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 M. Venugopala Rao,
Senior Journalist & Convener,
Centre for Power Studies,
H.No.1-100/MP/101, Monarch Prestige,
Journalists' Colony,
Serilingampally Mandal,
Hyderabad – 500 032.

Lr.No.CGM/RAC/GM/PP&RAC/CP/VJA/F.No.76/D.No. 376 /24, Dt: 18.01.2024

Sir,

Sub: APCPDCL - Replies to further objections raised by Sri M. Venugopala Rao, Senior Journalist on ARR & Tariff Proposals of Retail Supply Business for the FY 2024-25 in OP No. 72 of 2023 - Reg.

Ref: Further objections raised by Sri M. Venugopala Rao, dt.03.01.2024.

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Referring to the further objections raised by Sri M. Venugopala Rao, Senior Journalist on ARR and FPT filings for Retail Sale of Electricity for FY 2024-25, the reply is furnished as hereunder.

Objections & Replies:

1. The DISCOMs have assumed escalation of capacity charges @ 5% for 2024-25, inland transportation charges @ 10% for the first half, and of domestic coal charges @ 5% for the second half of the next financial year. Such assumed escalation of charges should not be allowed, as has been the standard stance successive Commissions have been taking since the inception of APERC in the composite Andhra Pradesh. DISCOMs are being allowed to collect FPPCA @ Re.0.40 per unit per month and true-up claims after end of the FY concerned. The DISCOMs themselves have maintained that as and when a claim is made by generator, it is thoroughly examined before admitting and the same is claimed under concerned heads in FPPCA. DISCOMs have maintained that they have considered rate for change in law as Re.0.28 per Kwh, without explaining the basis for the same. It should not be allowed.

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.

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.

2. The DISCOMs have enhanced charges of APTRANSCO, SLDC and PGCIL by 15% for the year 2024-25 over their tariffs for 2023-24 approved by the Commission and CERC, as the case may be. It is not known whether the DISCOMs have filed their submissions on the ARR and MYT petitions of APTRANSCO and SLDC for the 5th control period. Instead of enhancing the tariffs by 15%, the DISCOMs should examine the proposals of TRANSCO and SLDC on MYT and capital costs and O&M costs and submit their objections and suggestions to the Commission. As far as PGCIL charges are concerned, in our submissions on the ARR and tariff proposals of the DISCOMs for the current financial year, we pointed out how irrationally CERC decided the PGCIL charges, imposing avoidable and unjust burdens on the DISCOMs of the states. In response to our submissions, the DISCOMs had given detailed explanation: "APDISCOMs have already contended that, the methodology adopted by the Hon'ble CERC for determining the deemed GNA quantum for the states is not in the interest of the consumers/beneficiaries. APDISCOMS have already submitted the Objections/Suggestions regarding the deemed GNA quantum when the draft GNA regulations were notified. A request for CERC to give, a one-time opportunity to all the beneficiaries to declare their GNA according to the state's demand as the historical drawal data also includes the STOA drawals which are very temporary in nature. Even after the objections and to the Surprise of all the states, CERC hasn't considered the objections/Suggestions raised by the state and instead the regulation has been notified without any changes in the deemed GNA quantum for the states. The GNA quantum of AP also includes the 461.1 MW allocation from NTPC Simhadri-1 which is connected to the STU (APTRANSCO) network for which the ISTS charges are exempted vide the CERC order dated 31.03.2017 in the petition No. 291/MP/2015. Since the 461.1 MW accounts for more than the 10% of the deemed GNA quantum the financial impact is also significant. It is also gathered that, not only AP, even all the other beneficiary states were also effected due to the provisions of GNA regulation. APDiscoms are putting their best efforts to reduce the cost of the ISTS in the interest of the consumers. Recently, a letter was addressed to the Secretary of CERC from the Spl. Chief Secretary, Energy Department, Government of AP on 12.12.2022 requesting CERC to exempt the NTPC simhadri-1 allocation of AP and also to accord the one-time opportunity to states for declaring their GNA. The tariff of the 800KV Raigarh-Pugalur HVDC line, which was commissioned in September, 2020 was approved by CERC vide the order dated 22.09.2022. It was contested by APDISCOMs during the hearings itself that, the asset is to be considered as National importance and the tariff is to be included in the national component considering the bi-directional flow in the line from SR to WR due to increase in RE generation in the southern region. But in the tariff order (685/TT/2020), CERC has considered the tariff in the regional component. If considered in the national component, the ISTS charges would reduce significantly for all the Southern region beneficiaries. It was decided to file an appeal in APTEL against

the impugned CERC tariff order dated 22.09.2022 in petition No. 685/TT/2020. Tamil Nadu has already filed the appeal and other SR beneficiaries are also in the process of filing the separate appeals against the CERC order. If the outcome of the Appeal filed in APTEL is in the favor of the southern beneficiaries then the ISTS charges would reduce and the same would be adjusted in the ARR after the final outcome." What is the outcome of the appeal before APTEL? What further action, if required, the DISCOMs are taking to protect their interest and of their consumers in this regard?

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.

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 Amendment) 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 factors that affects the ISTS charges for APDISCOMS.

- As stated in point 2 of the submissions, 4 Nos of orders of CERC linked to Raigarh-Pugalur-Thrissur HVDC system were challenged by SR states before Hon'ble APTEL.
- APDISCOMS have filed an appeal against 1 of the above 4 orders of CERC (petition no 685/TT/2020), and for the remaining orders APDISCOMS have appeared as one of the respondents in the Appeals filed by TANGEDCO.
- With respect to the original appeals filed by APDISCOMS and other SR beneficiaries against the CERC orders in 685/TT/2020, APTEL vide orders dated 18.07.2023(In Tangedco's appeal) & 27.07.2023(In AP's Appeal) has remanded back the matter to CERC to take up the issue afresh again.
- After prolonged hearings in the remanded matter in 685/TT/2020 regarding Raigarh-Pugalur HVDC system, Hon'ble CERC has issued final orders on 30.10.2023.
- As per the orders, Hon'ble CERC hasn't considered the total 100% of the tariff in National Component but has considered only 50% of the tariff in National Component quoting the third amendment of CERC (Sharing of ISTS charges and losses) regulations,2020.
- The Hon'ble CERC in its final order has stated,

  "As per the third amendment, since the instant transmission system, Raigarh-ugalur HVDC has 50% reverse capacity, which has already been established as per the data submitted by PGCIL, 50% of the transmission charges of the Raigarh-ugalur HVDC shall be shared under the National Component and the balance under the

regional component. In the case the reverse capacity increases from 50% as certified by NLDC, the sharing of transmission charges corresponding to such reverse capacity shall be under the National Component in terms of the 2020 Sharing Regulations including amendments thereof."

- With regard to the other appeals in APTEL, that are filed by TANGEDCO, Hon'ble APTEL has set aside the CERC orders in 173/TT/2021 & 242/TT/2021 and remanded the matter back to CERC and they are pending for hearing.
- But with regard to the appeal filed against CERC orders in 172/TT/2021, the matter is under hearings stage before APTEL.

Further Course of Action:

- All the SR states along with AP are pursuing Power Grid for availing grant from PSDF (Power System Development Fund). M/s PGCIL is being questioned in SRPC forum also regarding the status of PSDF grant such that, if the grant is received from PSDF then the capital cost burden on the beneficiaries would reduce with respect to this asset.
- The same was also flagged by Hon'ble CERC and directed PGCIL to pursue with the PSDF committee in availing the grant.
- Also, as Hon'ble CERC in its order has mentioned that "In the case the reverse capacity increases from 50% as certified by NLDC, the sharing of transmission charges corresponding to such reverse capacity shall be under the National Component in terms of the 2020 Sharing Regulations including amendments thereof.", the possibility of augmenting the system for enhancing the reverse flow capability of the line to 6000MW i.e., 100% reverse flow is also being explored.
- The same is being discussed in various forums and it is in the study stage.

