ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
HYDERABAD

Dated: 02-02-2019

I.A.No.12 of 2017
In
O.P.Nos.1 & 2 of 2015

Present

Sri Justice G. Bhavani Prasad, Chairman
Dr. P. Raghu, Member
Sri P. Rama Mohan, Member

In the matters of

True-Up of Retail Supply Business for the FY2015-16

Between:

Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL)
(Petitioner in O.P.No.1 of 2015)

Eastern Power Distribution Company of Andhra Pradesh Limited (APEPDCL)
(Petitioner in O.P.No.2 of 2015) …… Petitioners

A N D

Government of Andhra Pradesh, represented by the Chief Secretary,
Velagapudi, Amaravathi …… Respondent

The Interlocutory Application has come up for hearing finally on 29.12.2018 in the presence of Sri P. Shiva Rao, learned standing counsel for the petitioners and Sri M. Venugopala Rao, Learned Objector. After carefully considering the material available on record and after hearing the arguments of all the parties, Commission passed the following:

COMMON ORDER

1. Introduction:

As per Clause 2 of First Amendment to Regulation 4 of 2005, the licensees are entitled to claim true-up for Retail Supply Business on an annual basis. The Principal Regulation i.e. Regulation 4 of 2005 has considered Power Purchase Cost as an uncontrollable item related to Retail Supply business of the licensees and the First Amendment to the principal regulation (Regulation 1 of 2014) has provided the methodology of computing the applicable true-up.

2. Back ground on Licensees' Filings on True-up for FY2015-16

The Licensees, as part of Tariff Filings FY2017-18, have filed the True-up applicable for FY2015-16 as Rs.887 Cr.

The following table shows the break-up licensee wise for the true-up

True-up for	APEPDCL (Rs. Cr.)	APSPDCL (Rs. Cr.)	State (Rs. Cr.)
Total FY2015-16	298	589	887

In this regard, the direction of the Commission in the Retail Supply Tariff Order for FY2017-18 is as given below:

"The filings are devoid of verifiable information to satisfactorily determine the permissibility or impermissibility of the various amounts and purchases claimed. The bald information, without support of any details of the purchases and costs being inconformity with the detailed Tariff Order issued by this Commission for FY2015-16 cannot provide any satisfactory basis for any comprehensive adjudication of the claim and even stakeholders are disabled from expressing any concrete views/objections on such inadequate material. While the Commission is examining the issue of developing appropriate formats for enabling the Commission to have full information, it is also looking into the manner in which such information should be placed in the public domain not only for ensuring transparency and accountability but also for enabling persons with expertise and/or experience to place their informed views before this Commission. Hence, the Commission has decided not to take any final decision on the admissibility or otherwise of this true-up claim for Rs. 887 Cr. for the FY2015-16, while the licensees are at liberty to approach the Commission with an appropriate application for true-up in accordance with law as provided by the relevant Regulation. The true-up claim made by the distribution licensees is hence provisionally not accepted for the present."

3. Revised Filing for True-Up for FY2015-16

Based on the directions of the Commission as above, the licensees have submitted the revised common application on 11.07.2017 providing additional details with regard to the deviations which have resulted in True-Up requirement for FY2015-16. The application is taken on the file of the Commission as I. A. No.12 of 2017 in O.P.Nos.1 & 2 of 2015. Public notice along with the application is placed on the website of the Commission inviting views / objections / suggestions of interested persons/ stake holders with the date of public hearing as 05.08.2017.

4. Important Submissions by the Licensees

The licensees have computed the true-up for FY2015-16, as per the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) First Amendment Regulation, 2014.

As per the said regulation,

"a. The Distribution licensee shall include the power purchase cost variation over the previous year Power purchase cost in the Tariff Order as expense (in the event of incurring excess cost)/ rebate (in case of saving) in the ARR as special item with relevant details. To arrive at the power purchase cost variation, the least of the following power purchase quantity is to be considered:

i) Actual power purchase quantity procured by the DISCOMs for its consumers.

ii) Power purchase quantity computed based on actual sales except LT Agriculture sales. LT Agriculture sales will be limited to Tariff Order quantity. These aggregated sales will be grossed up with approved losses for the relevant year in the MYT Orders."

