing FPPCA / true-ups as per the Regulations. As the regulations mandate true-up of costs other than power purchase after the end of control period, the APCPDCL is filing true-up of other items after the end of the control period.

As the DISCOMs are filing ARR for retail supply business on annual basis as per the approval of the Hon'ble APERC and true-ups as per Regulations, the objector's submission for reprimand and withholding of 30% of ARR is not justified.

Notwithstanding to the above, the item-wise Objections on various items of the Retail Supply ARR is listed in the following sections.

## 3 Objections on the Annual Revenue Requirement (ARR) for AP Discoms for FY 2024-25

The ARR proposed by the Petitioner for FY 2024-25 is provided in the table below:

**Table 1: ARR and Revenue Gap/Surplus claimed by the Petitioner for 2024-25**

***(All figures in Rs. Crores)***

| S. no | Particulars<br>Revenue Requirement Item (Rs. Crs.) | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|---|
| 1 | Transmission Cost | 1,628.16 | 1,338.56 | 939.64 |
| 2 | SLDC Cost | 35.84 | 31.66 | 20.39 |
| 3 | Distribution Cost | 4,490.33 | 2,862.77 | 2,161.32 |
| 4 | Additional Interest on Pension bonds of AP Genco Order | 521.11 | 533.73 | 291.69 |
| 5 | PGCIL Expenses | 697.59 | 624.80 | 402.62 |
| 6 | ULDC Charges | 1.47 | 1.32 | 0.85 |
| **7** | **Network and SLDC Cost (1+2+3+4+5+6)** | **7,374.49** | **5,392.82** | **3,816.50** |
| 8 | Power Purchase / Procurement Cost | 15,094.14 | 15,464.22 | 8,459.24 |
| 9 | Interest on Consumer Security Deposits | 176.66 | 195.34 | 114.27 |
| 10 | Supply Margin in Retail Supply Business | 40.16 | 19.24 | 23.72 |
| 11 | Other Costs and Adjustments, if any | 173.79 | 90.24 | 138.18 |
| **12** | **Supply Cost (8+9+10+11)** | **15,484.75** | **15,769.04** | **8,735.42** |
| **13** | **Aggregate Revenue Requirement (7+12)** | **22,859.24** | **21,161.86** | **12,551.92** |
| 14 | Non-Tariff Income | 1,388.40 | 432.56 | 392.52 |
| 15 | Revenue from sale of RECs | 20.00 | - | - |
| 16 | **Net ARR (Rs. Crore)** | **21,450.84** | **20,729.31** | **12,159.40** |
| 17 | **Sales (MUs)** | **28,686.75** | **29,854.06** | **15,981.86** |
| 18 | **ACoS (Rs./kWh)** | **7.48** | **6.94** | **7.61** |
| 19 | Total Revenue at Current Tariffs | 13,787.35 | 17,331.89 | 9,090.61 |
| 20 | Revenue from Cross Subsidy Surcharge | 142.46 | 89.71 | 21.53 |
| 21 | Revenue Gap at Current Tariffs | 7,521.03 | 3,307.70 | 3,047.26 |
| 22 | Revenue through proposed Tariffs | 100.16 | - | - |
| 23 | **Revenue Gap at Proposed Tariffs** | **7,420.87** | **3,307.70** | **3,047.26** |
| 25 | **Revenue through Full cost Recovery as per GO Rt. No.161 ,dt:15.11.2021** | **7,420.87** | **3,307.70** | **3,047.26** |
| 26 | **Net Deficit /(Surplus) at full cost recovery** | - | - | - |

Detailed item-wise Objections in respect of the ARR projected by the AP Discoms for FY 2024-25 are detailed out below:

### 3.1 Transmission and SLDC Costs

The South and Central discoms have submitted that the Transmission and SLDC costs are being claimed in accordance with the claims made by APTRANSCO in the respective MYT petitions filed for the Multi-year Control period FY 2024-29.

The East discom has submitted that Transmission and SLDC charges are projected by escalating the FY 2023-24 applicable Transmission and SLDC Tariff by 15%.

The summary of the Transmission and SLDC cost claimed by AP discoms is shown as under:

**Table 2: Summary of the Transmission and SLDC cost claimed**

| S. no | Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|---|
| 1 | Transmission Cost (Rs. Crs.) | 1,628.16 | 1,338.56 | 939.64 |
| 2 | SLDC Cost (Rs. Crs.) | 35.84 | 31.66 | 20.39 |
| 3 | Total Cost (Rs. Crs.) | 1,663.99 | 1,370.21 | 960.03 |
| 4 | Energy wheeled through Transmission system (Mus) | 32,167.00 | 32,945.65 | 18,005.48 |
| **5** | **Per unit Transmission cost (Rs./ unit) (1/4)** | **0.52** | **0.42** | **0.53** |

At the outset, the Per unit Transmission and SLDC cost for all 3 Discoms are in significant variance from each other. The Hon'ble Commission is sincerely requested that the Transmission Tariff be computed in a manner so that the impact of Per unit Transmission Tariff is identical for all 3 Discoms.

Secondly, the Objector has assessed the deviation in Transmission & SLDC Tariff claimed by discoms in the FY 2024-25 vs FY 2023-24. The depicted table illustrates the % increase the discoms have projected the Transmission Tariff (for FY 2024-25) as compared to the Prevailing Tariff (for FY 2023-24).

**Table 3: Comparison of Transmission and SLDC Tariff claimed for FY 2024-25 vs Prevailing tariff (FY 2023-24)**

| S. no | Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|---|
| **Claimed Tariff for the FY 2024-25** | | | | |
| 1 | Transmission Tariff (Rs./ kW/ month) | 216.64 | 216.64 | 238.85 |
| 2 | SLDC Annual Fee (Rs./ MW/ month) | 7,339.61 | 7,339.61 | 6,834.99 |
| 3 | SLDC Charges (Rs./ MW/ month) | 2,571.00 | 2,571.00 | 2,403.95 |
| | | | | |
| **Applicable Tariff for the FY 2023-24** | | | | |
| 4 | Transmission Tariff (Rs./ kW/ month) | 188.38 | 188.38 | 188.38 |
| 5 | SLDC Annual Fee (Rs./ MW/ month) | 6,382.27 | 6,382.27 | 6,382.27 |
| 6 | SLDC Charges (Rs./ MW/ month) | 2,235.65 | 2,235.65 | 2,235.65 |
| | | | | |
| S. no | Particulars | APSPDCL | APEPDCL | APCPDCL |
| **% Increase compared to FY 2023-24** | | | | |
| 7 | Transmission Tariff (Rs./ kW/ month) | 15.00% | 15.00% | 26.79% |
| 8 | SLDC Annual Fee (Rs./ MW/ month) | 15.00% | 15.00% | 7.09% |
| 9 | SLDC Charges (Rs./ MW/ month) | 15.00% | 15.00% | 7.53% |

It could be clearly seen that the projections in Transmission Tariff claimed by discoms are significantly higher to the prevailing levels which would contribute to a significantly higher cost of service. The escalation of 15% by South and East discom and 27% by Central discom towards Transmission and SLDC Tariff seems to be highly exaggerated and if approved would cause grave financial impact on the retail ARR. Therefore, in the interest of justice and equity, it is requested that the Transmission Tariff be approved by the Hon'ble Commission for the FY 2024-25 at similar levels as that of FY 2023-24.

Accordingly, the allowable Transmission and SLDC cost as per Objector's assessment for the FY 2024-25 is as under:

**Table 4: Allowable Transmission and SLDC charges for the FY 2024-25**

| S. no | Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|---|
| 1 | Transmission Cost (Rs. Crs.) | 1,415.79 | 1,163.96 | 741.08 |
| 2 | SLDC Cost (Rs. Crs.) | 31.16 | 27.53 | 18.98 |
| 3 | Total Cost (Rs. Crs.) | 1,446.95 | 1,191.49 | 760.05 |

**Reply:** The APTRANSCO, SLDC and PGCIL charges projected by APDISCOMs for FY2024-25 are provisional only. Transmission and SLDC costs have been computed based on the Transmission & SLDC Tariff Orders for FY 2023-24. For FY 2024-25, the transmission cost is computed by increasing 15% on the transmission cost approved for FY 2023-24, since, by the time the APDISCOMs were preparing ARRs, APTRANSCO did not arrive their tariff projections for Transmission tariff for the 5th control period i.e., from FY2024-25 to FY2028-29. The final APTRANSCO and SLDC charges for FY2024-25 will be as decided by Hon'ble Commission in Transmission and SLDC tariff for the 5th control periods i.e., from FY2024-25 to FY2028-29.

### 3.2 Distribution Costs

AP discoms have submitted that the Distribution costs are being claimed in accordance with the claims made by the AP discoms in their respective Business Plan and MYT petitions filed for the Multi-Year Control period FY 2024-29.

The summary of the Distribution cost claimed by AP discoms is shown as under:

**Table 5: Summary of the Transmission and SLDC cost claimed**

| SN. | Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|---|
| 1 | Distribution Cost (Rs. Crore) | 4,490.33 | 2,862.77 | 2,161.32 |
| 2 | Sales (Mus) | **28,686.75** | **29,854.06** | **15,981.86** |
| 3 | Per unit Distribution Cost (Rs./ unit) | 1.57 | 0.96 | 1.35 |

At the outset, the Per unit Distribution Cost for all 3 Discoms are in significant variance from each other. While it is understood that a significant part of the variation is on account of LT: HT sales variation across discoms, but even the Voltage wise Distribution Tariff (in Rs./KVA/ month) is different across all discoms. Furthermore, the Distribution demand projected by the discoms also affects the variation in Per unit Distribution Cost across the discoms.

The Hon'ble Commission is sincerely requested that the Distribution Tariff be approved in a manner so that the consumers across the discoms are not burdened owing to the under utilization of the distribution assets.

Secondly, the Objector has assessed the deviation in Distribution Tariff claimed by discoms in the FY 2024-25 vs FY 2023-24. The depicted table illustrates the % increase the discoms have projected the Distribution Tariff (for FY 2024-25) as compared to the Prevailing Tariff (for FY 2023-24).

**Table 6: Comparison of Distribution Tariff claimed for FY 2024-25 vs Prevailing tariff (FY 2023-24)**

| S. no | Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|---|
| **Distribution Tariff Claimed for the FY 2024-25** | | | | |
| 1 | 33 KV (Rs./ kW/ month) | 83.17 | 64.26 | 83.02 |
| 2 | 11 KV (Rs./ MW/ month) | 964.49 | 671.48 | 688.51 |
| 3 | LT (Rs./ MW/ month) | 1,262.89 | 855.80 | 846.40 |
| | | | | |
| **Distribution Tariff Claimed for the FY 2023-24** | | | | |
| 4 | 33 KV (Rs./ kW/ month) | 79.48 | 61.92 | 79.48 |
| 5 | 11 KV (Rs./ MW/ month) | 536.83 | 489.07 | 436.83 |
| 6 | LT (Rs./ MW/ month) | 795.08 | 836.76 | 766.95 |
| | | | | |
| **% Increase compared to FY 2023-24** | | | | |
| 7 | 33 KV (Rs./ kW/ month) | 4.65% | 3.78% | 4.45% |
| 8 | 11 KV (Rs./ MW/ month) | 79.66% | 37.30% | 57.62% |
| 9 | LT (Rs./ MW/ month) | 58.84% | 2.28% | 10.36% |

It could be clearly seen that the projections in Distribution Tariff claimed by discoms are significantly higher to the prevailing levels which would contribute to a significantly higher cost of service. The escalation of across different voltage levels are ranging between 2 80% across discoms. Such Tariff seems to be highly exaggerated and if approved would cause grave financial impact on the retail ARR. Therefore, in the interest of justice and equity, it is requested that the Distribution Tariff be approved by the Hon'ble Commission for the FY 2024-25 at similar levels as that of FY 2023-24.

Accordingly, the allowable Distribution cost as per Objector's assessment for the FY 2024 25 is as under:

**Table 7: Allowable Distribution Cost for the FY 2024-25**

| SN. | Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|---|
| 1 | Distribution Cost | 2,775.15 | 2,658.13 | 1,834.69 |

**Reply:** The licensee has computed distribution cost and wheeling charges as per the procedure followed in approval of previous orders for distribution business and hence the same are allowable. The objectors assessment of allowable distribution cost is not justified

**3.3 Additional Interest on Pension bonds of AP Genco Order**

The AP discoms have claimed expenses towards Additional Interest on Pension bonds of AP Genco. The claim made by the AP discoms is shown as under:

**Table 8: Additional Interest on Pension bonds of AP Genco claimed by AP discoms**

***(All figures in Rs. Crores)***

| Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|
| Additional Interest on Pension bonds of AP Genco | 521.11 | 533.73 | 291.69 |

The discoms in their respective Petitions have not exhibited as to how the expenses towards Pension bonds have been projected. Further, it is submitted that the said expenses are escalated by 7.49%, 10.90% and 9.86% over the revised FY 2023-24 expenses by South, East and Central discoms respectively.

It is most humbly submitted that the expenses for FY 2023-24 have been projected without any logical rationale lest supported by any documentary evidence. It would be prudent at the discoms end to at least provide the Actuarial valuation report (usually done once in 3 years) from where the actual contribution could be deduced. In the absence of said information on record, the Objector submits that the said expenses be allowed at the FY 2023-24 approved numbers suitably inflated by the % escalation indices as claimed by the Petitioner.

Furthermore, the Hon'ble Commission has been allowing the said expenses to be recovered in entirety from the discoms outside the power purchase costs. However, it is most respectfully iterated that the said expenses do ideally form the part of AP Genco's Annual Fixed Charges. Allowing the said expenses outside the purview of Genco's ARR basically delinks the recovery of the Interest towards Pension expenses from the Plant availability factor which forms the basis of recovery of AP Genco's Annual Fixed Charges. To have a fair recovery of Costs towards AP Genco's, the recovery of Additional Interest on Pension bonds of AP Genco should be linked with Plant availability factor of the respective Genco unit.

