

**The Federation of Telangana and Andhra Pradesh
Chambers of Commerce and Industry**

(Formerly known as FAPCCI)
Empowering Industry, Commerce & Trade
Registered under the Companies Act, 1956

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FTAPCCI/Energy/316/2018-19

20th December, 2018

To
The Secretary
APERC
4th Floor, 11-4-660,
Singareni Bhavan, Red Hills
Hyderabad - 500 004

Sub: Objections of FTAPCCI on the ARR and FTP filing for the year 2019-20
proposed by the APSPDCL and APEPDCL


Referring to the public notice issued calling for the views/objections/suggestions on the ARR and FTP filing for the year 2019-20 proposed by the APSPDCL and APEPDCL, the Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTAPCCI) is hereby submitting our preliminary objections for your consideration.

We request you to permit us to submit our detailed objections at the time of public hearing.

We also request you to permit us to appear before the Hon'ble Commission during the public hearing to hear in person.

Thanking You

Yours Sincerely


Khyati Naravane,
Chief Executive Officer



The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry

Name and Full Address of the Objector with Contact No	Brief Details of View(s)/Objection(s)/Suggestion(s)	Objections Against the Proposals of APSPDCL & APEPDCL	Whether copy of Objections and Proof of Delivery at Licensee's Office enclosed	Whether Objector wants to heard in Person
<p>The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTAPCCI) D. No: 11-6-841, Federation House, FAPCCI Marg, Red Hills, Hyderabad – 04 info@ftapcci.com Ph: 040-23395515 (8 lines)</p>	<ol style="list-style-type: none"> 1. Non adherence to MYT Regulations 2. Lack of information 3. Annual Revenue Requirement (ARR) 4. Energy sales estimates 5. Power Purchase 6. Network and Supply Costs 7. Revenue from Tariff during FY 2018-19 on lower side 8. Cross Subsidy to be within +/- 20% of the Cost Of Service 9. Additional Surcharge 		<p>No. sent by Mail and Posted to Licensee's Address</p>	<p>Yes</p>

**The Federation of Telangana & Andhra Pradesh
Chambers of Commerce and Industry
(FTAPCCI)**

Preliminary Statement of Objections

on

**Filing of the Aggregate Revenue Requirement
and**

Tariff Proposal for FY 2019-20

**under Multi-Year Tariff principles in accordance with the
Andhra Pradesh Electricity Regulatory Commission
(Terms and Conditions for Determination of Tariff for
Wheeling and Retail Sale of Electricity) Regulation, 2005
by the**

**Southern Power Distribution Company of Andhra Pradesh
Limited
(APSPDCL)**

&

**Eastern Power Distribution Company of Andhra Pradesh
Limited
(APEPDCL)**

as the Distribution and Retail Supply Licensee

December, 2018

PRELIMINARY STATEMENT OF OBJECTIONS BY FTAPCCI

The Industrial consumers account for about 28% & 41% of the total energy sales and contribute about 43% & 51% to the total revenue from tariffs in APSPDCL & APEPDCL respectively in 2018-19. However, the current levels of cross subsidisation built into the tariff design coupled with the fact that APSPDCL and APEPDCL imposed heavy cross subsidy surcharge on the power purchase through open access have made the industrial tariff uncompetitive when compared to other states and have stymied the growth of industries in the State.

The Federation of Telangana & Andhra Pradesh Chambers of Commerce and Industry (Objector) strongly objects to the Filing of the ARR for the Retail Supply Business for FY 2019-20 (herein after referred to as the 'Tariff Petitions' or 'Petitions') and prays that the same may be rejected *in limine*, in the interest of justice and equity.

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

1. Non adherence to MYT Regulations

Petitioners have submitted ARR requirement for only 1 year of the control period for 2019-20 only, with a prayer for allowance of filing ARRs for subsequent years for the 5th control period (2019-20 to 2023-24) at a later date.

No true ups of previous years have been submitted by the licensees.

2. Lack of information

APSPDCL and APEPDCL have not submitted the excel sheets of Retail Supply Formats. This limits the scope of objectors to file detailed comments or analysis.

