



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

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APERC – Filing of ARR and FPT for Retail Supply Business on annual basis for FY2021-22 during the 4th Control Period (FY2019-20 to FY2023-24) –
Directions issued - Reg.

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Proceedings. No.T- 87/07/2020

Date: 17-09-2020

Read the following:

- 1) Lr.No.CGM/PPA,RA&OC/EPDCL/VSP/RAC/D.No.I1287681/20,
Dt.28-08-2020
- 2) Lr.No.CGM/RAC/APSPDCL/TPT/GM/RAC/F:ARR21-22/D.No.469/2020/
29-08-2020.
- 3) Lr.No:CGM/GM/EE/IPC/VJA/F.No./D.No.18/20,Dt.04.04.20

ORDER:

The Distribution licensees viz., Eastern Power Distribution Company of A.P. Limited (APEPDCL), Southern Power Distribution Company of A.P. Limited (APSPDCL), and Central Power Distribution Company of A.P. Limited (APCPDCL) vide the references cited above have requested the Commission, for permission to file the ARR and Tariff petitions relating to Retail Supply Business on annual basis for FY2021-22. In this regard, they sought relaxation of the provisions of Regulation 4 of 2005 [APERC (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005] as the said regulations specify multi-year filings for the Retail Supply Business.

2. The Commission has examined the reasons assigned by the three licensees for allowing them to file ARR on an annual basis. The said reasons are as follows:

- i. Sales forecast uncertainties;
- ii. Significant uncertainties involved in projection of quantum of power to be purchased from various sources as well as its costs;
- iii. Present pandemic situation due to Covid-19 and uncertainties surrounding the recovery of Economy; and
- iv. That the Commission has been permitting licensees to file the ARR and Tariffs for Retail Supply Business on an annual basis from FY2009-10 onwards.

Re reasons (i) (ii) & (iii)

- a. The Commission has issued Transmission Tariff, Distribution Tariff and State Genco's Tariff for the total control period which constitute about 85 percent of ARR.
- b. Resource plan has also been issued finalising sales, quantum of power procurement and sources for the fourth control period.
- c. Further, any variation in power purchase cost on account of uncertainties projected, can be claimed annually in the form of true up/down as per the present regulations

Re reasons (iv)

The relevant provisions of the Regulation 4 of 2005 are extracted as below:

“6.1 Every Distribution Licensee shall file for each of its licensed business an application for approval of its Aggregate Revenue Requirement (ARR) for each year of the Control Period, not less than 120 days before the commencement of the first year of the Control Period. This filing shall be in such form and in such a manner as specified and in accordance with the Guidelines issued by the Commission. The Distribution Licensees may file such applications for ARR of the first Control Period within a period not less than 90 days before the commencement of the Control Period .

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,”

From the clause of the Regulation extracted above, it is clear that every Distribution licensee shall file its ARR on an annual basis only for the first control period and on a multi-year basis (i.e., for all the five years) for the subsequent control periods. The above quoted regulation is couched in mandatory terms without there being any exception provided for. It needs to be noted that the Commission issued regulation 4 of 2005 and allowed the Distribution licensees to submit ARRs on an annual basis only for the first control period ended on 31.03.2009. However, for the subsequent control periods, the regulation mandates that ARRs shall be filed by the Distribution licensees for the entire control period. The Commission and licensees have therefore no option except to follow the regulation in its letter and spirit. The Commission however finds that the Distribution licensees have continued to adopt the same practice of filing ARRs on an annual basis even after the expiry of the first control period and this Commission has been allowing such filings and determining the tariffs on an annual basis, contrary to the specific regulation, obviously exercising its power of “saving”. While undoubtedly clause 24 of the regulation allows the Commission to make a departure from any of the provisions of the regulation, such a power could be exercised sparingly and only in the special circumstances such as in the matter or class of matters where the Commission deems it necessary and expedient to do so. Thus while filing of ARRs for the entire control period is the rule, variance with this procedure is only an exception under the regulation. Unfortunately in practice, exception has become a rule for the last ten years.

Moreover, preparation of annual filings by the licensees and the process of public hearings at huge expenditure by the Commission is highly cumbersome and the same can be conveniently avoided with the determination of ARR for the entire control period.

3. In the light of the above, the Commission is not inclined to accept the request of the licensees to file ARR on an annual basis as a routine. However, keeping in view the volume of work involved in filing for balance three years' control period at a short notice, directing the licensees to file ARR & Tariff petition at once for the rest of the control period (three years) may put them under strain particularly during the prevailing extraordinary situation brought about by COVID-19. Therefore, the Commission is inclined to permit all the three licensees to file ARR & FPT applications for their Retail Supply Business on an annual basis only for FY2021-22, as a last chance on or before 30.11.2020.

(BY ORDER OF THE COMMISSION)


COMMISSION SECRETARY (I/c)

To
The Chairman & Managing Director/APEPDCL/Visakhapatnam.
The Chairman & Managing Director/APSPDCL/Tirupathi.
The Chairman & Managing Director/APCPDCL/Vijayawada

Copy to :
The Secretary/Energy/AP Secretariat/ Velagapudi /Tulluru (Mandal).
The Chairman & Managing Director/APTransco/Vidyut Soudha/Gunadala/
Vijayawada.