Owing to lack of information on the availability of Genco's and in view of the submissions in preceding paras, the allowable Expenses towards Additional Interest on Pension bonds of AP Genco should be limited as shown in the table below:

**Table 9: Allowable Additional Interest on Pension bonds of AP Genco**

| SN. | Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|---|
| 1 | Additional Interest on Pension bonds of AP Genco approved by APERC in the RST Order of FY 2023-24 (25.03.2023) (Rs. Crore) | 412.53 | 369.48 | 238.09 |
| 2 | Escalation % as claimed by discoms | 7.49% | 10.90% | 9.86% |
| 3 | **Allowable Additional Interest on Pension bonds of AP Genco (Rs. Crore)** | **443.44** | **409.75** | **261.56** |

**Reply:** As ascertained by APGENCO, the liability was vested in APGENCO through statutory transfer scheme vide G.O.Ms.No.11, Dt.30.01.2000. Hon'ble APERC is allowing the commitment from time to time since 01.02.1999.

### 3.4 PGCIL Expenses and ULDC Charges

The AP discoms have claimed PGCIL Expenses and ULDC Expenses as shown under:

**Table 10: PGCIL and ULDC Expenses claimed by AP discoms**

*(All figures in Rs. Crores)*

| Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|
| PGCIL Expenses | 697.59 | 624.80 | 402.62 |
| ULDC Expenses | 1.47 | 1.32 | 0.85 |

The discoms in their respective Petitions have merely escalated the PGCIL and ULDC expenses estimated for the FY 2023-24 by 15.00% to arrive at the claimed expenses for the FY 2024-25.

It is most humbly submitted that the expenses for FY 2023-24 have been projected without any logical rationale nor substantiated by any Regulatory precedence.

Furthermore, no provisions of the CERC Tariff Regulations 2014/ 2019 allow the Generating company/ Transmission Licensee to recover the Generation/ Transmission on an arbitrary manner in the absence of Tariff Order. The Regulation 10(4) of the CERC Tariff Regulations 2019 in such context provides as under:

***"10. Determination of tariff***

*(4) In case of the existing projects, the generating company or the transmission licensee, as the case may be, shall continue to bill the beneficiaries or the long-term customers at the capacity charges or the transmission charges respectively as approved by the Commission and applicable as on 31.3.2019 for the period starting from 1.4.2019 till approval of final capacity charges or transmission charges by the Commission in accordance with these regulations: Provided that the billing for energy charges w.e.f. 1.4.2019 shall be as per the operational norms specified in these regulations."*

*Provided that the billing for energy charges w.e.f. 1.4.2019 shall be as per the operational norms specified in these regulations."*

In view of the above, AP discoms cannot be billed at a rate of 15% by CTU/ POWERGRID in the absence of Tariff Order for the FY 2019-23 period, instead the AP discoms would be billed at the prevailing Tariff rates as applicable for the last year of the previous Control period. Therefore, the claim made by the AP discoms towards PGCIL Expenses is not warranted at the first place. In view of the aforesaid, the escalation rate of 15% as considered by the Petitioner is not admissible and is liable to rejected.

In view of the submissions in preceding paras, the allowable PGCIL Expenses and ULDC Expenses for FY 2024-25 should be limited to the estimates made by the Licensee for the

FY 2023-24. The allowable PGCIL Expenses and ULDC Expenses for the FY 2024-25 is shown as under:

**Table 11: Allowable PGCIL and ULDC Expenses**

**(All figures in Rs. Crores)**

| SN. | Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|---|
| 1 | PGCIL Expenses | 606.60 | 543.30 | 350.10 |
| 2 | ULDC Expenses | 1.28 | 1.15 | 0.74 |

**Reply:** The Basis for cost projections for PGCIL is as submitted below:

- CERC (Connectivity and General Network access regulations), 2022 which came into effect from 01.10.2023 (billing month from December'23)
- As per the regulations, the Deemed GNA quantum for AP is given as 4516 MW. The deemed GNA quantum was calculated by taking the average of the State's peak drawls for three years i.e FY 2018-19, 2019-20, 2020-21.
- On 07.02.2023, CERC has notified amendment to the CERC(Sharing of Inter-state transmission charges and losses) (First Ammendment) regulations,2023 which came into effect from 01.10.2023 (billing Month from December'23).
- As per the amended sharing regulations, the ISTS/PGCIL charges will now be shared in proportion to the state's GNA quantum, which were previously apportioned as per the State's total LTA quantum minus the RE-LTA. The Net MW LTA then was around 1600 MW monthly on an average.
- Whereas, as per the amended Sharing regulations, the transmission charges are now being shared as per the GNA quantum after excluding the eligible exemptions.
- When the projections were done for H2 of FY 2023-24, the projections were done by Considering the Actual Cost incurred for October'23, November'23 billing months and taking the projected monthly cost for the remaining 4 months of H2 of FY 2023-24.

Actual Cost for October and November (In Lakhs)

| Month | October | November | Total |
|---|---|---|---|
| Bill-1 | 8621.76 | 8336.38 | 16958.14 |
| RTDA | 3550.92 | 2712.97 | 6263.90 |
| Bill-2 | 3757.23 | 0.00 | 3757.23 |
| Total | 15929.91 | 11049.35 | 26979.27 |

| | |
|---|---|
| Total projected cost for AP for Last 4 months of H2 of FY 2023-24 (14905.63*4) | 59622.54361 |
| Total H2 Projected cost(In Lakhs) | 86602 |

- As the calculated projected Cost for FY 2024-25 as per the assumptions considered(as shown in the points 1,2,3 above) by Discoms worked out to be Rs 1788.67 Crs , which is nearly 20% higher than the cost from FY2023-24, however, the projected cost filed before commission has been escalated 15% only (optimistically), considering the fact that, the actual costs might vary when the billing starts as per the new regulations.
- Since the GNA quantum has been arrived by considering the past peak drawls of the state, the RTDA charges will now reduce substantially compared to how it was before.

- It is to further submit that, as on date, 2 Nos monthly bills based on GNA regulations were raised by CTUIL on APDISCOMS for the months of December'23 and January'24, which amounts to Rs 154.28 Crs and Rs 148.77 Crs respectively.
- It can be observed from the above 2nos bills, the amounts are close to the monthly Projected Cost i.e. Rs 144 Crs filed by APDISCOMS before Hon'ble Commission.
- For further Information, the GNA exemption w.r.t NTPC simhadri Stage-I (that is connected to AP state STU) is given as 317 MW as per the Methodology notified the regulation. The exemption of Scheduling Power from RE sources that are connected to ISTS/CTU is being done as a percentage of Total Monthly Charges of each state instead of exemption in MW.

As RE integration being done by all the beneficiaries/Discoms in the country is increasing, the waived off transmission charges for such RE power is being apportioned on all India basis to all the states also increases. Hence, the cost burden increases indirectly for all the states as and when there is RE integration/addition done by any one state. This is also one of the major factor that affects the ISTS charges for APDISCOMS.

**3.5 Voltage-wise Distribution Losses**

The AP discoms have claimed the Distribution Losses for the FY 2024-25 as under:

**Table 12: Voltage wise Distribution loss claimed by AP discoms**

| SN. | Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|---|
| 1 | 33kV | 3.19% | 3.34% | 3.11% |
| 2 | 11kV | 3.30% | 3.39% | 3.16% |
| 3 | LT | 5.09% | 3.42% | 3.73% |

At the outset, it is humbly submitted that the Loss levels projected by the discoms seems unrealistic. The loss levels projected by East discom are highly skewed as the loss levels at all voltage levels are almost similar for them.

Furthermore, the loss trajectory must be approved on a continuous improvement profile. Therefore, the loss levels for FY 2024-25 must be approved in a manner that indicates gradual improvement in the loss trajectory compared to preceding year (FY 2023-24) approved loss levels.

Further, the Hon'ble Commission while approving the Loss levels for the FY 2023-24 observed as under (Ref RST Order dated 25.03.2023):

*"As could be seen from the above tables, the DISCOMS have projected higher T&D losses than those supposed to be taken from the MYT Orders issued by the Commission for Transmission and Distribution business for the 4th Control Period except at LT voltage level by APCPDCL.* ***Therefore, to keep the T&D losses projected by the DISCOMS to be in consonance with the MYT Orders issued for Transmission and Distribution businesses by the Commission for the 4th Control Period, the higher losses projected have been limited to losses approved in the MYT Order. In cases, where lower losses are projected compared to losses in MYT order, the same are being approved to pass on such lower loss benefits to the consumers.*** *For 132 kV and above networks including the PGCIL network, the DISCOMS have considered the transmission loss at 3.75% on the total sales of the DISCOMS. APTransco loss as per MYT order for the 4th control period is 3.00 percent. But, as per the information available on the website of AP Transco, its network*

*Loss was 2.80 % during FY2021- 22, and 2.65% during FY 2022-23 up to Dec 22. To account for external losses of PGCIL up to APTransco system with regard to drawing from central generating stations (CGS), the transmission loss at 3.00 percent is proposed to be fixed for FY 2023-24."*

In line with the approach adopted by the Hon'ble Commission as above, it is humbly submitted that the Voltage wise loss levels be approved at levels of FY 2023-24 where the Licensee has claimed higher loss compared to FY 2023-24 loss level and Petitioner's claim of loss level be admitted where the loss level trend is better than FY 2023-24 approved losses.

In accordance with the above, the allowable Voltage wise loss levels is depicted as under:

**Table 13: Allowable Voltage wise Distribution loss**

| SN. | Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|---|
| 1 | 33kV | 3.00% | 3.00% | 3.00% |
| 2 | 11kV | 3.07% | 3.07% | 3.07% |
| 3 | LT | 4.14% | 3.42% | 3.73% |

Based on the above and the Voltage wise sales as claimed by the AP discoms, the allowable Power requirement of the discoms is reassessed in line with the Hon'ble Commission's approach (ref RST Order dated 25.03.2023). The admissible Power requirement of all 3 discoms are as under:

**Table 14: Allowable Power Purchase requirement of APSPDCL**

| Voltage | Loss | Sales | LT | 11kV | 33kV | 132kV |
|---|---|---|---|---|---|---|
| L.T. | 4.14% | 16592.6 | 17,309.2 | 17,857.4 | 18,409.7 | 18,979.1 |
| 11kV | 3.07% | 1,794.1 | | 1,850.9 | 1,908.2 | 1,967.2 |
| 33kV | 3.00% | 3,107.0 | | | 3,203.1 | 3,302.2 |
| 132kV | 3.00% | 5,131.2 | | | | 5,131.2 |
| 220kV | 3.00% | 2,061.9 | | | | 2,061.9 |
| Total | | 28,686.7 | | | | 31,441.5 |
| **Loss upto said voltage** | | | **4.14%** | **6.71%** | **8.62%** | **8.76%** |
| Distribution Losses (Mus) | | | | | 2,027.27 | |
| T. Loss (MU) including PGCIL Loss | | | | | 727.45 | |
| Total Loss (MU) & % Loss including PGCIL | | | | | 2,754.73 | 8.76% |
| **Total Power Purchase Requirement (MU)** | | | | | **31,441.47** | |

**Table 15: Allowable Power Purchase requirement of APEPDCL**

| Voltage | Loss | Sales | LT | 11kV | 33kV | 132kV |
|---|---|---|---|---|---|---|
| L.T. | 3.42% | 15,013.6 | 15,545.2 | 16,037.6 | 16,533.6 | 17,044.9 |
| 11kV | 3.07% | 2,586.2 | | 2,668.1 | 2,750.6 | 2,835.7 |
| 33kV | 3.00% | 3,057.7 | | | 3,152.3 | 3,249.7 |
| 132kV | 3.00% | 5,444.2 | | | | 5,444.2 |
| 220kV | 3.00% | 3,752.4 | | | | 3,752.4 |
| Total | | 29,854.1 | | | | 32,327.0 |
| **Loss upto said voltage** | | | **3.42%** | **5.91%** | **7.93%** | **7.65%** |
| Distribution Losses (Mus) | | | | | 1,779.00 | |
| T. Loss (MU) including PGCIL Loss | | | | | 693.91 | |
| Total Loss (MU) & % Loss including PGCIL | | | | | 2,472.91 | 7.65% |
| **Total Power Purchase Requirement (MU)** | | | | | **32,326.97** | |

**Table 16: Allowable Power Purchase requirement of APCPDCL**

| Voltage | Loss | Sales | LT | 11kV | 33kV | 132kV |
|---|---|---|---|---|---|---|
| L.T. | 3.73% | 11,345.6 | 11,785.2 | 12,158.4 | 12,534.5 | 12,922.1 |
| 11kV | 3.07% | 1,713.32 | | 1,767.59 | 1,822.26 | 1,878.61 |
| 33kV | 3.00% | 1,774.18 | | | 1,829.05 | 1,885.62 |
| 132kV | 3.00% | 1,148.76 | | | | 1,148.76 |
| 220kV | 3.00% | - | | | | - |
| Total | | 15,981.86 | | | | 17,835.14 |
| **Loss upto said voltage** | | | **3.73%** | **6.23%** | **8.36%** | **10.39%** |
| Distribution Losses (Mus) | | | | | 1,352.69 | |
| T. Loss (MU) including PGCIL Loss | | | | | 500.59 | |
| Total Loss (MU) & % Loss including PGCIL | | | | | 1,853.28 | 10.39% |
| **Total Power Purchase Requirement (MU)** | | | | | **17,835.14** | |

In accordance with the disallowance on the excess Distribution loss as claimed by the Petitioner, the differential power purchase requirement is proposed to be duly adjusted from the overall power purchase requirement as assessed by the AP discoms. The financial impact owing to the same is proposed to be set-off against the Short term purchase projected by the discoms which is explained in subsequent section.

**Reply:** The licensee has projected voltage wise losses by reducing voltage wise losses for FY 2022-23 by 0.01% and the same are reasonable. The same may be allowed.

3.6 Power Purchase Cost

The AP discoms have claimed Power Purchased Cost as shown under:

**Table 17: Power Purchase Costs claimed by AP discoms**

***(all figures in Rs. Crores)***

| Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|
| Power Purchase / Procurement Cost | 15,094.14 | 15,464.22 | 8,459.24 |

Further, the Petitioners have sought to procure from AP Gencos, APPDCL, GGPP, Central sector Gencos, IPPs, RE sources and through Short term sources. Further, until FY 2022 23, the allocation of Power procurement was done amongst the discoms based on the ratio specified by the State Govt. (through GO). Further, the deviation in power procurement by the discoms compared from the ratio specified by the State Govt. was settled by way of D<>D settlement.

However, the Hon'ble Commission vide Regulation 2 of 2023 (notified on 29.03.2023) provided as follows:

"H. As power purchases are being done for all three licensees together, **the actual PP cost shall be shared in the ratio of actual power drawn by each licensee** at the end of each month to not have much variance in the FPPCA of each licensee."