3. Compared to the distribution losses, excluding EHT, determined by the Commission for the year 2023-24, the DISCOMs have projected the same at higher levels for the year 2024-25. It also implies that the DISCOMs could not achieve the distribution loss trajectory determined by the Commission for the year 2023-24. In view of substantial investments being made and steps for reduction of distribution losses claimed to have been taken and proposed to be taken by the DISCOMs, there should be accountability on their part to achieve the targets fixed by the Commission. We request the Hon'ble Commission to determine targets for reduction of distribution losses for the next financial year realistically.

Reply: It is to inform that distribution losses of the Discom will depend upon the sales and input at various voltage levels i.e. at 33KV, 11KV & LT level. IF consumption at lower voltage levels is higher, distribution losses will increase accordingly. It is also informed that APCPDCL has been taking measures to minimize technical & commercial losses by strengthing the network in over loaded segments, implementation of HVDS, conversion of LT 3W to 5W and conducting surprise raids in theft prone areas, minimizing the billing errors etc.

4. Regarding other costs, for the year 2024-25, the DISCOMs have shown a total of Rs.302.21 crore - SPDCL Rs.173.79 crore, CPDCL Rs.138.18 crore and EPDCL Rs.90.24 crore. These expenditures pertain to AGL solar pump sets, energy efficient pump sets, DELP, compensation to the victims of electrical accidents and DBT to be returned for FY 2021-22. To our objections repeatedly made over the years to imposing burdens of implementation of such schemes confined to certain number of consumers on all the consumers by allowing specific amounts to be factored in the ARR of the DISCOMs,

instead of the governments or the beneficiary consumers bearing their share of the expenditure, no positive, fair and balanced response has come so far from successive Commissions. The Hon'ble Commission has maintained that "any savings on account of these projects will be shared by all the consumers and accordingly the Commission has been allowing the same in ARR of respective DISCOMS over the years. One of the stakeholders repeatedly raised objections to this issue in spite of the clear view expressed by the Commission in earlier orders. Further, as long as there is no tariff hike and the government is bearing the total revenue gap arrived at by the Commission, all these expenses have been borne by the Govt. indirectly as intended by him. Therefore, the Commission approves the expenses as filed with regard to EE&EC projects" (page 120 of RSTO for the FY 2023-24). The contentions of the Hon'ble Commission do not hold water for the following reasons, among others:

a) That the Hon'ble Commission has not incorporated our submissions and responded to them specifically in the RSTO shows glaring deficiencies in considering our submissions.

b) We have explained how any savings on account of these projects will not be shared by all the consumers and that the said benefits would accrue to the consumers for whom those schemes or projects are implemented in the form of reduction of amounts in their power bills to be paid for lesser consumption and the GoAP in the form of reduction of subsidy it gives. Except making a sweeping observation that any savings on account of these projects will be shared by all the consumers, the Hon'ble Commission has not explained and substantiated how it is possible.

c) The contention of the Hon'ble Commission that, as long as there is no tariff hike and the government is bearing the total revenue gap arrived at by the Commission, all these expenses have been borne by the government indirectly misses the point that government is providing subsidy to consumers of its choice on tariffs to be paid by them, not on the said projects or schemes fully. When the amounts claimed by the DISCOMs for these projects or schemes and approved by the Commission, they are covered in the cost of service worked out for each category of consumers. Subsidy provided by the government confines to the consumers concerned, while a part of the amount claimed for the said projects or schemes is covered in cost of service determined by the Commission for non-subsidized consumers and that is the unjust and avoidable burden on the latter.

d) Going by the argument of the Commission, conversely, if there is tariff hike, then there should not be any benefit to non-subsidized consumers on account of subsidy being provided by the government to subsidized consumers, including the beneficiaries of the said projects and schemes.

e) What is clear from the stand of the Hon'ble Commission is that it is not inclined to correct an imbalanced stand taken by a previous Commission; it is inclined to continue the same questionable stand.

f) What is clear from the stand of the Hon'ble Commission is that, for the decisions taken by the government and regulations and orders issued by the Commissions, without any clarity as to who should bear the burden thereof, whether the government or the beneficiary consumers or all the consumers, including non-beneficiary consumers, imposing such burdens on all the consumers is treated as right.

g) What is clear from the stand of the Hon'ble Commission is that the successive Commissions take the responsibility on themselves, without even any specific direction from the government, to impose such burdens on non-beneficiary consumers, instead of directing that the government, or the DISCOMs, or the beneficiary consumers should bear the expenditure incurred for such projects or schemes.

h) What is clear from the stand of the Hon'ble Commission is that, ERC can take any decision, irrespective of its merits and demerits, and that, if stakeholders are aggrieved, ERC need not re-examine and correct its decision even when there are valid and justifiable grounds for the same articulated before it.

i) What is clear from the stand of the Hon'ble Commission is that, if stakeholders are aggrieved by a decision of the Commission, they are free to go in for appeal against it in the appropriate appellate authority and saddle themselves with legal litigations.

j) What is clear is that one should exercise one's professional integrity, intellectual honesty and moral courage to recognize and tell the truth, what is right or wrong, and a firm inclination to take specific action to correct what is blatantly wrong.

5. APSPDCL has maintained that "the Honourable APERC approved tariff concession extended to various class of categories under DBT for an amount of Rs.482.44 Crs. for FY 2021-22. The actual tariff concession for FY 2021-22 is Rs.366.75 Crs. The Honourable APERC in the Tariff Order for FY 2023-24 has turned down an amount of Rs.115.69 Crs. Being the difference between approved and actual tariff concession. However, the DISCOM has received only the actual tariff concession of Rs.366.75 Crs. Only and not Rs.482.44 Crs. Hence the return of DBT for FY 2021-22 in RSTO FY 2023-24 is to be trued up." If it is direct benefit transfer (DBT), as is being propagated, the tariff concession should go directly to the beneficiary, who, in turn, is supposed to pay full cost tariff to the DISCOMs. If that is the case, where is the scope for the DISCOM not getting what is due to it? Where is the need to show true-up claims of DBT under other costs in the ARR for the current and next financial years? How is the DBT scheme being implemented?

Reply: At present the tariff concession are also being claimed from the Govt. and are being collected from the Govt. based on the actuals.