The licensees have used the above methodology to compute the allowable power purchase quantity as per the following table:

Sl. No.	Particulars	Units	APEPDCL	APSPDCL	STATE
(1)	Total Actual Sales	MU	14,969	28,710	43,679
(2)	Approved Agricultural Sales	MU	1,936	8,020	9,956
(3)	Actual Agricultural Sales	MU	2,149	8,480	10,629
(4)=(1)+(2)-(3)	Allowable Sales	MU	14,756	28,250	43,006
(5)	Approved Losses	%	11.81%	13.03%	12.61%
(6)=(4)/(1-(5))	Revised Power Purchase	MU	16,732	32,483	49,215
(7)	Actual Power Purchased	MU	16,335	33,179	49,514
(8)=min((6),(7))	Allowable Power Purchase	MU	16,335	32,483	48,818

In order to compute the recoverable True-up, the allowable power purchase obtained above was used to re-evaluate the merit order despatch for FY2015-16 so as to arrive at the normative variable costs.

The aggregate of the differences between the approved and actual values of fixed costs, variable costs (as computed using the allowable power purchase quantum), incentives and other expenses give the regulatory True-up for FY2015-16. The following table shows the summary of the computation of True-up for the State.

Source of Energy	**Energy (MU)**			**Fixed Cost Rs. Cr.)**			**Variable Cost (Rs. Cr.)**			**Other Cost (Rs. Cr.)**			**Total PP Cost (Rs. Cr.)**		
	App.	**Act.**	**Dev.**	**App.**	**Act.**	**Dev.**	**App.**	**Act.**	**Dev.**	**App.**	**Act.**	**Dev.**	**App.**	**Act.**	**Dev.**
APGenco Thermal	25,077	19,180	(5,897)	3,729	1,622	(2,107)	6,091	5,757	(334)	13	838	825	9,883	8,218	(1,665)
APGenco Hydel	3,404	2,320	(1,083)	349	550	201	-	-	-	-	-	-	349	550	201
Central Generating Stations	12,208	12,213	4	1,172	1,073	(99)	2,917	2,848	(68)	-	-	-	4,088	3,921	(167)
APGPCL	84	90	6	5	4	(2)	23	26	3	-	-	-	29	30	1
IPPs-Gas	1,231	2,437	1,206	123	250	127	318	1,012	693	24	-	(24)	465	1,261	796
Non-Conventional Energy Sources	2,805	2,363	(442)	-	-	-	1,236	1,140	(96)	-	-	-	1,236	1,140	(96)
IPPs-Others	8,659	3,523	(5,136)	1,451	508	(943)	1,654	818	(836)	1	-	(1)	3,106	1,326	(1,780)
Market	757	6,691	5,934	-	-	-	431	3,586	3,155	-	-	-	431	3,586	3,155
Other Charges (D-D Sales	-	-	-	-	-	-	-	474	474	-	-	-	-	474	474
Total	**54,225**	**48,818**	**(5,407)**	**6,829**	**4,006**	**(2,823)**	**12,671**	**15,662**	**2,991**	**38**	**838**	**800**	**19,538**	**20,506**	**968**

Thus, the required True-up for FY 2015-16 is Rs.968 Cr.

S. No.	Description	True-up Required (Rs. Cr.)
1.	Variation due to deviation in fixed costs (Majorly due to delay in Commissioning)	(-)2,823
2.	Variation due to increase in variable costs (primarily due to increase in cost of coal and purchase of power from market)	2,991
3.	Variation due to other costs (primarily due to pension liabilities of APGenco Stations)	800
4.	**True –Up for FY 2015-16**	**968**

It can be observed that the deviation due to variable cost is nearly negated by the reduction in fixed costs and the major factor contributing to the True-up for FY2015-16 is the pension liabilities of APGenco Stations (around Rs.825 Cr.)

The true-up value pertaining to each licensee can be computed on the basis of the power purchased by the licensee with respect to the total power purchased during the year.

The following table shows the break-up for the true-up pertaining to FY2015-16:

True-up for	True-up Required (Rs. Cr.)
APEPDCL	324
APSPDCL	644
State	**968**

5. Views/objections/Suggestions from the Stakeholders and Responses by DISCOMs

In response to the public notice dated 13.07.2017, Sri M. Venugopala Rao, Senior Journalist and Convenor, Center for Power Studies, Hyderabad; Sri A. Punna Rao, Praja Energy Audit Cell, Vijayawada; Sri Ch. Narasinga Rao, Secretariat Member, CPI (M), Visakhapatnam; Sri M. Thimma Reddy, Convenor, People Monitoring Group on Electricity Regulation, Hyderabad; Sri P. Madhu, CPI(M), Vijayawada and Sri B. Tulasidas, Vijayawada have submitted their views / objections / suggestions. The views / objections / suggestions and the responses of the licensees are summarized as below:

Objection-1: In the subject petition, both the DISCOMs of AP have sought true up of Rs.968 Cr. - APEPDCL Rs.324 Cr. and APSPDCL Rs.644 Cr. - for the year 2015-16 for additional cost of power purchase and directions from the Commission to GoAP to provide additional subsidy of Rs.414.06 Cr. for additional agricultural sales during the same year. Against a power purchase of 54,224.71 MU approved by the Commission for the FY2015-16, the DISCOMs have purchased 49,514 MU, i.e., lesser by 4710.71 MU. Also, against T&D losses of 6838.09 MU (12.61%), the DISCOMs have claimed in the subject petition that they actually reduced the losses to 5832.76 MU (11.78%). The revised picture confirms that the requirement of power purchase proposed by the DISCOMs and approved by the Commission for the year 2015-16 was inflated. Going by the reduction in purchase of power and T&D losses, on the face of it, there should be true down, if reduction of sales to subsidized consumers is more and sales to subsidizing consumers are more than what the Commission had approved for the FY2015-16. However, the DISCOMs have shown deviations from approved sales to different categories of consumers, without giving details of deviations in revenue accrued to them on such revised sales. If deviations in revenues accrued to the DISCOMs from the revised sales to different categories of consumers resulted in higher surplus to them, that should be trued down. If deviations in revenues accrued to the DISCOMs from the revised sales to different categories of consumers resulted in deficit to them, how much additional subsidy and cross subsidy is required should be worked out. Since there is a reduction in sales to the tune of 4632.13 MU to HT-I category, obviously, there is substantial reduction in cross subsidy. In other words, the additional requirement of cross subsidy and subsidy, barring to agricultural consumers, should have been worked out and submitted by the DISCOMs. Since they are seeking true up of the above-mentioned amount, in addition to additional subsidy from the GoAP for additional agricultural sales, whether the additional requirement of cross subsidy and subsidy for non-agricultural subsidized consumers are included in the true up claims or is going to be borne by the DISCOMs needs to be clarified.

Discom's Response: The True-up claims have been made as per Regulation 4 of 2005 and Regulation 4 of 2014. These Regulations do not consider certain items such as variation in sales and sales mix, variation in agricultural sales; variation in revenue from tariff and variation in non-tariff income (that are not in the control of the licensees) as uncontrollable items, which leads to losses that cannot be Trued-up. In order to avoid further accumulation of losses, a detailed petition has already been filed before the Commission to suitably amend these regulations.

Objection-2: In the tariff order for FY2016-17, the Commission observed: "the Commission has observed that during FY2015-16, as per licensees' data included in the filings, it will be likely that sales to LT consumer categories (most of them are subsidized) exceed the approved volume whereas the sales to HT consumer categories will be less than the approved volumes (all are subsidizing) which will be an undesirable situation in which the licensees may not be able to recover the approved revenue requirement through tariffs as anticipated in the tariff order for FY2015-16" (page 168). Such unrealistic proposals and determination of sales volume to different categories of consumers would result in deflating revenue requirement and revenue gap of the DISCOMs, thereby giving scope for showing artificially reduced requirement of subsidy from GoAP or tariff hike. They also lead, as the Commission rightly observed, to recovery of lesser cross subsidies and lesser revenue through tariffs. They also result in increasing revenue gap of the DISCOMs, which, in turn, would lead to true up claims for imposing additional burdens on consumers of non-agricultural categories, without any obligation to GoAP to provide additional subsidy required. That is the reason why we have been requesting the Commission repeatedly to determine sales and revenue requirement of the DISCOMs in a realistic manner. In this background, the Commission directed that "licensees shall be vigilant and take appropriate remedial measures to adhere to the sales volume approved in this Order. The licensees, beginning with May 2016, shall file a summary monthly report for the preceding month with regard to actual sales volume and revenue of major consumer for FY2016-17 duly indicating the reasons for deviation from the tariff order and remedial measures taken/proposed to be taken thereof, if any" (page 168 of tariff order for FY2016-17). The moot point is whether the DISCOMs can ensure volumes of sale of power to each category/slab of consumers as proposed by them or determined by the Commission, without substantial fluctuations and irrespective of their actual requirement, especially when such proposals or determination are admittedly unrealistic. If substantial fluctuations in demand and sales take place for the reasons that cannot be foreseen, then necessary remedial measures, to the extent practicable, can be taken.