The above mechanism has obviated the need of D<>D settlement which gave rise to different rate of power purchase for all 3 discoms and therefore similar FPPCA. Further, GoAP vide Letter dated 29.06.2022 has designated APCPDCL as the lead procurer for all 3 discoms. The Respondent appreciates such move by the Hon'ble Commission which has resulted into identical Average power purchase cost for all 3 discoms.

**Surplus Power Cost**

As discussed in preceding section, the surplus power would be accrued to all the discoms owing to the excess Distribution loss projected by the Distribution company.

The Respondent humbly submits before the Hon'ble Commission that the said quantum be adjusted against the Short term purchase projected by the discoms.
The table below depicts the cost of Surplus power to be disallowed by the Hon'ble Commission.

**Table 18: Cost of Surplus Power to be disallowed as per Objector's assessment**

***(all figures in Rs. Crores)***

| SN. | Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|---|
| 1 | Power purchase claimed by the Petitioner | 32,167.00 | 32,945.65 | 18,005.48 |
| 2 | Power purchase allowable to the Petitioner | 31,441.48 | 32,326.97 | 17,835.14 |
| 3 | Excess energy to be disallowed (Mus) | 725.52 | 618.68 | 170.34 |
| 4 | Per unit Cost of Surplus power (Rs./ unit) | *4.875 | *4.875 | *4.875 |
| 5 | **Cost of Surplus power to be disallowed** | **353.69** | **301.61** | **83.04** |

** Per unit Cost of Surplus power is considered same as projected by AP discoms towards Short term market procurement*

The Hon'ble Commission is humbly requested that the cost towards surplus power as shown above be disallowed so that the Retail consumers of the discoms are insulated from the impact of inferior Distribution loss levels projected by the Petitioners.

**Reply:** In view of the submission to reply at earlier para, the objectors assessment on cost towards surplus power is not justified.

**Power procurement from NTPC Kudgi, NTECL Vallur, NTPL (NLC Tamil Nadu) and NLC NNTS**

AP discoms have projected power procurement from the 4 power plants of NTPC Kudgi, NTECL Vallur, NTPL (NLC Tamil Nadu) and NLC NNTS for the FY 2024-25 based on the past performances of these power plants. The power purchase costs projected by them is as under:

**Table 19: Power Purchase cost projected by AP discoms from expensive CSGS**

***(all figures in Rs. Crores)***

| Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|
| NTPC Kudgi Stage-I | 171.34 | 178.17 | 98.81 |
| NTECL Valluru | 74.77 | 76.53 | 42.58 |
| NTPL(NLC TamilNadu) | 167.18 | 170.72 | 93.11 |
| NLC NNTPS | 63.25 | 64.54 | 35.24 |
| **Total** | **476.55** | **489.97** | **269.74** |

Under the backdrop of power procurement proposed from above sources, the Hon'ble Commission vide Order dated 30.03.2022 in the matter of Retail Supply Tariff Order for FY 2022-23 observed as follows:

*"As there is no consent of the Commission for these PPA with the CGS, there is no obligation on the DISCOMs to take power from them unless the Commission approves the same on a case-by-case basis. The Ministry of Power (MoP), GoI vide its letter dated 28.08.2016 had clarified that the PPAs the DISCOMs enter into with interstate projects shall have the approval of the State Electricity Regulatory Commission (SERC) concerned as they only have the powers to regulate electricity purchases and procurement process of distribution licensees under section 86(1)(b) of the Electricity Act, 2003 except the tariff and tariff related matters of the PPAs. In the above backdrop, the Commission has examined the unit costs paid to the CG stations in the past few years and prices proposed by the DISCOMs for them for FY2022-23. Among the CGSs proposed by the DISCOMs for inclusion in the ARRs for FY2022-23, the following stations have higher unit costs.*

| S. No. | 1 | 2 | 3 | 4 |
|---|---|---|---|---|
| Name of the Station | NTPC Kudgi Stage-I | NTECL Valluru | NTPL (NLC TamilNadu) | NLC NNTPS |
| Rupees per unit during FY2015-16 (Actual) | - | 3.67 | 4.06 | - |
| Rupees per unit during FY2016-17 (Actual) | - | 4.47 | 4.34 | - |
| Rupees per unit during FY2017-18 (Actual) | 5.42 | 5.24 | 5.99 | - |
| Rupees per unit during FY2018-19 (Actual) | 7.72 | 6.83 | 5.66 | - |
| Rupees per unit during FY2019-20 (Actual) | 8.17 | 8.36 | 5.05 | 4.10 |
| Rupees per unit during FY2020-21 (Actual) | 9.01 | 6.77 | 5.66 | 4.45 |
| Rupees per unit during FY2021-22 (Estimated) | 6.09 | 4.83 | 4.60 | 4.23 |
| Rupees per unit during FY2022-23 (Projections) | 5.21 | 4.87 | 4.65 | 4.24 |

*As could be seen from the above table, the per unit costs from the above stations work out to more than Rs.5 per unit after factoring in the interstate transmission charges.*

*The Commission, therefore, examined the capacities contracted by the DISCOMs, energy proposed to be procured from these stations, and dates of signing and dates of expiry of PPAs.* Though the residuary term of PPAs ranges between 18 and 24 years, in the absence of their approval by this Commission they are not per se, enforceable. Unless the tariff is at reasonable levels, it would be against the consumers' interest to allow the licensees to purchase power.

The Commission has also examined the weighted average per unit price of the energy procured by the DISCOMs from the exchanges during the current financial year (Up to Sep' 21) and found it to be around Rs.4.80 per unit.

*Therefore, after examining the above factual information, and also keeping in view the adverse financial impact of these PPAs on the DISCOMs particularly on long term basis in the form of increased overall power purchase costs, the Commission has decided not to include the above stations in the list of approved sources for* FY2022-23. *However, other CGSs, in view of their lesser per unit costs, have been included in the list of approved sources for FY2022-23 only and the above inclusion, however, does not confer any right on the DISCOMs to continue procurement from these stations beyond FY2022-23. As regards the request of the DISCOMs for approval of the PPAs with CGS, the same will be dealt with by the Commission in separate proceedings in accordance with law."*

In accordance with the above, the Hon'ble Commission in the absence of enforceable PPA between AP discoms and Central sector generating stations did not approve the procurement owing to higher landed cost per unit from such sources. The Petitioners submission that such plants are base load plants also corroborate the decision of the Hon'ble Commission that Per unit cost from such gencos is significantly high compared to the other nationwide baseload gencos.

It is crucial to point out that the Hon'ble Commission vide Order dated 25.03.2023 in the matter of RST for FY 2023-24 also did not confer any right to the discoms for procurement from the 4 gencos under discussion.

The discoms in the instant Petitions have insisted upon procurement of power from such sources based on the following grounds:

- Without the said four CGSs, it is difficult to meet the Baseload.
- The said four CGSs have been included by the Commission in the Resource plan for the fourth control period.
- The power procurement cost from the said four CGSs is cheaper compared to the market prices during FY 2022-23.
- They are under obligation to pay the fixed costs to the said four CGSs as per the PPAs even if the power is not received or approved by the Commission.

Since the same reasoning was put forth by the AP discoms during the RST determination of FY 2023-24, the Hon'ble Commission has duly observed as follows in respect of procurement of power from 4 gencos:

*".....After examination of all the facts and the total landed cost of the CGS at the state periphery with reference to the trend of market prices during FY 2021-22, the Commission has permitted the DISCOMS to procure power from all CGSs till the end of the financial year 2022-23, except from the four CGS viz NTPC- Kudgi, NTECL - Vallur, NTPL, and NNTPS. As noted elsewhere, the DISCOMS filed for a Review of the Commission RST Order for FY 2022-23 for inclusion of the said four CGS in the power procurement plan for FY 2022-23, and the same was rejected by order dated 29.06.2022 by the Commission. Appeals filed before the APTEL by the DISCOMs are pending. In defiance of the Commission's directions, the DISCOMS have been continuing power procurement from these four stations. The main grounds on which the DISCOMS insist on power procurement from the said four CGS are:*

*A. Without the said four CGSs, it is difficult to meet the Baseload.*

*B. The said four CGSs have been included by the Commission in the Resource plan for the fourth control period.*

*C. The power procurement cost from the said four CGSs is cheaper compared to the market prices during FY 2022-23.*

*D. They are under obligation to pay the fixed costs to the said four CGSs as per the PPAs even if the power is not received or approved by the Commission.*

*As regards point A, against the energy requirement of 74947 MU approved for FY2023-24 by the Commission, and the maximum demand of 12293 MW recorded in the AP power system that includes the power procured by the open access users on 08.04.2022, the capacities and energy potential of the thermal stations approved in this order are shown in the table below:*

| S. No. | Source | Contracted Capacity MW | Energy at full capacity per Annum (MU) | Energy at 85 percent normative availability (MU) |
|---|---|---|---|---|
| 1 | APGENCO-Thermal | 4210 | 33930 | 28840.5 |
| 2 | CG Stations | 1476 | 17344 | 14742.4 |
| 3 | APPDCL Stage-I & II | 2400 | 19654 | 16705.9 |
| 4 | Thermal Power Tech | 231 | 1888 | 1604.8 |
| 5 | SEIL P2 | 625 | 5064 | 4304.4 |
| 6 | HNPCL | 1040 | 8518 | 7240.3 |
| 7 | **TOTAL** | **9982** | **81984** | **69686.4** |

*As could be seen from the above table, there is a base thermal generation capacity of 9982 MW apart from the availability of approximate base capacity of 2000 MW solar power during day time for an entire year, 2500 MW base capacity of wind power during the wind season, and 500 MW hydel power during the rainy season even after exclusion of the said four CGS. Even assuming availability of 80 percent capacity at any time, the base capacity requirement of about 8000 MW for all the time blocks during the year FY 2023-24 (as per the load duration curve approved* in the resource plan for the fourth control period) can be easily met. Hence even without the power from the 4 CGSs, the required demand could be met from the other available sources.

As regards point B, the Commission's direction in the Resource plan for the fourth control period at para 134 is extracted herein:

"134. However, in respect of the Generating stations included in the sources of supply shown above which either have no Power Purchase Agreements or have no approval from the Commission for their Power Purchase Agreements and/or have to still have their tariff determined by the Commission, except in the cases where there is an ad-hoc tariff already being paid as per the Orders of the Commission, the licensees shall not receive any supply of power without prior intimation to and prior approval of the Commission."

As can be seen from the above direction, the mere inclusion of any source in the Resource plan will not confer any right on the parties concerned for enforcement of PPA. *In the absence of PPAs approval sought, much less granted by the Commission, it is not permissible for the DISCOMs to schedule power without prior approval of the Commission*. Inclusion in the resource plan being hedged in by the conditions as referred to above and the conditions not having been fulfilled, reliance on the Resource plan is misplaced.

As regards point C, the power procurement cost from the exchanges as furnished by the DISCOMS on an RTC basis during FY 2022-23 is given in the table below:

| Delivery Month | Round the clock (00:00 to 24:00 Hrs) | | |
|---|---|---|---|
| | Average Quantity Procured (MU) | Average Quantity Procured (MW) | Average Rate (Rs./KWh) |
| APR -22 | 1000.7 | 1389.8 | 10.5 |
| MAY -22 | 573.6 | 796.6 | 5.4 |
| JUNE-22 | 936.2 | 1300.3 | 4.7 |
| JULY-22 | 363.4 | 504.8 | 4.0 |
| AUG -22 | 391.9 | 544.3 | 3.8 |
| SEPT -22 | 324.3 | 450.4 | 4.6 |
| OCT -22 | 526.8 | 731.7 | 3.7 |
| NOV -22 | 814.4 | 1131.2 | 5.2 |
| DEC -22 | 868.9 | 1206.8 | 6.3 |

As could be seen from the above table, the average power procurement cost per unit from the exchanges on RTC basis is lesser than the average power procurement cost of Rs.6.47 per unit paid to the said four CGSs during the first six months of FY 2022-23. Further information provided by the DISCOMS for a query shows that the weighted average cost per unit has come down gradually after the first half year in the market, whereas there is an increase in per unit cost from the four CGSs. Further, the Ministry of Power, GoI vide its notifications dated 09.01.2023, and 01.02.2023 issued directions afresh to all Gencos to

import coal mandatorily till September 2023 keeping in view the high demand for power supply coupled with inadequate supply of domestic coal. Therefore, the expectations of the DISCOMS that the variable cost of the said four CGS will recede may not turn true.

As for point D, PPA/agreement is not unregulated. such an agreement is subject to the grant of approval by the Commission under 86 (1) (b) of the Electricity Act, 2003 as held by the Hon'ble Supreme court in Tata Power Company Ltd vs Reliance Energy Ltd and another - (2009) 16 SCC 659. So long as the PPA is not approved by the appropriate Commission, the terms thereof are not enforceable. Therefore, the obligation to pay fixed costs to the generators under the unapproved PPAs does not arise.

The above reasons would answer the contentions of the various stakeholders on this matter.

In view of the foregoing, the Commission decides not to include the said four CGSs in the power procurement plan for FY 2023-24. However, the DISCOMS are at liberty to approach this Commission for procurement of the power from the said four stations on a short-term basis with substantiation that the power procurement from them would be beneficial to the DISCOMS in all respects if there is a dire need and in case of any slippage of generation from the approved sources. On such proposals, the Commission will take appropriate decision after considering pros and cons." (Emphasis Supplied)

In view of the aforesaid, it is clear that the procurement of power from the 4 power plants of NTPC Kudgi, NTECL Vallur, NTPL (NLC Tamil Nadu) and NLC NNTS is not commercially viable and is critically uncompetitive.

Furthermore, barring NLC NNTPS, the average cost projected by the discoms for rest of the plants are still higher than the Average power purchase cost (excl. Short term market procurement) projected by the discoms as shown in the table below:

**Table 20: Average Cost of procurement of power as per AP discoms**

| Particulars | Average Cost of Procurement (Rs./ unit) |
|---|---|
| NTPC Kudgi Stage-I | 11.96 |
| NTECL Valluru | 8.94 |
| NTPL(NLC TamilNadu) | 4.99 |
| NLC NNTPS | 4.35 |
| **Average Power Purchase Cost** | **4.69** |

In view of the above discussions, it is imperative to point out that the discoms have not made out a case for the admission of power procurement from the 4 plants under discussion. Moreover, as the direction of Ministry of Power (ref Letter dated 25.10.2023) in respect of Coal import for domestic coal-based plants is still in force upto Mar 2024, it is unlikely that the Rate projected by the discoms would nudge down.