6. There is need for realistic estimate of requirement of power to LT agriculture. There has been constant criticism over the years that the DISCOMs have been inflating LT agricultural consumption, thereby including a part of theft and pilferage of power in it. Successive Commissions have been reducing the estimates of the DISCOMs for requirement of power to LT agriculture and DISCOMs have been showing LT agriculture sales at levels higher than the ones determined by the successive Commissions over the years. During the recent years, even the LT agricultural sales being determined by the Commission in the RSTOs have been tended to be inflated. For example, the following details pertaining to EPDCL establish the fact:

Year	APERC target	Actual sales MU
2020-21	2399.41	2276.69
2021-22	2627.09	2221.51
2022-23	2725.65	2031.39
2023-24	2339.03	232354 (estimated)
2024-25	2439.72 (Projected)	

In the case of sales to LT agriculture and related in the case of SPDCL, while they increased from 6944.43 MU for 2022-23 to 8490.11 MU for 2023-24, the DISCOM has projected the requirement for 2024-25 at 8110.28 MU. In the case of CPDCL, LT agricultural sales continue to increase every year, as per the data furnished by it, despite the measures claimed to have been taken by it for regulating LT agricultural consumption of power. EPDCL has maintained that it has provided IrDA meters to all agricultural services in Srikakulam circle, taking monthly recorded consumption into account and that the assessed agricultural consumption in the other four circles is being arrived by APERC illustrated sample methodology. EPDCL has stated that, for the year 2022-23, LT agricultural sales have come down by 694.26 MU compared to 2725.65 MU approved by the Commission "due to high rainfall." SPDCL has stated that sales to agriculture and related have come down by 1421.34 MU compared to 2315.68 MU approved by the Commission for the same year. CPDCL has not given any reason for lesser sale of power to agriculture and related of 268 MU for the same year. Fixing smart meters cannot be considered as the reason for reduction in agricultural consumption of power. SPDCL has maintained that from FY 2023-24, new procedure is going to be followed as per the directions of the Ministry of Power, GoI. As per the new procedure, the agricultural sales will be calculated based on the feeder meter consumption, it has explained. In other words, change in methodology has contributed to a more realistic assessment of agricultural consumption of power, without fixing smart meters to agricultural services. CPDCL has not explained whether it is aware of a better methodology and adopting it for assessment of agricultural consumption of power. The reduction in sale of power to LT agricultural consumers has to be seen in conjunction with failure of the DISCOMs to achieve targets of reduction in distribution losses fixed by the Commission for the same years. It gives credence to the view that a part of theft and pilferage is being included in agricultural consumption of power. Needless to say, a realistic assessment of LT agricultural consumption would reduce need for purchase of power, cross subsidy and subsidy from the government. The Hon'ble Commission has been directing the DISCOMs to get additional subsidy from the GoAP for LT agricultural consumption exceeding the quantum determined by it, and to refund the excess subsidy the DISCOMs received from the GoAP when the sales to LT agricultural services are less than what is determined by it in the RSTO. What is happening to the proportionate cross subsidy being collected from subsidizing consumers, when free supply to LT agricultural services turns out to be less than what is determined by the Commission in the RSTO? When sales of power to subsidizing consumers turn out to be more and to LT agricultural services is less than what the Commission determines in the RSTO, the excess collection of cross subsidy from the subsidizing consumers is more pronounced. The DISCOMs are simply retaining the additional cross subsidy they are collecting as a part and parcel of tariffs fixed for subsidizing consumers. It is significant that, in its elaborate observations on agriculture sales under free power categories being less than the approvals, the Hon'ble Commission could not come to the conclusion that such a lesser consumption is recorded on account of fixing meters to agricultural services. The Hon'ble Commission has satisfied itself with the observation that "during the last three years (up to FY 2022-23), the actual sales (to agriculture) are less than the approved figures by the Commission and this indicates the improvement of the percentage of metered sales during the said period" (page 31 of RSTO for 2023-24). However, it is to be noted that the said variations in agricultural sales have nothing to

do with metered sales to other categories of consumers and that such variations are not an indication to improvement in metered sales in absolute terms.

Reply: APCPDCL has been following the ISI methodology approved by hon'ble APERC for assessing free Agriculture consumption. It is to inform that vide Lr.No: APERC/Secy/Tariff/F:35/D.No.1520/2023,dt10.10.2023.Hon'ble APERC has directed the Discoms to assess the unmetered sales to subsidized consumers(free power consumers in Agricultural category) as per the methodology stipulated in para 2.2 of SoP issued by MoP,GoI from the FY 2024-25. Accordingly, the methodology has been proposed for assessing the free Agricultural consumption based on meters provided to dedicated and mixed AgI feeders.

Measurement of Agriculture sales in case of Dedicated feeders:

Agricultural sales = (Total energy measured under the feeder)*{(100-Normative T&D losses as determined by SERC)}/100

Measurement of Agriculture sales in case of Mixed feeders:

Agricultural sales = {(Total Energy measured under the feeder-energy consumed by non-aglconsumers) *(100-Normative T&D losses as determined by SERC)}/100

The normative T&D loss is distribution loss up to the 11KV voltage level (i.e., losses 11KV and below) approved by Hon'ble APERC

It is to inform that 100% metering is available for 11KV feeders in the purview of APCPDCL and if hon'ble APERC approved the above proposed methodology same will be followed for assessing agriculture consumption from the FY 2024-25.

It is to inform that actual AGL sales of APCPDCL are below the APERC approved AGL sales during the Previous financial years and details are tabulated below

Free AGL sales of APCPDCL

Financial Year	APERC Target in MU	Actual sales in MU
FY 20-21	2129.162	1930.10
FY 21-22	2023.440	1875.955
FY 22-23	2078.86	1914.479

The estimated unmetered agricultural consumption per KVA per DTR depends on the total connected load, type of crop raised, seasonal variation, geographical conditions and water table. Therefore, per Kva consumption of sample DTR varies from capacity and area to area. Hence there may be variations among the APDiscoms in computation of power consumption by Agricultural services. Agricultural sales during the FY 2023-24 are expected to increase beyond the approved Agricultural sales because of low rainfall on account of El-Nino conditions, which may result in more Agricultural consumption as the farmer are more dependent on ground water.

7. In directive No.8, the Hon'ble Commission has stated that "APGENCO has to review its maintenance practices to keep all units in operation without interruption, and also to see to it that the generation is at full capacity as per the requirement of the system. Further, there is surplus potential in many time blocks leading to underutilization of the

capacity contracted if the same is not sold due to inadequate price in the market at the relevant time, and the same surplus potential cost is being termed as backing down cost by some stakeholders. The DISCOMS shall make its best efforts through its dedicated roundthe-clock cell to dispose of the surplus energy at appropriate periods/time blocks with state-of-the-art estimation methods / AI tools as specified in Regulation 1 of 2022 of APERC. Further, it is being informed by the Ministry of Power (MoP), GoI that it has launched the surplus power portal (PUShP) as a one-of-its-kind initiative. As per the press release issued by MoP in this regard, "the DISCOMs will be able to indicate their surplus power in block times/days / months on the portal. Those DISCOMs who need power will be able to requisition the surplus power. The new buyer will pay both variable charge (VC) and fixed cost (FC) as determined by Regulators. Once power is reassigned, the original beneficiary shall have no right to recall as entire FC liability is also shifted to the new beneficiary. Financial liability of new buyer shall be limited to quantum of temporary allocated/transferred power. This will reduce the fixed cost burden on the DISCOMs, and will also enable all the available generation capacity to be utilized". Therefore, if the DISCOMS use the above portal effectively, they can save huge avoidable costs which the stakeholders are worried about. The DISCOMS shall submit monthly progress reports on the disposal of surplus energy through this portal." EPDCL and CPDCL have replied that "APGENCO to submit the compliance report the dedicated round- the clock cell by APDISCOM's are effectively diversifying the forecasted surplus power by APSLDC on Monthly/Daily and real time basis through various platforms in Power markets along with PUShP portal and Swapping the power and are disposing the surplus power, the details of which are also being intimated to the Hon'ble Commission over monthly reports by APPCCC/APDISCOM's." SPDCL has replied that "as per the guidelines of Hon'ble APERC, APGENCO is following the best Maintenance practices duly following the OEM's (Original Equipment Manufacturer's) guidelines for each equipment and also operating the units as per the requirement of APGRID (As per the instructions issued by APSLDC from time to time), which has resulted in increased generation in the FY 2023-24 (up to May 2023) when compared to the corresponding period in the FY 2-22-23. The Outage period during the first two months has also decreased significantly." However, the DISCOMs have not provided the details which they have claimed to have submitted to the Commission. We request the Hon'ble Commission to examine the following points, among others:

a) What was the factual position which prompted the Hon'ble Commission to issue the said directive No.8? Has not APGENCO been following the best maintenance practices to keep all units in operation without interruption, and also to see to it that the generation is at full capacity as per requirement of the system? As a successive entity of the erstwhile APSEB, with experience of nearly seven decades, APGENCO must be adopting the best maintenance practices.