3. Annual Revenue Requirement (ARR)

APSPDCL and APEPDCL have projected a significantly high ARR of Rs. 24463.66 Crores and Rs. 13740.32 Crores respectively for FY 2019-20, indicating an **increase of around 9% and 6% in the average cost of service over the past year, without proposing any recovery methodology of the said increase in cost.**

4. Energy sales estimates

A modified trend method approach has been adopted by the licensees to project a sales growth of 8% for APSPDCL and 13% for APEPDCL respectively for 2019-20. Such estimates need to be drilled down for adequate prudence check by the Commission.

5. Power Purchase

- I. Purchase from APGENCO Stations whose PPAs are expiring in March 2019 and which have a high power purchase cost should be disallowed viz. RTPP-I (Rs. 4.79 /unit) and Penna Ahobilam Hydel Power Station (Rs. 19.19/ Unit) have a cost higher than the average Power Purchase cost of AP discoms.
- II. Fixed Cost of APGENCO Stations i.e. Dr NTTPS - I, II, III, RTPP-III, Hydel Generating Stations including Nagarjunasagar Tailpond PH has been projected at higher than approved levels of 2018-19 Tariff Order without any justification.
- III. Capital Cost of new APGENCO Stations (RTPP-IV, DSSTPS-II and Dr. NTTPS) is still pending.
- IV. Recovery of entire Capacity Charge w.r.t procurement from the Central Generating Stations is proposed without furnishing sufficient details toward availability, incentives payable at lower than normative target PLFs.
- V. Arbitrary power purchase has been projected from the Old Gas Based IPPs.
- VI. Power of around 4000 MU has been considered from short term sources. It ought to be allowed at the average exchange prices only.
- VII. Effective high power purchase cost from APGENCO stations on account of lower despatch should be mitigated to reduce risk of short term purchase and poor station efficiency.

6. Network and Supply Costs

The discoms have claimed a steep hike of more than 25% for distribution costs, around 40% for APTRANSCO charges and nearly double of the existing charges for SLDC cost as per projections of transmission MYT for 4th control period and Distribution MYT for the 4th control period which are yet to be filed and any Order is yet to be approved. This merits rejection.

7. Revenue from Tariff during FY 2018-19

Revenue assessment seems to be on the lower side, thereby projecting an increased revenue gap. Discoms have understated the revenue from several categories in FY 2019-20. Average billing rates for many categories are even lower than the rates approved by the Hon'ble Commission in the Tariff order dated 27 March 2018.

8. Cross Subsidy to be within +/- 20% of the Cost Of Service

Licensees have calculated the category-wise CoS for all classes of consumers but have not used the same to determine/re-determine tariffs. This renders the exercise of calculating the category-wise CoS futile and misleading. Further, the Licensees has not been able to adhere to the mandate by the Tariff Policy of designing tariff at $\pm 20\%$ of the average cost of supply. 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.

9. Additional Surcharge

The licensees have not submitted any claim for additional surcharge for the present year but have prayed leave for filing the claim for Additional Surcharge at a later stage, based on a methodology they have requested the Hon'ble Commission to determine. Analysis of energy availability and sales projections indicate no scope for stranded capacity and therefore any claim for additional surcharge lacks merit.

PRAYERS

The Objector most respectfully prays that this Hon'ble Commission may be pleased to:

- A. Consider the above preliminary objections filed by the Objector;
- B. Rationalize the tariffs as proposed in the Objections Statement;
- C. Disallow the power purchase cost in cases where the purchase has been projected at exorbitantly high price not relatable to the incumbent market situations;
- D. Clearly state that no tariff hike shall be granted on account of revisions during truing up for FY 2019-20;
- E. Pass necessary orders as may be deemed appropriate in the facts and circumstances of the case in the interest of justice
- F. Permit the Objector to participate and make additional submission and produce additional details and documentations during the course of the Public Hearings at Visakhapatnam, Rajamahendravaram, Vijayawada, Ongole, Tirupati and Hyderabad, in the interest of justice and equity.

Date: December 2018

Place: Hyderabad

OBJECTOR