In view of the above, it is humbly pleaded before the Hon'ble Commission that the power procurement from the NTPC Kudgi Stage-I, NTECL Valluru, NTPL (NLC Tamil Nadu), NLC NNTPS be not admitted in the interest of justice and equity.

**Reply:**

1. It is to emphasise that it may apparently seem that the base thermal generation capacity (excluding 4nos CGS stations) i.e. 9982MW apart from solar, wind and hydel is sufficient to meet the state demand. But in real time this is not the case, the PLF% of APGENCO thermal and APPDCL Stations is almost 50-60% only. As a result, there is a huge shortfall in power while scheduling the said stations in each time block. In such scenarios these 4 nos. of stations which are reliable are being scheduled fully and this helps in avoiding market purchases to that extent.

2. As these stations have been considered in resource planning, the power deficit is arrived and any further long-term procurement is planned accordingly. The resource plan acts as a guide map for Discoms to plan for resource pooling in long-term and to optimally utilise the available resources in the consumer interest.

**APDISCOMs - FY 2022-23 -Purchase of Power from four CGS Stations Vs Market Procurement**

| Month | DAM-Bid-Quantity (MU) | DAM-Realised-Quantity (MU) | Weighted Average Realised Price (Rs/Unit) | Max-Realised Price (Rs/Unit) | Min-Realised Price (Rs/Unit) | Procurement from four CGS Stations under contest (MU) | Average Price of Procurement (Rs/Unit) |
|---|---|---|---|---|---|---|---|
| Apr | 768.70 | 376.79 | 9.32 | 14.03 | 4.83 | 249.27 | 4.19 |
| May | 189.10 | 101.42 | 7.66 | 12.27 | 5.13 | 307.91 | 4.21 |
| Jun | 720.57 | 636.26 | 7.98 | 11.81 | 4.86 | 316.36 | 4.57 |
| Jul | 295.73 | 239.43 | 7.19 | 8.50 | 5.58 | 280.17 | 5.03 |
| Aug | 288.96 | 237.48 | 7.54 | 12.24 | 4.95 | 264.04 | 5.08 |
| Sep | 198.67 | 142.57 | 8.35 | 12.27 | 5.02 | 275.75 | 5.34 |
| Oct | 402.71 | 386.19 | 5.28 | 8.34 | 3.84 | 151.35 | 3.98 |
| Nov | 502.63 | 497.12 | 5.41 | 7.02 | 4.24 | 200.95 | 4.20 |
| Dec | 574.43 | 563.10 | 6.79 | 9.41 | 5.02 | 211.22 | 4.24 |
| Jan | 491.18 | 460.67 | 8.38 | 11.65 | 5.27 | 211.13 | 4.14 |
| Feb | 387.65 | 356.34 | 8.96 | 11.27 | 5.55 | 222.02 | 4.13 |
| Mar | 131.28 | 129.76 | 7.07 | 11.33 | 4.75 | 227.24 | 3.98 |
| **Total** | **4951.598** | **4127.118** | **7.41** | **130.150** | **59.024** | **2917.410** | **4.47** |

The average variable cost of procurement from these four CGS stations under contest during FY 2022-23 is less than the market procurement price in Day ahead market segment of Power Markets in India. APDISCOMs have saved almost 900 Crs at Gross level. Even after providing for the Fixed Cost commitment, the net savings are around Rs 400 Crs. Had the DISCOMs not off taken power from these four CGS stations during FY 2022-23, they would have shelled out around Rs 500 Crs as fixed cost which is sunk, apart from procuring the same power in the market at a hefty price, to maintain uninterrupted power supply to the end consumers. Otherwise, the Consumers would have been subjected to much inconvenience.

3. Recently APDISCOMs have written to CEA (highest technical body in India), seeking guidance on procurement of power from these 4 nos. of CGS stations. Until there is a clear guidance from CEA and until the Ministry of Power itself doesn't permit for relinquishment of power from these stations, all beneficiary states are liable to pay fixed charges and this is the same with the power being scheduled from unallocated pool of power from CGS.
4. It is to further submit that as per IEGC 2023(Grid code), (which have come into effect from 01.10.2023), clauses (1) & (2) of Regulation 47 clearly mention that a unit of a generator whose scheduling is below minimum turndown level(technical minimum), have the option to go into unit shutdown. In such cases, the generating stations have to revise their declared capacity. As a result, their %availability reduces and fixed cost liability also reduces for the beneficiaries proportionately. Hence, for units with higher VC rates which stand at higher ranking in the merit order list and which are often backed down, the % availability and correspondingly the fixed cost shall come down in coming years and this would reduce financial burden on Discoms.
5. As on Nov'23,

| | FC | VC | TC |
|---|---|---|---|
| Kudgi St-I | 1.664 | 5.282 | 6.946 |
| NTECL Vallur | 1.702 | 4.180 | 5.882 |
| NTPL | 1.549 | 3.458 | 5.007 |
| NNTPS | 1.799 | 2.547 | 4.346 |

NNTPS is ranked 3rd and NTPL is ranked 13 in merit order of AP and are despatched to full extant.

Considering the above facts and information, the power procurement from these 4nos CGS stations is reliable and justifiable and accordingly the same is filed in Resource plan for FY2024-29.

**Arbitrary escalation in Power Purchase cost projections**

The Petitioner has projected the Power purchase costs based on certain assumptions/ considerations specific to procurement from a gencos which includes procurement from AP Genco, IPPs (SEIL P1 and P2), CSGS, APPDCL, etc.

➢ **Procurement from AP Gencos, APPDCL Stage 1 and 2**

The Petitioners have projected the power procurement cost from AP Gencos by applying an escalation rate of 5% over the Variable Charge rate (VC) approved by the Hon'ble Commission for FY 2023-24 (vide RST Order dated 25.03.2023).

At the outset, the projections made by AP discoms for procurement of power from AP Gencos is arbitrary and vague.

During FY 2022-23, the Short term (IEX) market prices went abnormally high. Further, the Coal production by the state-run companies was not adequate either to fulfil the requirements of Thermal power sector within the country. Owing to coal crunch in the country, Ministry had to intervene and allow blending of imported coal for domestic coal based Thermal power plants in the country. The situation was aggravated even more owing to the disruptions in the international fuel market scenario which was not relaxing either; Such global crisis of fuel had impacted spot coal, gas and other energy commodity prices.

The Spot market prices (Short-term Market exchanges) were observed to stabilize during the period of later half of FY 2022-23 to FY 2023-24. While the Long-term Contracts were not dependent on Short term and international commodity prices however, owing to the sporadic evolution of Short term markets, procurement through Long term PPAs grew at a lower rate compared to Short term purchases. This had led to subdued growth in consumption of coal. However, as and when the Spot market prices went significantly high, the demand of power under the Long term PPA increased which led increased requirement of domestic coal. This has led to the coal crunch necessitating import of coal to meet our Long term power requirements. During the entire period of FY 2022-23 and FY 2023-24, Ministry has advised/ directed the domestic Coal based thermal gencos to blend the imported coal with the domestic coal in order to serve the Load demand.

In view of the above, the Respondent apprehends that the Variable charge rate during the FY 2022-23 and initial half of FY 2023-24 remained at an all-time high.

Furthermore, due to increased production of domestic coal, the coal situation is expected to normalize during FY 2024-25 reducing reliance on imported coal in the time to come. Therefore, applying escalation over the already inflated VC (as approved for FY 2023-24) would not merit consideration.

In view of the above, the Respondent humbly pleads that the escalation of 5% is not warranted at this point of time and therefore be not admitted for computing power procurement costs for FY 2024-25. Accordingly, the VC claimed by the AP discoms vs VC allowable as per Objector's assessment is shown below:

**Table 21: Variable Charge Rate for AP Gencos and APPDCL claimed vs allowable**

*(All figures in Rs./ unit)*

| Genco | Claimed by AP discoms | Allowable |
|---|---|---|
| Dr. NTTPS | 3.51 | 3.34 |
| Dr. NTTPS-IV | 3.31 | 3.15 |
| Dr. NTTPS-V | 3.23 | 3.08 |
| RTPP Stage-I | 4.05 | 3.86 |
| RTPP Stage-II | 4.05 | 3.86 |
| RTPP Stage-III | 4.05 | 3.86 |
| RTPP Stage-IV | 3.84 | 3.66 |
| | | |
| APPDCL Stage-I | 3.30 | 3.14 |
| APPDCL Stage-II | 3.30 | 3.14 |

**Reply**: As ascertained by APGENCO, the Hon'ble Commission has determined variable costs of APGENCO stations with the 2019 coal Landed cost. However, the notified coal base price has been increased several times by the coal companies. Due to this the landed cost of coal has been increased abnormally.

FCA claims for the FY 2018/19 to 2023 was already filed before the Hon'ble Commission and also requested to revise the base rate of variable costs for the FY 2023-24 with revised coal landed cost.

Considering the above facts, pending finalization of variable cost of APGENCO stations by the Hon'ble Commission, 5% enhancement is considered provisionally in ARR filings.

➢ **Procurement from Central Sector generating stations (CSGS)**

The Petitioners have projected the power procurement cost from Central sector generating stations for the FY 2024-25 by considering the actual VC rates for respective Genco for the month of October 2023.

At the outset, the projections made by AP discoms for procurement of power from Central sector generating stations is arbitrary and vague. There is no provision in the Tariff Regulations which provides such an approach for projection purposes. Moreover, considering VC specific to a month maybe skewed and may mislead the overall projections. In a normal course of projections, usually the sample size should be sufficiently large so as to mitigate the bias that may get associated with the single sample. Using such VC for projection purposes may not serve the purpose. The table below shows a comparison of the FY 2023-24 approved VC vs VC claimed by the Petitioner (which apparently pertains to Oct 2023-month VC):

**Table 22: VC for CSGS claimed by AP discoms vs VC approved in the RST for FY 2023-24**

| Genco | Claimed by AP discoms (Rs./ unit) | As per RST Order fro FY 2023-24 (Rs./ unit) | % increase |
|---|---|---|---|
| NTPC(SR) Ramagundam I & II | 3.48 | 2.92 | 19% |
| NTPC(SR) Simhadri Stage-I | 3.29 | 3.07 | 7% |
| NTPC(SR) Simhadri Stage-II | 3.26 | 3.05 | 7% |
| NTPC(SR) Talcher Stage-II | 1.76 | 1.84 | -5% |
| NTPC(SR) Ramagundam III | 3.43 | 2.87 | 19% |
| NLC Stage-I | 3.20 | 2.79 | 15% |
| NLC Stage-II | 3.20 | 2.79 | 15% |
| NPC(MAPS) | 2.55 | 2.73 | -7% |
| NPC(KAIGA unit I,II,III,IV) | 3.50 | 3.71 | -6% |
| KKNPP Unit-I | 4.30 | 4.63 | -7% |
| NLC TPS- I Expn. | 2.85 | 2.57 | 11% |
| NLC TPS- II Expn. | 3.04 | 2.75 | 11% |
| JNNSM Ph-1 Thermal | 5.37 | 3.23 | 66% |

As could be observed from the above, the deviation from the approved VC ranges from 7% to 19% (66% is an outlier) which is significant considering the impact Variable charges has on the Retail Supply ARR. In view of the submissions made in the preceding section of AP Gencos wr.t. normalization in domestic coal supply demand situation during FY 2024 25, any increase in the VC above the VC approved in the RST Order dated 25.03.2023 is not warranted.

In the absence of actual VC for the entire FY 2023-24, the Respondent humbly submits that the VC approved in the RST Order for FY 2023-24 be approved by the Hon'ble Commission for the FY 2024-25 or the Petitioner's claim whichever is lower.

The allowable VC for each of the Thermal gencos as depicted in the preceding table is shown below:

**Table 23: VC allowable as per Objector's assessment for the FY 2024-25**

(All figures in Rs./ unit)

| Genco | Allowable VC for the FY 2024-25 |
|---|---|
| NTPC(SR) Ramagundam I & II | 2.92 |
| NTPC(SR) Simhadri Stage-I | 3.07 |
| NTPC(SR) Simhadri Stage-II | 3.05 |
| NTPC(SR) Talcher Stage-II | 1.76 |
| NTPC(SR) Ramagundam III | 2.87 |
| NLC Stage-I | 2.79 |
| NLC Stage-II | 2.79 |
| NPC(MAPS) | 2.55 |
| NPC(KAIGA unit I,II,III,IV) | 3.50 |
| KKNPP Unit-I | 4.30 |
| NLC TPS- I Expn. | 2.57 |
| NLC TPS- II Expn. | 2.75 |
| JNNSM Ph-1 Thermal | 3.23 |

**Reply:** Usually, APDISCOMs are considering the weighted average variable rates of the first half of the current financial year for projecting the variable cost for the succeeding financial year's ARR. Because of special circumstances in FY 2023-24 such as the mandatory blending of imported coal with domestic coal as per the MoP directions, the variable costs are very high and the same are receding now. Hence, the Discoms have taken the latest VC rates i.e. Oct'23 which are relatively lower. It is to further submit that Discoms are prudently checking the bills submitted by generators before admitting them.

➢ **Procurement from IPPs**

a. Sembcorp SEIL P1 (230.55 MW)

The Petitioner has claimed VC rate of Rs. 2.56/ unit for the FY 2024-25. For the FY 2024 25, the Petitioner has assumed certain escalations in Capacity Charges, Inland Transportation charges and Domestic coal charges.

At the outset, the escalable charges are to be computed based on the rates published by CERC and the same are not be taken in an arbitrary manner. The petitioner has not put forth any logical rationale towards consideration of such escalation rates as used for projection purposes.

Even for projects whose Tariff determination exercise is done u/s 62 of the Act, the CERC Tariff Regulations 2019 do not allow any billing based on the projections. In this context, Clause 10(4) of the CERC Tariff Regulations 2019 provides as under:

*"(4) In case of the existing projects, the generating company or the transmission licensee, as the case may be, shall continue to bill the beneficiaries or the long-term customers at the capacity charges or the transmission charges respectively as approved by the Commission and applicable as on 31.3.2019 for the period starting from 1.4.2019 till approval of final capacity charges or transmission charges by the Commission in accordance with these regulations:*

Provided that the billing for energy charges w.e.f. 1.4.2019 shall be as per the operational norms specified in these regulations."