Reply: As ascertained by APGENCO, APGENCO is being followed the best O&M practices to run the units at normative parameters. However, APGENCO will honor the Hon'ble Commission's directions.

b) Are the DISCOMs paying APGENCO for the power being supplied by it in time? What are accumulated dues, if any, so far which the DISCOMs have to pay to APGENCO?

Reply: The accumulated dues to be paid to APGENCO by APCPDCL to the end of September 2023 is Rs 333.19crs

c) Are guarantees like letter of credit being implemented in the case of APGENCO, as DISCOMs are doing in the case of private generators and CGSs as per the terms and conditions in the PPAs to which consents are given by the Commission?

Reply: Letter of credit could not be provided in case of APGENCO due to non availability of enough LC limits in the bank

d) Has APGENCO been in a position to purchase and keep required stock of coal to see that generation is at full capacity as per the requirement of the system?

e) Is the GoI ensuring timely supply and transportation of coal to APGENCO's plants as allocated by it?

Reply(d&e): As ascertained by APGENCO, APGENCO is making all the efforts to get the required coal quantities from MCL/SCCL and planning to procure imported coal to run the units at normative capacity.

To review coal supply and to look into the issues of critical power houses, a Sub Group Committee was constituted by Infrastructure Constraints Review Committee for allotment of rakes to the power plants as per production of coal at mines. During every sub group meeting, APGENCO has been appraising to increase the supply of rakes from MCL and SCCL to enhance the coal stocks at Dr. NTTPS and RTPP.

In addition to the All Rail Route (ARR) Transportation to Dr.NTTPS, Alternate measures for transportation from MCL to Dr NTTPS through Rail-Sea-Rail (RSR) mode was also finalized (Talcher-Paradeep Port-Kakinada Port - Dr. NTTPS) to increase the coal stocks in view of addition of 800 MW Dr.NTTPS-Stage-V.

As per the directions of MoP, GoI, approval was also obtained from Hon'ble APERC to procure 7.5 lakh Tons of Imported coal. Accordingly, Tenders were floated for procurement 5.0 Lakh Tons of imported coal to meet the ensuing summer peak demand and to build up required coal stocks.

APGENCO is making all the efforts to get the required coal quantities from MCL / SCCL and planning to procure imported coal to run the units at normative capacity.

f) If APGENCO has been in a position to generate at full capacity of its plants, did the DISCOMs take power as per availability declared by GENCO?

Reply: The energy availability of APGENCO and SDSTPS have been considered based on their past three year performances. This is in line with the methodology adopted by the Hon'ble Commission in the current year (FY 2023-24) retail supply tariff order. The fixed costs of the stations also have been reduced in proportionate to the reduced availabilities. Past experience indicates that these generators were unable to supply the power they have projected on paper. Further, it is pertinent mention that the thermal generating stations have to maintain coal stock at least for 15 days. But it is observed that the same is not met by the above said generating stations and are maintaining the coal stocks for less than 4 to 5 days only.

However, the above power purchase projections are estimates only. If these generating stations can supply the energy over and above the estimates for the FY2024-25, APDISCOMs would certainly utilize this energy provided they fit in the merit order dispatch and accordingly APDISCOMs will admit fixed charges in proportionate to the actual availabilities in accordance with the PPA and other regulatory conditions. The final fixed charges for FY2024-25 is subject to approval of respective generation tariffs for 5th control period by Hon'ble APERC.

g) If SLDC/DISCOMs directed APGENCO to back down its generation capacities declared to be available, what has been the capacity backed down and the fixed charges paid therefor, during the 4th control period? After change of the government after the last general elections to the legislative assembly, the DISCOMs responded to our requests, on the direction of the then APERC almost at the fag end of its term, and made details of backing down and fixed charges paid therefor for the earlier years. Later, they are refusing to give such details during the 4th control period. Do the DISCOMs give the details of backing down and fixed charges paid therefor during the 4th control period, or will they give the same after change of government after the next general elections to the legislative assembly?

Reply: In the real time operation of the Grid, the power availability has to be matched on a second to second basis with the Grid Demand in real time to achieve Load – Generation balance. In this exercise, in some occasions there would be occasional surplus generating capacity also which could have the potential to generate but backed down due to system constraints. The system constraints could be one or the combination of the following:

i) More RE generation which is Must-Run- Even during the day in the Real time Operations, plants are backed down to accommodate the RE generation and Lower Grid demand during some parts of the Day.

ii) Lower Grid demand during some parts of the Day.

iii) Lesser Market Prices which discourage the entities to sell available surplus.

iv) Thermal Plants are given Reserve Shut Down (RSD) based on prevailing lower grid demand conditions in monsoon seasons. In those cases availability is there, but the plant is not ready to generate.

v) Sudden drop of Load due to change in weather conditions during a day. Etc

h) Has APGENCO been directed to back down its generation capacities declared to be available in order to purchase must-run RE? If so, what are the details pertaining to the 4th control period? In this connection, we would like to remind that the DISCOMs have repeatedly stated that 90-95% of backing down of thermal power is on account of purchasing must-run RE, thereby affecting the interests of APGENCO both technically and financially. When power from alternative source is purchased, backing down capacity of a plant under PPA in force, apart from payment of fixed charges for the capacity backed down, other factors, with technical and financial implications for the DISCOMs and the thermal power plant/s backed down and grid integration would arise. The technical committee appointed by the Central Electricity Authority on study of optimal location of various types of balancing energy sources/energy storage devices to facilitate

grid integration of renewable energy sources and associated, in its report submitted in December, 2017, explained in detail the problems associated with integration of renewable energy with the grid and backing down of thermal power in order to purchase RE. The report explained the problems and additional costs associated with adequacy cost, balancing cost and grid integration cost. In a nutshell, the adequacy cost is computed as a differential cost between weighted average RE tariff and the weighted average thermal variable cost. The balancing cost is due to increase in specific coal consumption and increased oil consumption while operating in ramped down condition; and reduced coal plant life, etc., due to frequent ramp up/ramp down or start/stop operations. The grid integration cost is due to the wasted evacuation and network infrastructure created for the < 25% PLF VRE plants. 75% of evacuation infrastructure remains underutilized and the fixed cost is paid unnecessarily by TRANSCO and to PGCIL by way of PoC charges. The TRNSCO charges are not included in the network expenditure. The APDISCOMS, in their counter dated 19.9.2023 in OP No.1-16 of 2019 and OP No.22-26 of 2019, have shown a tentative estimate of grid integration cost of absorbing VRE generation as Rs.2.30 per unit. If such purchases are made from outside the state, there will be additional costs for inter-state transmission charges and transmission losses. Apart from fixed charges for backing down, such additional costs and technical aspects also need to be taken into account when power is permitted to be procured from alternative sources.

i) Indiscriminate entering into PPAs by DISCOMs with high-cost and must-run RE units to purchase unwarranted power on long-term basis, even far exceeding their questionable obligations under RPPO, obviously, at the behest of GoAP, and approvals to the same given by successive ERCs have led to under-utilization of generation capacities of APGENCO. It needs no reiteration that, to avoid such a lop-sided situation and to ensure optimum utilization of generation capacities of APGENCO, a prudent mix of power to be in tune with fluctuating demand curve to the extent technically feasible should be ensured. That brings to the fore the role of GoAP and the DISCOMs and the regulatory role of successive ERCs and they cannot absolve themselves of their part of responsibility for this lop-sided situation of availability of abnormal quantum of surplus power and its backing down, on the one hand, and purchasing abnormal quantum of power in the market and through exchanges at higher prices, on the other.

Reply(h&i): APDISCOMs are purchasing power from RE sources based on the Policies and directions of GoI, GoAP and APERC Regulations from time to time.

Further, in the real time operation of the Grid, the power availability has to be matched on a second-to-second basis with the Grid Demand in real time to achieve Load – Generation balance. In this exercise, in some occasions there would be occasional surplus generating capacity also which could have the potential to generate but backed down due to system constraints. The system constraints could be one or the combination of the following:.

a) More RE generation which is Must-Run- Even during the day in the Real time Operations, plants are backed down to accommodate the RE generation and Lower Grid demand during some parts of the Day.

b) Lesser Market Prices which discourage the entities to sell available surplus.

c) Thermal Plants are given Reserve Shut Down (RSD) based on prevailing lower grid demand conditions in monsoon seasons. In those cases, availability is there, but the plant is not ready to generate.

d) Sudden drop of Load due to change in weather conditions during a day. etc.

The Load dispatch is carried out on Time block basis having 15 minutes duration as per existing Grid Code and other regulations. Scheduling of Generation and Grid Demand is evaluated on a Time Block basis and at planning stage, there could be surplus or deficit in each and every time block. Time block wise surplus or deficit are mutually exclusive. Incidence of simultaneous surplus or deficit in a time block doesn't exist. The time block wise transactions are aggregated across the month for billing purposes. When there is surplus power available, the same can be sold if the price in the market at that point of time would cover up the cost of generation of power with some margin. Otherwise, it is better not to generate and backdown the plant. In the instances of deficit power, the same needs to be procured at the prevailing market conditions. Within a month, the aggregate surplus power cannot be availed to cover up the aggregate deficit.

The APDISCOMs are constrained to purchase power at the prevailing market rates, to mitigate the shortfall of availability from committed sources and to meet the additional demand than the forecast, for ensuring due compliance with the 'Power for All' 24X7 policy of the Ministry of Power, in which all state governments including Andhra Pradesh continue to participate. The DISCOMs are making best endeavors to contain the weighted average price of the procurement within the limits prescribed by the Commission.

Hence, the contest of the Ld Objector that indiscriminate entering into PPAs by Discoms with high cost and must run RE units to purchase unwarranted power, availability of abnormal quantum of surplus power and its backing down and purchasing abnormal quantum of power in the market/exchanges at higher prices is squarely incorrect and strongly objected to.

Further, it is to inform that APDISCOMs have projected the energy availability from SECI for 3000 MW is considered w.e.f October-2024 in the ARR for FY2024-25 by APDISCOMs. There will be no ISTS charges and losses from Injection/delivery point to the receiving substation(s) of Buying Entity as per the MOP order No.23/12/2016-R&R dated 23.11.2021 read with amendment dated 30.11.2021.

j) The valuable piece of advice given by the Hon'ble Commission to APGENCO in its directive No.8 is correct, theoretically. Needless to say, as per the principle of merit order dispatch, plants with highest variable cost are being and to be backed down. Is it possible to sell such surplus power in the market, at least, without no loss, if not profitably? Even making use of PUShP, which is claimed by the MoP, GoI, as one-of-its-kind, to what extent APGENCO/DISCOMs could sell surplus power in the market so far? To what extent the burden of fixed costs being paid for backing down is reduced as a result of selling surplus power in the market so far?

Reply: Hon'ble APERC has issued Regulation No. 1 of 2022 on 10th February 2022 regarding Terms and Conditions for Procurement / Sale of Power on Short Term basis by the Distribution Licensees. The Distribution Licensees are following and complying to the said Regulation while making the required short-term purchases.

The peculiar situation APDISCOMs face is that AP State is a surplus in terms of energy generation but not in terms of constant and reliable power generation in order to balance the load and generation on real time basis. This is because of larger penetration of RE-generation in the state, which result in wide variation in RE generation pattern on day to day, season to season and even on time block to time block during a day. During real time, the forecasted grid demand varies due to weather conditions and the forecasted generation vary due to outages of Thermal Generation or variation in RE generation. In order to balance the load-generation on real time basis, the APDISCOMs overdraw/under draw from the grid.

APDISCOMs are resorting to best possible efforts in selling surplus power on a Day-Ahead basis (GDAM & DAM), PuShP portal or in Real-Time Market. While selling such surplus power in the market, APDISCOMs are considering all the financial implications due to backing down generating stations duly considering realization of certain margin on selling in the real time market prices.

1) The Energy transactions purchase/sale of power made through PUShP Portal by APDISCOMs during the FY 2022-23 are Nil.

2) The Energy transactions purchases/sale of power made through PUShP Portal by APDISCOMs during the FY 2023-24 are submitted below.

   A) The energy transaction purchased through PUShP Portal by APDISCOMs for the month of August -23 are 0.056 MU as shown below.

S. No	Allocation/ for DD on 20.08.23	Energy purchased in MU	AGBPP generator/ Mizoram beneficiary	AGTCCPP generator/ Mizoram beneficiary	Cost in Rs.
1	1 st	0.042	6.698	-	281315.977
2	2 nd	0.014	-	6.531	94611.589
	Total	0.056			3,75,927.566

   B) The energy transactions sale of power through PUShP Portal by APDISCOMs is Nil.

The surplus power on PushP portal cannot be sold on real time basis and sale can be done on D-2 and above only (D-Delivery date). If the sale of surplus power on RTM is not executed in Exchanges, then the only way to optimize the power purchase cost is from backing down of higher variable cost generating plants duly following the merit order in order to load –generation on real time basis.

k) In response to directive No.9 of the Commission, SPDCL and CPDCL has submitted that "in real time SLDC control room is issuing backing down instructions to the state thermal generators to their technical minimum up to 55% as specified in IEGC. APGENCO units (RTPP state-1, 2 and 3, NTTPS stage 1,2,3,4) are reducing their generation up to 71.4%. Non-compliance letters are being communicated to the respective generators." Which policies and orders are responsible for creating the situation in which APGENCO is being forced to reduce generation of its thermal plants accordingly? The DISCOMs have considered the following allocated availability and required dispatch from the thermal power plants of APGENCO for the year 2024-25:

DISCOM	Allocated availability MU	Required dispatch MU
SPDCL	9319.25	8184.32
EPDCL	9547.63	8340.62
CPDCL	5215.60	4578.02

Reply: The energy availability of all Thermal Stations except CGS have been considered based on their past three-year performances. This is in line with the methodology adopted by the Hon'ble Commission in the current year (FY 2023-24) retail supply tariff order. The fixed costs of the stations also have been reduced in proportionate to the reduced availabilities. Past experience indicates that these generators were unable to supply the power they have projected on paper.

These power purchase projections are estimates only. If these generating stations can supply the energy over and above the estimates for the FY2024-25, APDISCOMs would certainly utilize this energy provided they fit in the merit order dispatch and lead to reduction of overall power purchase costs.

I) One should not forget that APGENCO's projects are intended to supply power to the APDISCOMs exclusively. As such, that the kind of priority that needs to be given to make optimum utilization of generation capacities of the plants of APGENCO to the extent technically feasible and the steps to be taken to ensure the same are obvious.