On a similar parlance, projects such as SEIL P1 (earlier Thermal Powertech) could not bill consumers in the absence of appropriate escalation rates. Therefore, in the absence of actual VC for the entire FY 2023-24, the Respondent humbly submits that the VC of Rs. 2.37/ unit approved in the RST Order for FY 2023-24 be approved by the Hon'ble Commission for the FY 2024-25.

**Reply:** The Fixed and Energy charges are projected based on the PPA conditions of SembCorp Energy India Ltd (Earlier Thermal Power Tech Corporation of India Ltd) provisionally. However, the final Fixed and Energy charges are arrived based on the indexation notification issued by CERC during FY2024-25.

**b. Sembcorp SEIL P2 (625 MW) and Sembcorp SEIL P1 (625 MW)**

The VC rates projected by the AP discoms for the FY 2024-25 is Rs. 2.47/ unit and Rs. 4.40/ unit for 500 MW and 125 MW capacity from SEIL P2.

At the outset, the Petitioner has not substantiated the projections made by it towards VC for the FY 2024-25. Moreover, the Hon'ble Commission vide Order dated 01.06.2022 adopted the Tariff determined for SEIL P2 under Case 1 bidding. While disposing the Order, the Hon'ble Commission noted as under:

"20. Accordingly, *this Commission hereby adopt the Tariffs, u/s 63 of the Electricity Act, 2003, with regard to procurement of power from M/s. Sembcorp Energy India Limited, for contracted capacity of 625 MW (500 MW firm and 125 MW open capacity) with levelized tariff Rs.3.84 per kWh (Rs. 1.67 per unit towards fixed cost and Rs. 2.17 per unit towards Variable cost),* for a period of 12 years, with effect from 13.12.2023 or completion of transmission line by APDISCOMs, whichever is earlier and also approve the PSA dt 31.12.2021."

The verbatim of the Hon'ble Commission indicates that the VC of Rs. 2.17/ unit and FC of Rs. 1.67/ unit is applicable for the entire 625 MW of the Capacity allocated to AP discoms however, the Petitioner has claimed different VC for 500 MW and 125 MW of the Installed Capacity. The Petitioner has not substantiated the variation in the VC cost projections as above and the Objector going by the Hon'ble Commission observations as quoted above therefore is of the view that the VC should be same for the entire 625 MW capacity.

Furthermore, in accordance with the above, the Hon'ble Commission in the RST Order for FY 2023-24 approved the said Tariff of Rs. 1.67/ unit towards Fixed cost and Rs. 2.17/ unit towards Variable cost (as determined in the Order dated 01.06.2022) while approving the Power procurement cost for the FY 2023-24.

The Petitioner to arrive at the VC for FY 2024-25 has projected the VC approved in the FY 2023-24 (Rs. 2.17/ unit) by 9.2%. However, the said escalation has not been substantiated by the Petitioner in reference to the PPA being entered into between AP discoms and SEIL P2.

Furthermore, the Petitioner has not made available to the Public the PPA being entered into between AP discoms and SEIL P2. In the absence of verifiable information on escalation on VC (if any), the Objector humbly prays before the Hon'ble Commission to approve the power purchase cost from SEIL P2 by considering the VC of Rs. 2.17/ unit as approved in the RST Order for FY 2023-24. Furthermore, since the Petitioner has projected the Power purchase cost from SEIL P1 (625 MW) based on the cost for SEIL P2 (625 MW), it is humbly requested that the VC pf Rs. 2.17/ unit be approved for the power procurement SEIL P1 (625 MW).

**Reply:** Sembcorp SEIL P2 (625 MW):

- In the FY 2022-23, the Hon'ble APERC vide Order dated 01-06-2022 in O.P.No.17 of 2022, had approved the long term Power Supply Agreement (PSA) dated 31-12-2021 for procurement of 625 MW (500 MW Firm Capacity and 125 MW Open Capacity) from SEIL Plant P2 on Design, Build, Finance, Own and Operate (DBFOO) basis model with levelized tariff of Rs.3.84 per kWh (Rs.1.67 per Unit towards fixed cost and Rs.2.17 per Unit towards Variable cost) for a period of 12 years with effect from 13-12-2023 or completion of Transmission line by APDISCOMs, whichever is earlier.
- Out of Contracted capacity of 625 MW of approved PSA dated 31-12-2021, 500 MW is firm capacity with concessional/FSA coal and remaining 125 MW is Open Capacity with Non-concessional/Imported coal.
- As 625 MW PSA dated 31-12-2021 is based on the DBFOO model, the computation of Fixed Charge (FC) and Variable/Fuel Charge (VC) for firm capacity of 500 MW is governed by the Article 21 and the Article 22 of PSA respectively. And, the computation of FC & VC for the Open Capacity of 125 MW Power is governed by the Article 18.4 of PSA.
- In the FY 2022-23, the Hon'ble APERC has approved the levelized tariff of Rs.3.84 per kWh (Rs.1.67 per Unit towards fixed cost and Rs.2.17 per Unit towards Variable cost) which was arrived based on the prevailing rates of concessional/FSA coal and its associated coal transportation costs at that time. Hence, they are only indicative/reference parameters as per the Article 34.6.2 of PSA. Moreover, FC & VC approved by the Hon'ble APERC in the year 2022-23 is only for the Firm Capacity of 500 MW with Concessional/FSA coal.
- With the consent of the Hon'ble APERC vide Order dated 12-08-2022, APDISCOMs have started to offtake power from M/s SEIL P2 through STOA from CTU Network in advance i.e. w.e.f. 01-02-2023 as per the Article 11 of PSA, in order to mitigate the impending power shortage situation and ensure 24/7 uninterrupted power supply to all consumers of the State until such time the STU evacuation scheme is commissioned.
- The actual Fixed Cost (FC) and Variable Cost (VC) for a particular month has to be computed in terms of the Article 21 and Article 22 of PSA respectively for the Firm Capacity of 500 MW and in terms of Article 18.4 of PSA for the Open Capacity of 125 MW, for the entire tenure of PSA i.e. 12 years.
- As such, VC rates projected by APDISCOMs for the FY 2024-25 @ Rs.2.47/Unit and Rs.4.40/Unit for Firm Capacity of 500 MW and Open Capacity of 125 MW from SEIL P2 may be approved. However, the variations in VC rates due to change in landed cost of fuel will be trued up/down in monthly FPPCA in accordance with the Regulation 2 of 2023 issued by Hon'ble APERC.
- Further, the copy of PSA dated 31-12-2021 will be made available to the Public.

Sembcorp SEIL P1 (625 MW):

The Hon'ble Commission vide their order dated 7th November 2023, after careful examination of the proposal submitted by APCPDCL on behalf of the APDISCOMs, as outlined in the referenced letter from SEIL offering 570 MW capacity for long-term supply to APDISCOMs commencing from April 2024, on mutually agreed terms and conditions, the DISCOMS are permitted to proceed with further steps on SEIL's proposal. However, this permission is contingent upon SEIL's acceptance that the tariff for the supply of 570/625 MW electricity will be determined by APERC under Section 62 of the Electricity Act, 2003. Further, the DISCOMs are directed to coordinate with APTRANSCO to plan for an efficient and economical evacuation of power from SEIL through the state network.

Accordingly, the plant is considered available from 1st April 2024 for the ensuing financial year. The present tariff applicable to DBFOO PPA of M/s Sembcorp-p2-625 MW is taken into account for evaluation of costs tentatively till the Hon'ble Commission determines the tariff under section 62.

**c. Hinduja National Power Corporation Limited (HNPCL)**

The Petitioner has projected the VC of Rs. 3.30/ unit for HNPCL in accordance with the Generator's claim for the FY 2024-25.

The Hon'ble Commission u/s 62 of the Act vide Order dated 01.08.2022 in OP No. 19 of 2016 and OP No. 21 of 2015 had approved the recovery of Annual Fixed Charges linked to PAF and approved the base ECR of Rs. 2.44/ unit while noting as under:

*"Energy Charge Rate/ Variable Charges*

*72. HNPCL claimed the following variable charges for the third and fourth control periods in accordance with the norms and formula specified by the Commission in APERC Regulation 1 of 2008.*

*Clause 13.1.a. of Regulation 1 of 2008 specifies the formula for the computation of variable charges (Rs./kWh). The components used in the formula are the landed cost of coal, price of oil, GCVs of coal and oil, normative values for specific fuel oil consumption, auxiliary consumption, and Station Heat Rate. Regulation 1 of 2008 does not specify the normative values for parameters such as auxiliary consumption and Station Heat Rate for units above 500 MW capacity. As stated in supra, the Commission has already adopted the norms for these parameters which are derived based on the norms specified in the relevant CERC Tariff Regulations (for units of 500 MW and above capacity). As regards the specific fuel oil consumption also, the Commission adopted the CERC norm as stated in supra. For the landed cost of coal, the price of oil, GCV of coal, and GCV of oil, the Commission adopts the values filed by HNPCL for FY 2016-17 (the year in which both units of the project commenced commercial operation together) i.e., Rs.3,711/MT, Rs.35,975/KL, 3,850 Kcal/Kg and 10,000 Kcal/L respectively.*

*As against the claim of variable costs for different years in the third and fourth control periods by HNPCL, the Commission determines a single base variable cost of Rs. 2.44/kWh as per the formula specified in APERC Regulation 1of 2008 after adopting the above values* (See Table No. 3 of the Schedule for details).

*The above approved base variable cost is indicative only. If there are any variations in the landed cost of fuel or freight charges or GCV of coal and oil, the variable costs will vary from the indicated value, which HNPCL can collect/pass from/to APDISCOMs strictly in accordance with the procedure specified in clause 13.1 of Regulation 1 of 2008 duly adopting the norms approved in this order."*

Furthermore, the VC approved by the Hon'ble Commission for the FY 2024-25 is Rs. 3.30/ unit which is 17% more than the VC approved by the Hon'ble Commission in the RST Order dated 25.03.2023.

In the absence of actual VC for the entire FY 2023-24, the Respondent humbly submits that the VC approved in the RST Order for FY 2023-24 (i.e. Rs. 2.81/ unit) be approved by the Hon'ble Commission for the FY 2024-25.

**Reply:** APDISCOMs proposed the VC rate of Rs3.30/Kwh in respect of M/s HNPCL as per the generator claim for FY23-24 (H2) & FY 2024-25.

➢ **Projection of Other charges**

The AP discoms has projected Other Charges for the FY 2024-25 as follows:

**Table 24: Other Charges claimed by AP discoms for FY 2024-25 Genco APSPDCL**

**(All figures in Rs. Crores)**

| Genco | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|
| SEIL P1 (Formerly Thermal Powertech) | 2.93 | 3.00 | 1.64 |
| SEIL P2 (500MW Firm) | 14.30 | 14.65 | 8.01 |
| **Total** | **17.23** | **17.65** | **9.65** |

At the outset, the claims made by the AP discoms are incomprehensible, vague and arbitrary. The Petition has not explained as to what is the basis of projection of such charges. Moreover, from the information available in the Petitions, the Objector apprehends that the Petitioner's claim pertains to projection of compensatory charge like Cess/ Duty / Change in law etc. Further, the provisions of the Tariff Regulations do not provide for recovery of such charges on projection basis.

In view of the above, the recovery of Other charges as projected by the Petitioner is not admissible. It is humbly pleaded before the Hon'ble Commission to kindly disallow the Other charges projected by the Petitioner.

In view of the submissions made in the preceding Paras, the allowable Power purchase cost for the AP discoms for the FY 2024-25 is as follows:

**Table 25: Power Purchase cost Petitioner's claim for the FY 2024-25**

(All figures in Rs. Crores)

| **Power Purchase cost claimed by AP discoms** | | | |
|---|---|---|---|
| Genco | APSPDCL | APEPDCL | APCPDCL |
| AP Genco-Thermal | 4,483.37 | 4,575.51 | 2,508.48 |
| AP Genco-Hydel | 279.97 | 286.74 | 156.71 |
| Joint Sector (APPDCL, GGPP) | 2,262.63 | 2,320.59 | 1,266.99 |
| Central sector | 2,234.92 | 2,291.46 | 1,254.19 |
| IPP | 2,857.89 | 2,928.89 | 1,600.32 |
| NCE | 2,891.76 | 2,980.33 | 1,624.29 |
| SHORTTERM | 83.61 | 80.69 | 48.26 |
| Total | **15,094.14** | **15,464.22** | **8,459.24** |

**Table 26: Power Purchase cost as per Objector's assessment for the FY 2024-25**

**(All figures in Rs. Crores)**

| **Power Purchase cost admissible as per Objector's assessment** | | | |
|---|---|---|---|
| Genco | APSPDCL | APEPDCL | APCPDCL |
| AP Genco-Thermal | **4,346.15** | 4,435.75 | 2,431.73 |
| AP Genco-Hydel | 279.97 | 286.74 | 156.71 |
| Joint Sector (APPDCL, GGPP) | 2,197.34 | 2,253.57 | 1,230.42 |
| Central sector | 1,618.02 | 1,873.40 | 905.88 |
| IPP | 2,590.10 | 2,676.97 | 1,459.57 |
| NCE | 2,891.76 | 2,980.33 | 1,624.29 |
| SHORTTERM | (274.70) | (220.91) | (37.44) |
| **Total** | **13,648.62** | **14,285.85** | **7,771.15** |

**Reply:** Sembcorp SEIL P1 (230.55 MW):

The fixed cost is projected based on the PPA conditions of SembCorp Energy India Ltd (Earlier Thermal Power Tech Corporation of India Ltd).

It is further to submit that, AP Discoms are liable to pay incentive of Rs. 0.25/kwh for the availability above normative availability (85%) scheduled by the generator. This component also will come under fixed cost. Cumulative Availability in % of cumulative contracted capacity for the FY 2022-23 is 92.65%. Incentive should be given to generator for supplying power more than normative availability (85%). AP Discoms have proposed an incentive of Rs. 7.57 crore for the FY 2024-25 tentatively.

Change in law component:

M/s Sembcorp Energy India Limited has filed Petition No. 217/MP/2016 against both APDISCOMs and Telangana DISCOMs in Hon'ble CERC seeking compensation on account of Change in Law under Section 79 of the Electricity Act, 2003 and Article 10 (change in law) of the Power Purchase Agreement.