8. In directive No.11, the Hon'ble Commission has pointed out, inter alia, that "while backing down approved thermal stations intraday to accommodate short-term purchases from the market, if any, to save the power purchase cost, the technical limits for backing down of the units as specified in the IEGC shall be followed." In other words, in the name of saving power purchase cost by purchasing power from the market, not requirement of power to meet fluctuating demand, the DISCOMs are being permitted to back down thermal plants, especially of APGENCO, to the technical limits as specified in the IEGC. Even when APGENCO declares availability of capacity for generating, the DISCOMs can ask it to back down in order to purchase power from the market, in the name of saving power purchase cost, even without the principle of merit order dispatch coming into play. When it comes to saving of power purchase cost, no details are being made public by the DISCOMs and the Commission as to how they are determining that backing down thermal power and purchasing power in the market is resulting in saving the power purchase cost and what are the factors they are taking into account for the purpose.

Reply:

1. Hon'ble APERC has issued Regulation No. 1 of 2022 on 10th February 2022 regarding Terms and Conditions for Procurement / Sale of Power on Short Term basis by the Distribution Licensees. The Distribution Licensees are following and complying to the said Regulation while making the required short-term purchases.
2. Short Term purchases are necessitated when the declared availability of power from committed sources on Day ahead/ Real Time basis falls short of the Grid demand, to maintain uninterrupted power supply to the consumers. If there are known / schedule outages of plants for more than a week resulting in prolonged shortage of power availability, Weak ahead / Month ahead markets are also tapped. The power is procured from the term ahead Short-Term market from exchanges or through DEEP-E bidding portal, duly following the procedures specified in the relevant regulations.
3. In the real time operation of the Grid, the power availability has to be matched on a second-to-second basis with the Grid Demand in real time to achieve Load – Generation balance. In this exercise, in some occasions there would be

occasional surplus generating capacity also which could have the potential to generate but backed down due to system constraints. The system constraints could be one or the combination of the following:

a) More RE generation which is Must-Run- Even during the day in the Real time Operations, plants are backed down to accommodate the RE generation and Lower Grid demand during some parts of the Day.

b) Lower Grid demand during some parts of the Day.

c) Lesser Market Prices which discourage the entities to sell available surplus.

d) Thermal Plants are given Reserve Shut Down (RSD) based on prevailing lower grid demand conditions in monsoon seasons. In those cases, availability is there, but the plant is not ready to generate.

e) Sudden drop of Load due to change in weather conditions during a day. etc.

4. The Load dispatch is carried out on Time block basis having 15 minutes duration as per existing Grid Code and other regulations. Scheduling of Generation and Grid Demand is evaluated on a Time Block basis and at planning stage, there could be surplus or deficit in each and every time block. Time block wise surplus or deficit are mutually exclusive. Incidence of simultaneous surplus or deficit in a time block doesn't exist. The time block wise transactions are aggregated across the month for billing purposes. When there is surplus power available, the same can be sold if the price in the market at that point of time would cover up the cost of generation of power with some margin. Otherwise, it is better not to generate and backdown the plant. In the instances of deficit power, the same needs to be procured at the prevailing market conditions. Within a month, the aggregate surplus power cannot be availed to cover up the aggregate deficit.

5. The APDISCOMs are constrained to purchase power at the prevailing market rates, to mitigate the shortfall of availability from committed sources and to meet the additional demand than the forecast, for ensuring due compliance with the 'Power for All' 24X7 policy of the Ministry of Power, in which all state governments including Andhra Pradesh continue to participate. The DISCOMs are making best endeavors to contain the weighted average price of the procurement within the limits prescribed by the Commission.

   Hence, the contest of the Ld Objector that short term purchases are made by backing down of APGENCO stations or other generating stations is squarely incorrect and strongly objected to.

   Further, APDISCOMs are resorting to best possible efforts in selling surplus power on a Day-Ahead basis (GDAM & DAM), PuShP portal or in Real-Time Market. While selling such surplus power in the market, APDISCOMs are considering all the financial implications due to backing down generating stations duly considering realization of certain margin on selling in the real time market prices.

9. In its directive No.15, the Hon'ble Commission has maintained that "the Commission approves the ceiling rate at Rs.5.31 per unit which is the per unit short-term power purchase price for FY2023-24 fixed by the Commission in this order for three DISCOMS put together. If the weighted average price exceeds the ceiling price in any month, the reasons and justification for such purchases at higher price shall be furnished to

the Commission." The DISCOMs have replied that "monthly reports for Exchange transactions, banking transactions and DEEP purchases are being submitted to the Hon'ble APERC by APDISCOMs. The justification for high-cost power purchases through exchanges are also being submitted along with monthly reports." Except that for meeting demand at particular points of time or season, the DISCOMs have to purchase power in the market at the prevailing rates, due to non-availability of power from plants under PPAs in force, are there any other "reasons and justification" that the DISCOMs are giving for such purchases at higher price? For all practical purposes, fixing of the ceiling price per unit for short-term purchases of power and seeking and getting "reasons and justification" for exceeding the ceiling price are reduced to a hollow formality. It is nothing but giving a free hand to the powers-that-be to purchase any quantum of power, at any price and at any point of time, all under the guise of requirement to meet fluctuating demand. The higher the price of power in the market, the higher is the intensity of irresistible attraction to purchase the same. The deficiencies and inefficiencies in decisions-making and orders that are leading to such a situation, in the first place, are glaring in the face, with no remedial measures being taken to arrest such a trend, especially when purchases of power in the market by the DISCOMs are reaching abnormal levels. Nor is there any attempt on the part of the authorities concerned to prevent need for market purchases of power to a reasonable level, despite umpteen suggestions being made repeatedly over the years from the public side. Our repeated submissions over the years to strictly adhere to the ceiling price being fixed, not to allow purchases in the market exceeding that ceiling price per unit, not average price, and impose power cuts, if necessary, on a rotation basis area-wise to lessen the burdens on consumers continue to fall on the deaf ears of successive Commissions. Imposing higher burdens on consumers of power by purchasing power in the market at higher prices seems to be an indicator of efficiency in performance and allowing the same seems to be an indicator of regulatory efficiency, in the eyes of the authorities concerned. Creating a situation of need for purchasing abnormal quantum of power in the market at higher prices has been going on as a continuous trend every year, without any accountability on the part of the authorities concerned at the central and state levels.

Reply: The peculiar situation APDISCOMs face is that AP State is a surplus in terms of energy generation but not in terms of constant and reliable power generation in order to meet required grid demand on RTC basis. This is because of larger penetration of RE-generation in the state, which result in wide variation in RE generation pattern on day to day, season to season and even on time block to time block during a day. During real time, the forecasted grid demand varies due to weather conditions and the forecasted generation vary due to outages of Thermal Generation or variation in RE generation. In order to balance the load-generation on real time basis, the APDISCOMs overdraw/under draw from the grid. If there is shortfall in Declared availability vis a vis the Grid Demand, APDiscoms are resorting to short-term purchases in accordance with the Regulation 1 of 2022 issued by the Hon'ble APERC, after exhaustion of declared availability from all committed sources in order to provide GoAP commitment to maintain 24X7 uninterrupted supply to consumers. Short-term purchases are made duly following the procedures and at the most possible competitive rates prevailing at that point of time.

Most of the times, APDISCOMs are forced to purchase power in power markets during peak demand periods due to large demand and supply gap prevailing in the A.P

grid. Usually, the market prices are higher during peak load periods. Because of this reason, the short-term power purchase cost of APDISCOMs seems little higher than approved ceiling rate. In view of actual market prices during peak load periods are far higher than the ceiling rate indicated by the Hon'ble Commission, the ceiling prices for purchases made under peak and non-peak load periods may be provided at different rates by Hon'ble Commission for FY2024-25 i.e., the ceiling rate for the transactions made during peak load period may be higher than the non-peak load period duly considering the latest month peak and non-peak rates prevailing in the power markets in order to provide uninterrupted 24*7 power supply to the consumers of state of Andhra Pradesh.

10. In directive No.12, the Hon'ble Commission has stated that, "since the Commission has limited the energy availability from some stations up to the normative value only, the incentive proposed by the DISCOMS for availability/dispatch from the station beyond the norm in the form of other costs is not permitted. However, the DISCOMs are permitted to pay the incentive amounts to the generators based on their performance as per the terms & conditions of PPA and claim the same in the True up/down. The Commission has also not approved the other costs in respect of CGSs, the same may be claimed on an actual payment basis in the True-up/down claims as per regulations." The DISCOMs have replied that these additional costs are being claimed in the true-up/down on actual payment basis for the respective months accordingly." The DISCOMs have explained in the subject petitions that, in addition to fixed costs and variable costs, the following charges are also being paid to the central generating stations:

"1. Incentive charges for energy scheduled above normative PLF% (peak and off-peak)

2. RSD compensation for station heat rate degradation

3. Charges for tariff orders and other related orders filings and publication expenses

4. Deferred tax liability

5. FERV charges

6. Wage revisions and interest on wage revisions (as and when claimed)

7. Ash transportation charges and interest on ash charges (if any)

8. Revision of VC rates due to revisions in station heat rate/secondary fuel consumptions.

9. Revision of Fixed cost/Capacity charges due to tariff orders/true-up orders issued.

10. SRLDC charges for that generator pertaining to AP share.

As and when a claim is made by generator, it is thoroughly examined before admitting and the same is claimed under concerned heads in FPPCA."

It shows how the regulatory process of CERC is ensuring arbitrarily all benefits to CGSs and risks and burdens to the DISCOMs and their consumers. What kind of role APDISCOMs are playing to protect their interests, which, in effect, mean interests of their consumers, during the public hearings on the PPAs they had with CGSs is not known. Whether the factors that lead to increase in variable cost are considered for the purpose of applying the principle of merit order dispatch and backing down is not

known. What is clear is that the DISCOMs are claiming true-up of the impact of all these factors as and when they come into play in the concerned heads in FPPPA and APERC is allowing the same.

Reply:

A)

- It has been mentioned in filings that various costs claimed by CGS generators are subjected to prudent check and then admitted and the same is claimed in FPPCA / True-up.
- It is to mention that CERC undergoes the transparent process of objections, hearing, and then issues final orders for the CGS generators to claim any cost on beneficiaries.
- All States including AP study the facts and raise objections and arrive at consensus after going through the final order. If there is any discrepancy in the CERC order or if it is against the consumer interest, beneficiaries file petitions and go through tedious legal battles to arrive at final judgment that is favorable to the beneficiaries & consumers.
- It is also to remind that, for CGS, not only AP but all states that act as beneficiaries to the respective generator study and cross-check the order and also the bills raised on the states. Hence the consumers can rest assure that their interest is taken care of.

  Eg: On 26.07.23, CERC has issued True-up order for NTPC Ramagundam-1&2 for the period 2014-19 vide order 237/GT/2020. In the order, CERC has allowed the generator to claim the wage revisions amounts from beneficiaries but did not mention anything about interest on wage revisions to be collected for the same but NTPC raised bill on AP and claimed Rs.12.34 Crores against interest on wage revisions.

  After thoroughly studying various CERC orders issued on similar subject, AP had notified to all southern states regarding the same and also disallowed this amount for NTPC Ramagundam-1&2.

  After pursuance with CERC, on 01.10.23, CERC has issued Corrigendum to the above order 237/GT/2020 clearly mentioning that it mistakenly did not mention about interest on wage revision and that NTPC should not collect that amount from beneficiaries.

  Hence this amount that NTPC had collected from some states has been returned back. AP was applauded by the southern states for timely action and prudent check.

- It is therefore submitted that APDISCOMs are always striving to benefit the consumers and welcome any further suggestions in this regard.

B) The factors that lead to increase in VC rates are mainly variations in landed price of coal. In this regard, it is to inform that MoP vide letter dated 01.09.2023 had issued directions to extend the mandatory blending of imported coal to up to 4% to all GENCOs/IPPs in India till 31.03.2024. Hence until the end of this financial year, the coal prices may continue to be high and based on the further directions of MoP and the coal availability, the price of coal may vary.

Based on the monthly actual VC rates of the generators submitted by APDISCOMs, APSLDC arrives at the merit order list and schedules the generating stations accordingly. The backing down is also done in similar lines.

11. In directive No.13, the Hon'ble Commission has stated that "the Commission has finalized the energy availability of APGENCO, SDSTPS, and HNPCL thermal stations based on the actual performance for the last three years and accordingly, it has reduced the fixed costs proportionately corresponding to the capacity approved in the present order. However, the DISCOMS shall pay the fixed costs based on the actual availability during the month or the availability approved in this order subject to limiting the same to normative value every month and for the year as a whole. In respect of the plants whose availability is considered at normative value, the fixed charges approved in this order are payable provided, they achieve the normative availability/capacity index at the end of the year as specified in the relevant Regulations/orders." The DISCOMs have replied that they are admitting the energy bills of APGENCO and APPDCL based on the actual availability during the month (fixed charges) as per the directions issued in the RSTO for 2023-24. The DISCOMs have not explained their response in relation to HNPCL. Secondly, the approach of the Commission in finalizing the energy availability of APGENCO, SDSTPS and HNPCL thermal stations based on the actual performance for the last three years leads to imposition of true-up burdens on consumers, when actual availability of generation exceeds the limits fixed by the Commission and when the additional availability is backed down. Hence, availability of generation capacity of all power plants needs to be considered at normative level as incorporated in their respective PPAs so that fixed charges can be paid as per actual availability of generation capacity declared by the plants concerned, without any need to claim it under true-up. Moreover, it will have a bearing on assessment of availability of power and need for additional purchases in the market, if any, to meet fluctuating demand and plan for the same.

Reply: The energy availability of APGENCO, SDSTPS and HNPCL have been considered based on their past three-year performances. This is in line with the methodology adopted by the Hon'ble Commission in the current year (FY 2023-24) retail supply tariff order. The fixed costs of the stations also have been reduced in proportionate to the reduced availabilities. Past experience indicates that these generators were unable to supply the power they have projected on paper. Further, it is pertinent mention that the thermal generating stations have to maintain coal stock at least for 15 days. But it is observed that the same is not met by the above said generating stations and are maintaining the coal stocks for less than 4 to 5 days only.

However, the above power purchase projections are estimates only. If these generating stations can supply the energy over and above the estimates for the FY2024-25, APDISCOMs would certainly utilize this energy provided they fit in the merit order dispatch and accordingly APDISCOMs will admit fixed charges in proportionate to the actual availabilities in accordance with the PPA and other regulatory conditions. The final fixed charges for FY2024-25 is subject to approval of respective generation tariffs for 5th control period by Hon'ble APERC.