The Hon'ble CERC has taken up the Petition 217/MP/2016 and order was passed on 21-08-2020 in favor of generator to get compensation in terms of Change in Law events as per the PPA. AP Discoms are liable to pay around 28 paisa/Unit on account of Change in Law events and the same projected under others for consideration for FY2024-25.

Sembcorp SEIL P2 (500 MW firm):

As per the PSA dated 31-12-2021, in addition to the payment of Fixed charge and Variable charge in terms of the Article 21 and Article 22 of PSA respectively for the power off taken by APDISCOMs within the Firm Capacity of 500 MW, APDISCOMs have to pay Incentive in terms of Clause 21.6.1 of PSA.

Therefore, based on the 100% availability and dispatch target projected by M/s SEIL for the FY 2024-25, a provision of Rs.36.96 Crores was incorporated by APDISCOMs in the ARR filing in respect of SEIL P2 (500 MW Firm) towards Incentive under the head of Other charges.

As such, the Other charges of Rs.36.96 Crores towards Incentive in terms of the Article 21.6.1 of PSA, projected by APDISCOMs for the FY 2024-25 for Firm Capacity of 500 MW from M/s SEIL P2 may be please be considered. However, based on the actual payments, adjustments will be made accordingly in the Tariff as per the directions of the Hon'ble APERC.

### 3.7 Interest on Consumer Security Deposit

The Petitioner has claimed Interest on Consumer Security Deposit for the FY 2024-25 by projecting the increase in Security deposits during the FY 2024-25.

Further, the basis of projecting the additions during the year is not substantiated by the Petitioner.

The Objector has assessed the Security deposit actually paid by the Petitioner during the year based on the Audited Accounts for previous years (FY 2023-24 and FY 2022-23), the details of the which is depicted below:

**Table 27: Interest on Consumer Security Deposits of APSPDCL as per Annual Accounts**

**(All figures in Rs. Crores)**

| SN. | Particulars | FY 2022-23 | FY 2021-22 | Remarks |
|---|---|---|---|---|
| A | Opening balance of Interest on CSD | 71.44 | 67.22 | |
| B | Additions during the year | 111.59 | 71.44 | Note 23 of Accounts |

| | | | | |
|---|---|---|---|---|
| C = A+B-D | Interest on CSD actually paid | 71.43 | 67.22 | |
| D | Closing balance of Interest on CSD | 111.6 | 71.44 | Note 8 of Accounts |

Based on the above, the APSPDCL has paid Rs. 71.43 Crore and Rs. 67.22 Crore towards Interest on Consumer Security Deposit during the FY 2022-23 and FY 2021-22 respectively. The above implies that the Liability towards the Interest on Consumer Security Deposit booked during the current year is discharged in the subsequent year which should not happen. In the instant case, the Licensee gets to carry the amount of Interest with itself for one year without incurring any cost which is against the principles of reasonable cost recovery.

In ideal circumstances, the Liability towards the Interest on Consumer Security Deposit booked during the current year should get discharged in the current year itself. For illustration, Rs. 111.59 Crore booked during FY 2022-23 liability should get discharged during FY 2022-23 itself. It should not be carried over as a liabiiity as has been done by the Licensee.

In view thereof, the Interest on Consumer Security Deposit claimed by the Petitioner for FY 2023-24 (H1 actuals and H2 estimated) should be admitted by the Hon'ble Commission for the FY 2024-25. The comparison on Interest on Consumer Security Deposit claimed by the Petitioner vs Objector's assessment is shown as under:

**Table 28: Interest on Consumer Security Deposits claimed by Petitioner vs Objector's assessment Particulars APSPDCL**

*(All figures in Rs. Crores)*

| Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|
| Interest on CSD claimed | 176.66 | 195.34 | 114.27 |
| Interest on CSD admissible | 153.90 | 175.55 | 103.07 |

**Reply:** The licensee is proposing interest on consumer security deposit on the average of the opening balance and closing balance for the year under consideration. The objector is proposing to admit the actuals of H1 of previous year and H2 estimated for the subsequent year which is incorrect and not justified.

### 3.8 Other Expenses

The AP discoms has claimed Other expenses which includes Expenses towards Agricultural Solar Pumpsets, Energy Efficient Pump Sets, Compensation for victims of electrical accidents, Grants to APSEEDCO, DBT Returned for FY 2021-22 in RSTO 2023-24 and Financial impact on account of differential Tariff for 220KV consumers for FY 2018-19 (as per orders in OP.No.60 of 2017).

The summary of Expenses claimed is shown in the table below:

**Table 29: Summary of Other Expenses claimed by AP discoms**

(All figures in Rs. Crores)

| Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|
| Agricultural Solar Pumpsets | 19.93 | 14.79 | 50.67 |
| Energy Efficient Pump Sets | 28.17 | 15.28 | 83.51 |
| Compensation for victims of electrical accidents | 10.00 | 10.00 | 4.00 |
| Grants to APSEEDCO | - | - | - |
| DBT Returned for FY 2021-22 in RSTO 2023-24 | 115.69 | 47.54 | - |
| DELP | - | 2.63 | - |
| **Total** | **173.79** | **90.24** | **138.18** |

**Compensation for victims of electrical accidents**

The AP discoms has claimed Expenses towards Compensation for victims of electrical accidents amounting to Rs. 24 Crores in total. It is humbly submitted that the provisions of the Tariff Regulations do not explicitly allow for any such expenses. It is an agreeable fact that compensation is to be paid to the victims of the Electrical accidents. The said expenses are of the nature of penalty for the discoms. By recovering the penal amount from the consumers through Retail ARR make the discoms more prone to Electrical accidents as discoms are not made to bear the burden of penalty/ compensation.

The Respondent humbly submits that the Petitioner should strive to achieve Zero Accident Policy and any expenses towards such claims should not be admitted.

**Reply:** The licensee is taking various steps to reduce accidents and the same are submitted as part of compliance of directives. Hence the objectors assessment that claim towards Compensation for victims of electrical accidents should not be admitted is not justified.

**DBT Returned for FY 2021-22 in RSTO 2023-24**

While the South and East discoms have claimed Expenses amounting to Rs. 115.69 Crore and Rs. 47.54 Crore, the Central discom has nto claimed any amount towards DBT Returned for FY 2021-22.

In such context, the perusal of the RST Order for FY 2023-24 depicts as under on the above expense heads:

| S. No. | Particulars | SPDCL | CPDCL | EPDCL | TOTAL |
|---|---|---|---|---|---|
| 1 | Actual demand of DBT for FY2021-22 | 366.75 | 498.51 | 643.15 | 1508.41 |
| 2 | DBT approved by APERC for FY2021-22 | 482.44 | 484.44 | 690.69 | 1657.57 |
| (2)-(1) | True up/down | 115.69 | -14.07 | 47.54 | 149.16 |

***The true up/down amounts shown in the table above are also to be adjusted for arriving at the net revenue gap for FY 2023-24***

188. **Based on the above discussion**, the ARR, Revenue, and Revenue gap computed by the Commission for each licensee for FY2022-23 are shown in the table below:"

Based on the above, the Hon'ble Commission while approving the Net Revenue Gap for the FY 2023-24 has already factored in the impact of Excess DBT adjustment. The South and East discoms claims on these heads is accordingly incorrect and is therefore liable to be rejected.

**Reply:** Pertains to APSPDCL and APEPDCL

The summary of allowable Expenses as per Objector's assessment is shown in the table below:

**Table 30: Summary of Other Expenses allowable as per Objector's assessment**

(All figures in Rs. Crores)

| Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|
| Agricultural Solar Pumpsets | 19.93 | 14.79 | 50.67 |
| Energy Efficient Pump Sets | 28.17 | 15.28 | 83.51 |
| Compensation for victims of electrical accidents | - | - | - |
| Grants to APSEEDCO | - | - | - |
| DBT Returned for FY 2021-22 in RSTO 2023-24 | - | - | - |
| DELP | - | 2.63 | - |
| **Total** | **48.10** | **32.70** | **134.18** |

### 3.9 Summary of ARR and Revenue Gap/Surplus as per Objector's assessment

In accordance with the submissions made in the preceding sections, the allowable ARR and Revenue Gap/ Surplus as per Objector's assessment is shown below:

**Table 31: Summary of ARR and Revenue Gap/Surplus as per Objector's assessment**

(All figures in Rs. Crores)

| SN | Particulars<br>Revenue Requirement Item | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|---|
| 1 | Transmission Cost | 1,415.79 | 1,163.96 | 741.08 |
| 2 | SLDC Cost | 31.16 | 27.53 | 18.98 |
| 3 | Distribution Cost | 2,775.15 | 2,658.13 | 1,834.69 |
| 4 | Additional Interest on Pension bonds of AP Genco Order | 443.44 | 409.75 | 261.56 |
| 5 | PGCIL Expenses | 606.60 | 543.30 | 350.10 |
| 6 | ULDC Charges | 1.28 | 1.15 | 0.74 |
| **7** | **Network and SLDC Cost (1+2+3+4+5+6)** | **5,273.42** | **4,803.82** | **3,207.14** |
| 8 | Power Purchase / Procurement Cost | 13,648.62 | 14,285.85 | 7,771.15 |
| 9 | Interest on Consumer Security Deposits | 153.90 | 175.55 | 103.07 |
| 10 | Supply Margin in Retail Supply Business | 40.16 | 19.24 | 23.72 |
| 11 | Other Costs and Adjustments, if any | 48.10 | 32.70 | 134.18 |
| **12** | **Supply Cost (8+9+10+11)** | **13,890.77** | **14,513.34** | **8,032.12** |
| **13** | **Aggregate Revenue Requirement (7+12)** | **19,164.20** | **19,317.17** | **11,239.25** |
| 14 | Non-Tariff Income | 1,388.40 | 432.56 | 392.52 |
| 15 | Revenue from sale of RECs | 20.00 | - | - |
| **16** | **Net ARR (Rs. Crore)** | **17,755.79** | **18,884.61** | **10,846.73** |
| **17** | **Sales (MUs)** | **28,686.75** | **29,854.06** | **15,981.86** |
| **18** | **ACoS (Rs./kWh)** | **6.19** | **6.33** | **6.79** |
| 19 | Total Revenue at Current Tariffs | 13,787.35 | 17,331.89 | 9,090.61 |
| 20 | Revenue from Cross Subsidy Surcharge | 142.46 | 89.71 | 21.53 |
| 21 | Revenue Gap at Current Tariffs | 3,825.98 | 1,463.01 | 1,734.60 |
| 22 | Revenue through proposed Tariffs | 100.16 | - | - |
| **23** | **Revenue Gap at Proposed Tariffs** | **3,725.82** | **1,463.01** | **1,734.60** |
| **25** | **Revenue through Full cost Recovery as per GO Rt. No.161 ,dt:15.11.2021** | **7,420.87** | **3,307.70** | **3,047.26** |
| **26** | **Net Deficit /(Surplus) at full cost recovery** | **(3,695.05)** | **(1,844.70)** | **(1,312.67)** |

**Reply:** In view of the discussion in replies at earlier paras, the objectors assessment on net surplus / deficit is not justified.

### 3.10 Subsidy from Government of Andhra Pradesh (GoAP)

The Government of Andhra Pradesh vide G.O.Rt .No. 161 dated 15.11.2021 has requested the Commission to notify the unit-wise Government subsidy for different consumer categories as part of annual tariff order. Accordingly, the Petitioners have sought Revenue Gap at Proposed Tariffs to be met through Full-cost Recovery as per GO Rt. No.161, dt:15.11.2021 as follows:

**Table 32: Revenue Gap at Proposed Tariff as per Petitioner's claim**

*(All figures in Rs. Crores)*

| Particulars | APSPDCL | APEPDCL | APCPDCL |
|---|---|---|---|
| Revenue Gap at Current Tariffs | 7,521.03 | 3,307.70 | 3,047.26 |
| Revenue through proposed Tariffs | 100.16 | - | - |
| **Revenue Gap at Proposed Tariffs to be met through Full cost Recovery as per GO Rt. No.161, dt: 15.11.2021** | **7,420.87** | **3,307.70** | **3,047.26** |

However, it is pertinent to note that in the Tariff Order for Retail Sale of Electricity for AP Discoms dated 25.03.2023, the unit wise tariff, cross subsidy and govt. subsidy for various subsidised consumer categories, as computed by the Hon'ble Commission were tabulated. The relevant extract is reproduced below:

| Category | Consumer Category | Fixed / Demand Charges per month (Rs./HP or kW) | Energy Charges (Rs./Unit) | | | Cross subsidy received per unit (Rs./Unit) | | | Govt subsidy received per unit (Rs./unit) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | SPDCL | CPDCL | EPDCL | SPDCL | CPDCL | EPDCL | SPDCL | CPDCL | EPDCL |
| I | DOMESTIC | | | | | | | | | | |
| | (A) : Domestic (Telescopic) | | | | | | | | | | |
| | 0-30 | 10 | 1.90 | 1.90 | 1.90 | 4.09 | 3.81 | 4.84 | 0.88 | 1.44 | 0.00 |
| | 31-75 | 10 | 3.00 | 3.00 | 3.00 | 3.09 | 2.95 | 3.67 | 0.67 | 1.13 | 0.00 |
| | 76-125 | 10 | 4.50 | 4.50 | 4.50 | 1.52 | 1.70 | 1.80 | 0.32 | 0.65 | 0.00 |
| | 126-225 | 10 | 6.00 | 6.00 | 6.00 | 0.17 | 0.32 | 0.08 | 0.06 | 0.12 | 0.00 |
| | 226-400 | 10 | 8.75 | 8.75 | 8.75 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | >400 | 10 | 9.75 | 9.75 | 9.75 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

As can be observed from the highlighted portion in the above table, the Hon'ble APERC had approved cross-subsidy at extremely high levels up to Rs. 4.84/kWh while allotting no GoAP Subsidy for APEPDCL for the Domestic Category.