With reference to the contest of the Ld objector, if the availabilities from the said power stations are projected based on respective station's normative availability irrespective of their actual performance, which would result in higher projections in availability of non-reliable power. With this fictitious estimate, APDISCOMs would not

meet the grid demand. Further, there is a lot of uncertainty regarding the availability of power at reasonable rates in the Exchanges. It is noted that the power demand supply situation across the Country in the near short term is expected to be bleak and the short-term market prices would remain at ceiling. If sufficient quantum of power is not available in the Exchanges when required, it would lead to imposition of load reliefs defeating the policy of GoAP to maintain 24x7 uninterrupted power supply, hamper industrial growth and creation of employment generation in the State. Further, Demand /Supply conditions across the Country and Coal constraints &logistics problems anticipated in the near future may leave the power planning of DISCOMs in a stressed condition and fulfilment of the objective of 24X7 power supply in question.

In view of the above said reasons, the energy availability of APGENCO, SDSTPS and HNPCL have been considered based on their past three-year performances for FY2024-25 in order to maintain quality, economic and reliable 24x7 power supply to the consumers of Andhra Pradesh state.

12. The electrical accidents in the areas of the three DISCOMs are showing an increasing trend, mostly not due to the faults of the department, as per the information submitted by them. While SPDCL has shown that, during 2022-23, total ex-gratia of Rs.4.978 crore was paid in all the 175 cases, during the 1st half of the current financial year against 119 accidents, ex-gratia of Rs. 91.72 lakh was paid in 33 cases only. EPDCL paid ex-gratia of Rs.2.70 crore in 50 cases against 142 accidents during 2022-23 and Rs.1.15 crore in 22 cases against 73 accidents during the first half of the current financial year. CPDCL paid ex-gratia of Rs.2.786 crore in 92 cases against 169 accidents during 2022-23 and Rs.52 lakh in 41 cases against 56 accidents during the first half of the current financial year. The trend underlines the need for continuing to take effective steps by the DISCOMs pertaining to not only their networks, but also periodical checkup of the arrangements in the premises and agricultural lands being cultivated under pump sets of their consumers and taking corrective steps to prevent electrical accidents. Based on long experience and the causes of electrical accidents, what preventive measures need to be taken are well known to the DISCOMs. It is gratifying to note that the Hon'ble Commission has issued regulation No.09 of 2023 wherein it is directed that "even in cases where there is no wrongful act, omission, rashness, neglect or default on the part of the licensee, and irrespective of the place of the electrical accident, the ex-gratia payment shall be made in the manner specified under Chapter-III of the Principal Regulation." On compassionate and humanitarian grounds, the Hon'ble Commission has taken this right decision, considering and concurring with the view expressed by Lokayukta of Andhra Pradesh in a case in October 2022, that the principle of the doctrine of strict liability imposes liability on a person undertaking an activity involving hazardous or risky exposure to human life to compensate for the injury suffered by any other person, irrespective of any negligence or carelessness on the part of that person and even if measures to prevent mishaps have been adopted. However, in the regulation, the Hon'ble Commission has allowed as pass-through the entire expenditure incurred by the DISCOMs for paying ex-gratia in cases of electrical accidents. Allowing such payment of ex-gratia paid by the DISCOMs as pass-through to be collected from all their consumers by including the same in their ARR or under true-up is misplaced, as it would be tantamount to shifting the said liability of the DISCOM concerned to all its consumers. Such a stance, in practice, absolves the DISCOMs of their responsibility

and liability. The successive Commissions continue to disagree with such a view expressed earlier during public hearings. Going by the hefty ARR, FPPCA, true-up and other charges being allowed by the Commission to be collected by the DISCOMs from their consumers, the ex-gratia being paid in cases of electrical accidents may be insignificant. Similarly, it should not be difficult to the DISCOMs to bear such an amount from their profits for paying ex-gratia in cases of electrical accidents. It is a matter of principle, as similar misplaced stand is being taken in some other issues also - in imposing the burdens of incentives, concessions, facilities, etc., extended to open access RE generators on the consumers of power of the DISCOMs, in the methodology being adopted for calculating true-up of additional subsidy to be provided by the government for additional supply of power made to LT agricultural consumers, imposing a part of the expenditures being incurred for some of schemes specifically for selected consumers on all the consumers of the DISCOMs, in working out true-up amount per unit uniformly, not proportionate to the tariffs applicable to different categories of consumers, determining irrational and inflated generic tariffs for RE, a number of partisan and irrational terms being approved in PPAs, etc. - which we have been articulating in detail during various public hearings conducted by successive Commissions over the years but to no avail.

Reply: It is to inform that the Reserve fund for paying compensation to the victims of electrical accidents as per regulation 2 of 2017 provided by the APERC. There is no substantial increase in no. of human fatal accident cases from FY 20 to FY 23 in APCPDCL. Several steps have been taken in reducing the number of accidents in APCPDCL as follows:

1. Creating public awareness on the possible electrical hazards through print and electronic media, (film, posters, farmers meetings) explaining Do's and Do not's.
2. Providing training to line-men and assistant engineers especially in installation, periodic and preventive operation and maintenance (O&M).
3. Promote distribution related skill development initiatives and conducting training programs regarding use of safety equipment to avoid accidents.
4. Fixing up of responsibility on the concerned for the cause of accident so that every staff member will be ever aware in reducing accidents.
5. During awareness programs conducted regarding Conservation of Energy, special emphasis is also given to the measures to be taken to avoid accidents.

13. The Hon'ble Commission has rightly rejected O.P.No.81 of 2023 filed by APEPDCL, requesting the Commission to consider and approve the procedure on Prepaid Smart metering; to allow the DISCOM to follow Standard Bid Document issued by Government of India; and to pass such an order as the Hon'ble Commission may deem fit and proper in the facts and circumstances explained. In its order dated 27.12.2023, the Hon'ble Commission has made it clear that the Petition is wholly misconceived and that the DISCOM is entitled to approach this Commission through the normal procedure which falls in the realm of the Commission's regulatory jurisdiction and not adjudicatory jurisdiction. Here, the Hon'ble Commission has confined its consideration to procedural part in terms of legal provisions, without going into the merits or otherwise of the prayers of the DISCOM. If the prayers of the DISCOM fall in the realm of the regulatory jurisdiction of the Commission, it is for the latter to consider holding a public hearing on such issues, as they have a bearing on

the interests and rights of the consumers of power at large. As such, there is a conflict of interest between the DISCOMs and their consumers of power. Therefore, in such issues, the scope of regulatory jurisdiction of the Commission, as well as its regulatory process, cannot be confined to the petitioner and the Commission alone. As responded by the Hon'ble Commission in the RSTOs for the last and current financial years, in response to the points raised by us on fixing smart meters to agricultural services and pre-paid meters to non-agricultural services and procedure being adopted for purchase of these meters, approvals of the Commission are given to APSPDCL, without holding any public hearings and without even making the applications of the DISCOM and approvals given by the Commission public. We once again request the Hon'ble Commission to hold public hearings on the issues of purchases of smart and pre-paid meters, their installation to agricultural and non-agricultural service connections, respectively, and the procedure the DISCOMs propose to adopt for pre-paid metering to ensure observance of the cardinal principles of transparency, accountability and public participation in its regulatory process. We can make detailed submissions on these issues as and when the Hon'ble Commission holds public hearings on the same after studying the petitions of the DISCOMs.

Reply: Under the purview of Hon'ble APERC

14. We request the Hon'ble Commission to take the above-mentioned points, in addition to our earlier submissions on the subject issues, among others, into consideration and take appropriate decisions.

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

Chief General Manager /RAC
APCPDCL::Vijayawada

Copy submitted to
The Secretary, APERC, 11-4-660, 4th Floor, Singareni Bhavan, Red Hills, Hyderabad.