The Objector submits that the State Government provides subsidised or free power to certain class of consumers. However, it should provide full and commensurate subsidy in such cases and there is no occasion to subsidise the cost of supplying free power / subsidised power by imposing the burden on the industrial consumers through cross subsidy/TOD rate hike/other measures. The Objector submits that if the provisions of the tariff policy are not complied by the distribution licensees and the State Government, then 100% subsidy ought to be provided by the State Government. Therefore, in view of the above facts, the additional subsidy requirement from GoAP for FY 2024-25 (in addition to Revenue Gap at Proposed Tariffs to be met through Full cost Recovery as per GO Rt. No.161, dt: 15.11.2021 proposed by the Petitioners in the instant Petition) that has been worked out considering the projected sales for FY 2024-25, Cross subsidy per Unit as approved in RST Order dt. 25.03.2022. The same is tabulated below:

**Table 33: Additional Subsidy requirement from GoAP for APSPDCL as per Objector's assessment**

| Consumer Category | Sales projected (MUs) | APSPDCL Cross-Subsidy per Unit as approved in RST Order dt. 25.03.2023 (Rs./Unit) | Additional Subsidy to be provided by GoAP (Rs. Crores) |
|---|---|---|---|
| 0-30 | 1,612.08 | 4.09 | 659.34 |
| 31-75 | 1,698.02 | 3.09 | 524.69 |
| 76-125 | 1,020.42 | 1.52 | 155.10 |
| **126-225** | **743.21** | 0.17 | 12.63 |
| **Total** | **5,073.73** | | **1,351.77** |

**Table 34: Additional Subsidy requirement from GoAP for APEPDCL as per Objector's assessment**

| Consumer Category | Sales projected (MUs) | APEPDCL Cross-Subsidy per Unit as approved in RST Order dt. 25.03.2023 (Rs./Unit) | Additional Subsidy to be provided by GoAP (Rs. Crores) |
|---|---|---|---|
| 0-30 | 1,806.12 | 4.84 | 874.16 |
| 31-75 | 2,093.34 | 3.67 | 768.26 |
| 76-125 | 1,409.02 | 1.8 | 253.62 |
| 126-225 | 1,161.25 | 0.08 | 9.29 |
| **Total** | **6,469.73** | | **1,905.33** |

**Table 35: Additional Subsidy requirement from GoAP for APCPDCL as per Objector's assessment**

| Consumer Category | Sales projected (MUs) | APCPDCL Cross-Subsidy per Unit as approved in RST Order dt. 25.03.2023 (Rs./Unit) | Additional Subsidy to be provided by GoAP (Rs. Crores) |
|---|---|---|---|
| 0-30 | 1,270.31 | 3.81 | 483.99 |
| 31-75 | 1,541.30 | 2.95 | 454.68 |
| 76-125 | 1,078.57 | 1.7 | 183.36 |
| 126-225 | 943.94 | 0.32 | 30.21 |
| **Total** | **4,834.12** | | **1,152.23** |

It is prayed that the Hon'ble Commission may approve additional subsidy requirement from the GoAP (in addition to the Revenue Gap at Proposed Tariffs to be met through Full cost Recovery as per GO Rt. No.161, dt: 15.11.2021), as per the computations above.

The issue of providing commensurate subsidy and re-adjustment of subsidy based on actual consumption levels has been fairly settled by the Hon'ble Commission in the true up order dated 5.12.2015 for 2009-14 tariff period. The relevant extracts of the order dated 5.12.2015 are reproduced below:

*"90. Therefore, the Commission has, while reckoning the additional supplies to agriculture in the context of assured subsidies and readiness to pay the cost in this regard by GoAP, decided to compute the cost of additional agricultural purchases and supplies, and issue directions to pay such cost as subsidy for the control period u/s 65 of the Electricity Act 2003 and all other powers enabling the Commission in this behalf. The excess agricultural supplies during the control period have been valued at Rs. 1017 cr for SPDCL and Rs. 356 cr for EPDCL for the control period. The GoAP is liable to pay these amounts in confirmation of the statements made by them with regard to power supplies to agriculture. The relevant calculations in this regard are given in the table below:*

**Table 23: Cost of Additional Sale to Agriculture (₹ cr)**

| SPDCL | Unit | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | Total |
|---|---|---|---|---|---|---|---|
| Agricultural Sales | mu | | | | | | |
| T.O. | mu | 3,455.55 | 3,735.07 | 4,074.52 | 4,478.35 | 4,478.35 | 20,221.84 |
| Actual | mu | 4,167.82 | 3,664.49 | 4,366.34 | 4,587.91 | 5,513.46 | 22,300.02 |
| Difference | mu | 712.27 | (70.58) | 291.81 | 109.56 | 1,035.11 | 2,078.17 |
| Total Sales | mu | 13,697.28 | 14,441.24 | 16,388.21 | 16,444.85 | 18,024.46 | 78,996.05 |
| ARR/UNIT | ₹/unit | 3.97 | 4.30 | 4.57 | 5.55 | 5.21 | 4.77 |
| Additional Cost | ₹cr. | 282.75 | - | 133.48 | 60.81 | 539.63 | 1,016.68 |
| | | | | | | | |
| EPDCL | Unit | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | Total |
| Agricultural Sales | mu | | | | | | |
| T.O. | mu | 1,323.00 | 1,429.54 | 1,558.81 | 1,714.80 | 1,714.20 | 7,740.35 |
| Actual | mu | 1,868.31 | 1,451.90 | 1,820.65 | 1,534.08 | 1,752.45 | 8,427.39 |
| Difference | mu | 545.31 | 22.36 | 261.84 | (180.72) | 38.25 | 687.04 |
| Total Sales | mu | 9,868.55 | 10,366.38 | 11,725.73 | 11,402.04 | 12,119.04 | 55,481.74 |
| ARR/UNIT | ₹/unit | 3.87 | 4.08 | 4.43 | 5.44 | 5.20 | 4.64 |
| Additional Cost | ₹cr. | 211.11 | 9.13 | 116.00 | - | 19.90 | 356.13 |

Similar principle has been adopted by the Hon'ble Karnataka Electricity Regulatory Commission (KERC) in its Order dated 12.05.2014 while truing up the ARR for FY 2012 13 in respect of the Bangalore Electricity Supply Company Limited (BESCOM), a distribution licensee in the State of Karnataka and also by the Hon'ble Uttar Pradesh Electricity Regulatory Commission (UPERC) in its Order dated 21st May, 2013 in Petition No. 809 of 2012 while truing up the ARR for FY 2007-08 in respect of the distribution licensees of Uttar Pradesh namely Dakshinanchal Vidyut Vitran Nigam Limited, Madhyanchal Vidyut Vitran Nigam Limited, Paschimanchal Vidyut Vitran Nigam Limited and Purvanchal Vidyut Vitran Nigam Limited.

In the aforementioned order, the Hon'ble KERC had computed the additional subsidy requirement payable by the Govt. of Karnataka considering the actual sales to BJ/KJ & IP Sets in FY 2013-13. The Hon'ble KERC had computed the additional subsidy requirement at Rs. 524.53 Crore based on actual consumption of the subsidised categories. This additional subsidy requirement of Rs. 524.53 Crore was applied as a reduction from the ARR being trued up, thus, insulating the other subsiding consumers. The distribution licensee was directed to realise such sum from the State Government which is understood to have started paying the shortfall to the Discom based on the decision of the Hon'ble KERC.

The relevant extracts of the aforementioned orders are reproduced below:

**Extract from the KERC order dated 12.5.2014:**

**"xvii) Gap in Revenue for FY13:**

*As against an approved ARR of Rs.13025.30 Crores, the Commission after the Annual Performance Review of BESCOM decides to allow an ARR of Rs.11935.27 Crores for FY13. Considering the revenue of Rs.10783.62 Crores, a deficit of Rs.1151.65 Crores is determined for the year FY13.*

*The ARR of Rs.11935.27 Crores for FY13 in relation to the total sales of 22796 MU during the year, results in the average cost of supply per unit sold of Rs.5.24 per unit. As against this, the revenue realized from all categories of sales at Rs.10783.62 Crores, including subsidy paid by Government, works out to an average revenue realization of Rs.4.73 per unit. Thus, there is a deficit of 1151.65 Crores which also includes the cost of providing supply of 1002 MU in excess of the quantity included in the ARR to IP Sets and BJ/KJ consumers during the year beyond the quantum approved in the ARR for FY13, for which no subsidy had been determined by the Commission from the Government of Karnataka. Also, due to the sales to other than BJ/KJ & IP category of consumers being lower than factored in the approved ARR of the year, there is no additional cross subsidy available to cover the cost of this excess supply to the IP Sets and BJ/KJ consumers. Therefore, the entire cost of supply of this additional quantity of power supplied to IP Sets and BJ/KJ Consumers has to be recovered from the State Government at the average cost of supply of Rs.5.24 per unit as additional subsidy. This amounts to Rs.524.53 Crores. With this additional subsidy from the Government of Karnataka, the unfilled gap for FY13 will be reduced from Rs.1151.65 Crores to Rs.627.13 Crores.*

*Government of Karnataka has in their letter No. EN 10PSR 2014 dated 22nd March 2014, addressed to the Managing Directors of the ESCOMs (copy obtained by the Commission), have also accepted this position by agreeing to pay for any additional supplies made to the IP Sets and BJ/KJ consumers over and above the quantum approved in the ARR of FY13 at the cost determined by the Commission.*

*As per the above discussion, the additional subsidy payable by Government of Karnataka for FY13 is as follows:*

*Additional subsidy for FY13*

| SN. | Particulars | Units | FY13 |
|---|---|---|---|
| 1 | Actual sales to BJ/KJ & IP Sets | MU | 5788 |
| 2 | Approved sales to BJ/KJ & IP Sets | MU | 4786 |
| 3 | Increase in sales (2-1) | MU | 1002 |
| 4 | Average cost of supply as per APR | Rs./ kWh | 5.24 |
| 5 | Additional cost for increased sales at ACS as per APR (3*4) | Rs. Crores | 524.53 |
| 6 | **Additional Subsidy to be paid by GoK for FY13** | **Rs. Crores** | **524.53** |

The Commission decides to carry forward the balance deficit of Rs.627.13 Crores of FY13 to the proposed ARR for FY15 as discussed in the subsequent Chapter of this Order."
Likewise, the Hon'ble UPERC had computed the actual subsidy requirement considering the actual sales of the subsidised categories namely LMV-1 (a): Consumer getting supply as per "Rural Schedule" and LMV-5: Private Tube wells (PTW) in FY 2007-08. The Hon'ble UPERC had computed the revised subsidy requirement at Rs. 2,940.83 Crores based on actual consumption of subsidised categories. Out of the above, the revenue subsidy provided by Govt. of Uttar Pradesh was only Rs. 1,854.72 Crores. Thus the balance subsidy of Rs. 1,086.11 Crores was applied as a reduction from the ARR being trued up, thus, insulating the other subsiding consumers. The distribution licensees were directed to realise such sums from the State Government which is understood to have started paying the shortfall to the Discoms based on the decision of the Hon'ble UPERC.

**Extract from the UPERC order dated 21.5.2013:**

**"9.21 ADDITIONAL SUBSIDY REQUIREMENT FROM GOUP**

*The Distribution Tariff Regulations are effective from FY 2007-08. Para 6.10 of the Distribution Tariff Regulations provide:*

***"6.10 Provision of Subsidy***

*1. The Commission, while determining the tariff, shall see that the tariff progressively reflects the cost of supply of electricity and the cross subsidy is reduced or eliminated.*

*2. If the State Government decides to subsidize any consumer or class of consumers, the State Government shall pay the amount to compensate the affected licensee by grant of such subsidy in advance. Provided that no such direction of the State Government to grant subsidy shall be operative if the payment is not made in accordance with the relevant provisions contained in these Regulations and the Act. In such a case, the tariff of the applicable categories may be revised excluding the subsidy.*

*3. The Government shall, by notification, declare the consumers or class of consumers to be subsidized.*

*4. Tariff of the subsidized category shall be designed taking into account the subsidy allocated to that category.*

*5. The Distribution Licensee shall furnish details of power consumed by the subsidized category to the State Government and the Commission. The Distribution Licensee shall provide meters on all rural distribution transformers and shall also furnish the power consumption details in respect of agricultural and rural domestic consumption based on readings from such meters and normative distribution losses on a monthly basis."*

*(Emphasis supplied)*

*The Commission in its Letter No. UPERC/D(T)/2013-176 dated 06th May, 2013 had directed the Petitioner to furnish the details in respect of energy sold and thru rate of subsidised categories. The Petitioner filed the response to the Deficiency Note on 15th May, 2013 vide Letter No. 1045/RAU/ARR FY 2013-14. The Petitioner has failed to provide the desired data and has stated that the sub-category wise energy sales data in respect of rural domestic and private tube wells categories were not maintained by the licensees. However it has submitted the broad category wise details.*

In the absence of sub-category wise data, the Commission has adopted the sales figures for FY 2007-08 as provided in the Tariff Order for FY 2009-10. The Commission has computed the actual subsidy requirement considering the actual sales of the subsidised categories namely LMV-1 (a): Consumer getting supply as per "Rural

Schedule" and LMV-5: Private Tube wells (PTW) in FY 2007-08. As per the table provided below, the actual subsidy requirement has been worked out to be Rs. 2,940.83 Crores. Out of the above, the revenue subsidy available from GoUP is only Rs. 1,854.72 Crores. Thus the balance subsidy of Rs. 1,086.11 Crores has been applied as a reduction from the ARR being trued up. The distribution licensees need to realise such sums from the State Government.

Table 5.6-3: COMPUTATION OF SUBSIDY REQUIREMENT FOR FY 2007-08 (Rs. Crores)
Particulars

| Particulars | Sales (MU) | Cost of Service (Rs./kWh) | Thru Rate (Rs./kWh) | Loss (Rs./ kWh) | Loss (Rs. Crore) |
|---|---|---|---|---|---|
| LMV-1: (a) Consumer getting supply as per "Rural Schedule" | 6132.00 | 3.87 | 1.03 | 2.84 | 1744.07 |
| LMV-5: PTW | 4317.00 | 3.87 | 1.10 | 2.77 | 1196.76 |
| **Total Loss** | | | | | **2940.83** |
| Subsidy Available | | | | | 1854.72 |
| **Balance Subsidy to be made available by GoUP** | | | | | **1086.11** |

The additional subsidy requirement has been allocated among Discoms in the ratio of their sales in FY 2007-08 as the Discom wise sales to rural domestic and private tube wells categories has not been provided by the Discoms.

Table 5.6-4: ALLOCATION OF ADDITIONAL SUBSIDY REQUIREMENT AMONG DISCOMS (Rs. Crores)

The approach adopted by the Hon'ble UPERC has been upheld by Hon'ble APTEL vide judgement dated 23.11.2015 in Appeal No. 128 of 2014. The relevant extract from the aforementioned judgement is reproduced below:

*"8.8) Hence, we hold that the State Commission is legally justified in directing the appellants to recover the subsidy/additional subsidy from Government of Uttar Pradesh instead of giving the same as a pass through in the appellants aggregate revenue requirement. If proper data and details in true sense were not available with the appellants, then for that lapse or failure of the appellants, the consumers cannot be allowed to suffer. Hence, this issue is decided against the appellants."*

It is the consistent practice of the Hon'ble Commission to approve additional subsidy requirement based on actual consumption of subsidised categories. Similar treatment was provided by the Hon'ble UPERC in the truing up orders of state owned licensees for FY 2008-09 to 2011-12 in its order dated 1st October, 2014.

**Attention is furthermore invited to Hon'ble APERC Tariff Order for 2004-05, which states that the Commission approved the revenue and sales to agricultural consumers and then approves the subsidy and does not allow for any further increased sales to this category of consumers.**

APERC subsidy administration mechanism for agricultural consumers in 2004-05 Tariff order:

*'The GOAP obligation towards subsidy payments to DISCOMs is limited to the quantities mentioned in this order. If the DISCOMs exceed tariff order quantities and thus the subsidy requirement, the Commission will not entertain any request for additional quantities of energy to subsidized categories unless the permission of the GoAP is taken for additional subsidy if the excess consumption relates to agriculture. In other categories, if there is excess consumption, no additional subsidy will be recommended by the Commission to GoAP."*

The Full Cost Recovery Tariffs do not mean that the tariffs from subsidising categories be fixed first and then subsidy be juxtaposed thereon. Rather, the tariffs be fixed for all consumer categories at cost-of-service levels or at ±20% of CoS levels. Thereupon the subsidised tariffs should be worked upon after considering the available subsidy levels from the State Government.

In view of the above submissions, figures and the relevant observations of the Appellate Tribunal and other Regulatory Commissions, it is very clear that for any power to be made available free of cost to any category of consumers, the government has to release upfront subsidy in full. The Objector humbly prays that:

The Hon'ble Commission may approve full and commensurate subsidy for FY 2024-25 towards power to LT Domestic and Agriculture Consumers towards subsidised power supply. In view thereof, the Hon'ble Commission may consider the Objector's Assessment of the subsidy requirement. The Hon'ble Commission may expressly stipulate that the subsidy would be trued up based on the variation in the actual consumption of subsidised consumers.

**Reply:** In view of the discussions in previous paras, the assessment of the objector regarding allowable subsidy is not justified.

### 3.11 Disproportionate Voltage Level Tariffs vs Cost Of Supply

The Objector Association herein comprises different types of industries like Spinning Mills, Ferro Alloys etc., which have a similar product portfolio, but have electricity supply at 33 kV or 132 kV voltage levels. It is submitted that the difference between energy charges approved for the different voltage levels in the retail tariff schedule is significantly higher than the difference in cost of supply for such voltage levels. So effectively, this skewed tariff, disproportionately increases the cost of energy purchased by an industrial consumer who faces a competitive disadvantage for operating at a different voltage level. Following table highlights the relevant details in this respect:

**Table 36: Comparison of Voltage wise Cost of Supply across AP discoms**

***(all figures in Rs. / unit)***

| Consumer Categories | Tariff Order FY 2021-22 Vtg. Wise cost to Supply | | | Tariff Order FY 2022-23 Vtg. Wise cost to Supply | | | Tariff Order for FY 2023-24 Vtg. Wise cost to Supply | | |
|---|---|---|---|---|---|---|---|---|---|
| | APSPDCL | APEPDCL | APCPDCL | APSPDCL | APEPDCL | APCPDCL | APSPDCL | APEPDCL | APCPDCL |
| HT 1 - 33 kV | 6.23 | 6.37 | 6.49 | 6.87 | 6.52 | 6.73 | 7.24 | 6.60 | 7.21 |
| HT 1 - 132 kV | 6.03 | 6.17 | 6.29 | 6.66 | 6.34 | 6.52 | 7.02 | 6.41 | 6.99 |
| Difference | 0.20 | 0.20 | 0.20 | 0.21 | 0.18 | 0.21 | 0.22 | 0.19 | 0.22 |

As evident from the table above, we see that although the difference in the approved cost of supply in 2021-22 between the two voltage levels is to the tune of ~20 paise, the difference in energy charges approved in the schedule as per Tariff Order for FY 2023-24 is 45 paise; it implies that the 33 kV consumers are levied higher Cross Subsidy of (45 20) 25 paise. This is arbitrary and discriminatory and hence has to be withdrawn at the earliest. Since the output product are similar and have the same markets, the smaller units in 33 KV are put to unreasonable disadvantage rendering them uncompetitive because of the substantially higher input costs.

In this context is pertinent to highlight the treatment of some of the State Electricity Regulatory Commissions towards the HT industrial tariffs charged at different voltage levels:

• The Karnataka Electricity Regulatory Commission (KERC) determines one single rate for HT Industrial category and allows a miniscule rebate of 2-5 paise for different voltage level of supply.

• Gujarat Electricity Commission allows for a 0.5% - 1% discount for EHT supply, wherein only one single rate for HT Industrial Tariff is determined.

• Tamil Nadu Electricity Regulatory Commission determines one single rate for HT industrial category irrespective of voltage levels.

In light of the above, and to promote a level playing field for industries it is prayed that although the discoms have not sought a tariff revision, the existing retail energy charges may be modified so that the gap between applicable energy charges for 33 kV and 132 kV is reduced to lowest possible levels in proportion to the difference in their cost of supply.

Alternatively, in absence of an approved category-wise cost and voltage wise cost of supply, and till the time the retail tariff schedule is reflective of the cost of supply, it is proposed the Hon'ble APERC comes out with a unified tariff for HT industrial categories and may propose some rebate based on the voltage of supply.

This will also be in line with the Central Government's suggestions to reduce the no. of tariff categories and will promote ease of doing business in the State.

**Reply:** The tariff differential of 45 paise between 132KV and 33KV level consumers is reasonable in view of difference in CoS of 25 paise between 132KV and 33KV voltage level. The suggestion on unified tariff for HT industrial category is not justified in view of the differences in voltage wise cost of service.

**3.12 Cross Subsidy To Be Within +/- 20% Of The Cost Of Service**

The Electricity Act, 2003 Section 61(g), provides that the tariff should progressively reflect the cost of supply of electricity and cross subsidies should be reduced in the manner specified by State Commission. This shows that there is a mandate that tariff should progressively reflect actual cost of supply for each consumer category and not average cost of supply.

Additionally, Clause 8.3 of the Revised Tariff Policy dated 28.1.2016 provides:

"8.3 Tariff design: Linkage of tariffs to cost of service

It has been widely recognized that rational and economic pricing of electricity can be one of the major tools for energy conservation and sustainable use of ground water resources.

In terms of the Section 61 (g) of the Act, the Appropriate Commission shall be guided by the objective that the tariff progressively reflects the efficient and prudent cost of supply of electricity.

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Accordingly, the following principles would be adopted:

1. Consumers below poverty line who consume below a specified level, as prescribed in the National Electricity Policy may receive a special support through cross subsidy. Tariffs for such designated group of consumers will be at least 50% of the average cost of supply.
2. For achieving the objective that the tariff progressively reflects the cost of supply of electricity, the Appropriate Commission would notify a roadmap such that tariffs are brought within ±20% of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy."

Thus, the Revised Tariff Policy envisages that the tariff should progressively reflect the efficient and prudent cost of supply of electricity and the tariffs for all categories of consumers except the consumers below poverty line should be within ±20% of the average cost of supply. More importantly even for BPL categories for consumption up to a prescribed level (i.e., 30 units per month) the prescribed tariff ought to be at least 50% of the average cost of supply.

Section 61 (g) of the Electricity Act, 2003 mandates the Commission to ensure, that the tariff progressively reflects the cost of supply and also reduces the cross subsidies. Thus, the Tariff Policy read with Section 61(g) of the Act, clearly provides that the State Commission is required to ensure that the cross subsidies are to be progressively reduced and to ensure that tariff for each category is within ±20% of the overall average cost of supply.

Thus, the Tariff Policy recognises the fact that one of the objectives is that the tariff should reflect the cost of supply and for achieving that objective, the State Commission should notify roadmap to ensure that the tariffs are within ± 20% of average cost of supply (overall average cost of supply). However, nowhere, the Tariff Policy suggests that the cross subsidy has to be calculated based on average cost of supply. On the other hand, it provides that the tariff progressively should reflect cost of supply.

In fact, the full Bench of the Hon'ble APTEL in the case of SIEL Limited vs. Punjab State Electricity Regulatory Commission in 2007 ELR (APTEL) 931 has settled the position related to the average cost of supply and cost to supply of a particular category of consumers. The relevant portion of the APTEL judgment is reproduced below:

*109. According to Section 61(g) of the Act 2003, the Commission is required to specify the period within which cross subsidy would be reduced and eliminated so that the tariff progressively reflects the cost of supply of electricity. Under Section 28(2) of the Act of 1998, the Commission while prescribing the terms and conditions of tariff was required to safeguard the interests of the consumers and at the same time, it was to ensure that the consumers paid for the use of the electricity in a manner based on average cost of supply. The word "Average" preceding the words "cost of supply" is absent in Section 61(g) of the Act of 2003. The omission of the word "Average" is significant. It indicates that the cost of supply means the actual cost of supply, but it is not the intent of the legislation that the Commission should determine the tariff based on cost of supply from the date of the enforcement of the Act 2003. Section 61(g) of the Act of 2003 envisages a gradual transition from the tariff loaded with cross subsidies to a tariff reflective of cost of supply to various class and categories of consumers. Till the Commission progressively reaches that stage, in the interregnum, the roadmap for achieving the objective must be notified by the Commission within six months from January 6, 2006, when the tariff Policy was issued by the Government of India i.e. by July 6, 2006. In consonance with the tariff policy, by the end of the year 2010-11, tariffs are required to be fixed within plus minus 20% of the average cost of supply (pooled cost of supply of energy received from different sources). But the policy has reached only up to average cost of supply. As per the Act, tariff must be gradually fine tuned to the cost of supply of electricity and the Commission should be able to reach the target within a reasonable period of time to be specified by it. Therefore, for the present, the approach adopted by the Commission in determining the average cost of supply cannot be faulted. We, however, hasten to add that we disapprove the view of the Commission that the words "Cost of Supply" means "Average Cost of Supply". The Commission shall gradually move from the principle of average cost of supply towards cost of supply.*

*110. Keeping in view the provisions of Section 61 (g), which requires tariff to ultimately reflect the cost of supply of electricity and the National Tariff Policy, which requires tariff to be within plus minus 20% of the average cost of supply, it seems to us that the Commission must determine the cost of supply, as that is the goal set by the Act. It should also determine the average cost of supply. Once the figures are known, they must be juxtaposed, with the actual tariff fixed by the Commission. This will transparently show the extent of cross subsidy added to the tariff, which will be the difference between the tariff per unit and the actual cost of supply.*

*111. In a given case, where an appropriate Commission comes to the conclusion that time has come when Tariff is to be fixed without providing for cross subsidies between various consumer categories, it can fix the Tariff accordingly as there is nothing in the Act which compels a regulatory Commission to formulate Tariff providing for cross subsidies between the consumer categories for all times to come.*

*(Emphasis supplied)*

*The above principles have been reiterated in the following judgments:*

*(a) APTEL's Judgment dated 2.6.2006 in Appeal Nos. 124, 125 and 177 of 2005 and Appeal No. 18 of 2006 titled Kashi Vishwanath Steel Ltd., Vs. Uttaranchal ERC & Ors.*

*(b) Tata Steel India vs. OERC and NEESCO: 2011 ELR (APTEL) 1022.*

*(c) APTEL's judgment dated 12.9.2011 in Appeal Nos. 96 of 2011 titled East Cost Railways vs. OERC & Ors*

*(d) APTEL's judgment dated 23.09.2013 in Appeal No. Appeal No. 52, 67, 68 and 69 of 2012 in Ferro Alloys Corporation Ltd & Ors Vs OERC & Ors*

*The Objector would like to bring to the notice of the Hon'ble Commission that as opposed to the earlier filings, the Licensees have in the current Petition, not even worked out the category-wise CoS of consumers. Rather, it has merely depicted the CoS at broad level for LT, HT-11 kV, HT-33 kV and HT-132 kV class. These numbers do not serve any purpose and will not help either in fixation of tariff or in laying down a roadmap for reduction in cross subsidy.*

*It is also seen that AP discoms have deviated from the claim of trying to design tariff within the ±20% range of the average cost of supply. As per the provisions of the Electricity Act and Tariff Policy, the subsidising consumers such as industrial consumers cannot be penalised, for making good the cost, to be recovered from the subsidised category beyond the permissible ±20% of the average cost of supply. Any benefit which the Licensee wants to confer to the subsidised category beyond the maximum of ±20%, can and should be recovered through Government subsidy and cannot in any way be loaded to the subsidising consumers.*

*In a catena of judgments (discussed in above paragraphs), the Hon'ble APTEL has held that eventually, the State Commission shall gradually move from the principle of average cost of supply towards cost of supply for each consumer category. The Objector states that the incidence of cross subsidy is even higher when category wise cost of service is considered.*

*In view of the above, the Objector states that the current tariffs for industrial consumers need more rationalisation to adhere with the mandate of the Electricity Act and Tariff Policy.*

**Reply:** Under the purview of the Hon'ble APERC.

Further, it is to inform that, the Honorable APERC is conducting public hearings on ARR filings for FY 2024-25 & Distribution Business for 5th control period through video conference from Conference Hall, APEPDCL, Visakapatnam. The hearings will be held in respect of all the three DISCOMs on 29-01-2024, 30-01-2024 and 31-01-2024 from 10.30 AM to 1.00 PM and from 2.00 PM to 4.30 PM. APCPDCL has facilitated Video Conference at all offices of Superintending Engineer / Operation at district headquarters and at all remaining offices of Executive Engineer / Operation. Specification of the date and time for objector is under the purview of Honourable Commission.

**Yours faithfully**

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**Chief General Manager /RAC**
**APCPDCL::Vijayawada**

**Copy submitted to**
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