Discom's Response: Licensee is submitted in month wise sales volume along with reasons for deviation to Commission for perusal.

The deviations are due to certain class of consumers opted to avail open access and the LI schemes are not grounded as expected.

Objection-3: Against a total despatch of 54,225 MU approved by the Commission, the DISCOMs have submitted that there were shortfall of 5696.80 MU from thermal projects of APGenco, including Sri Damodaram Sanjeevaiah Thermal Power Plants I &II, (from approved 18,034.80 MU to 12,338 MU), of 1083.15 MU from Hydel stations of APGenco (from approved 3403.55 MU to 2320.40 MU), of 201 MU from TSGenco (from approved 7043 MU to 6842 MU), of 5135.92 MU from IPPs and others (from approved 8659.24 MU to 3523.32 MU), of 441.92 MU from non-conventional energy units (from approved 2804.79 MU to 2362.87 MU) and of 123.92 MU from old gas-based IPPs (from approved 1231.03 MU to 1107.11 MU), In other words, the total shortfall in energy despatch approved by the Commission is 12682.71 MU. Against this shortfall, the DISCOMs have shown additional purchases of 1375.86 MU from gas-based projects not approved by the Commission (GVK extension, Vemagiri, Gautami, GMR Rajahmundry Energy Ltd and Lanco Kondapalli Power Ltd.) and of 6528.41 MU from the market (from the approved 756.59 MU to actual purchases of 7285 MU), Thus, the DISCOMs purchased a total of 7804.27 MU from sources not approved by the Commission (apart from additional purchases from the projects approved by the Commission). Additional purchases on such a higher scale were made by the DISCOMs without seeking prior consent of the Commission, both in terms of quantum and cap for tariffs to be paid and the procedure to be adopted for such purchases to ensure competitive tariffs.

While the Commission had permitted purchase of 756.59 MU from market, the DISCOMs had purchased 7285 MU. Since the DISCOMs had not sought and got permission of the Commission for purchasing 6528.4 MU from market, maximum cap of tariff and the procedure to be adopted for competitive bidding for such purchases, it reflects "executive arrogance" of the powers-that-be who handled such purchases from Vidyuth Soudha. It is a negation of the directions given periodically by the Commission on additional power purchases to be made by the DISCOMs and reflects recklessness of the powers-that-be that they need not seek prior permission of the Commission for such purchases and their contempt for regulatory requirements and questionable approach that the Commission would or should give its consent to such purchases as and when they seek.

Sri M. Thimma Reddy:

Lower power generation from these plants was sought to be made up by procurement from the market. Power procurement from market had increased by 6,584 MU.

In the Tariff Order FY2015-16, “The Commission has provided the required 757 MU during FY2015-16 to licensees as market purchases at the maximum ceiling rate of Rs.5.70 / Unit for the purpose of computing the power purchase cost. This rate shall also be deemed as the maximum ceiling tariff determined under section 62 of Electricity Act, 2003 for short term power purchases to meet the unanticipated power shortages during FY2015-16.” (Para 211)

Discom’s Response: M/s LANCO Stage-I - The Power procured from M/s. Kondapalli Gas plant is 364.4MU only as against the approved quantum i.e. 473.45MU.

Short term purchase:

A. It is a fact that APERC has allowed only 757 MU under short term purchases for the tariff year FY2015-16. APERC has also allowed need based purchase by APDISCOMs by stating that “the Commission recognizes that part or full availability of energy estimated from some of the generating stations may not materialize due to factors such as delayed commissioning of new plants, non-availability of fuel and break down of power plants etc. In that case, the Licensees may approach the Commission for remedial measures to meet the shortfall in energy from alternative sources". Since power supply – demand is a dynamic entity, APDISCOMs followed prudent supply – demand management and in spite of it they were to purchase 7285 MU. In fact the provision made by APERC was exhausted in the months of April & May 2015 itself. This is because of very scanty rainfall in the peak agricultural season and APDISCOMs commitment to supply 24 X 7 quality power to all consumers. The above facts were brought to the notice of Govt. of A.P for financial support and Govt. of A.P advised APDISCOMs to approach APERC for the remedy. The total short term purchases and the reasons for purchasing them were submitted to APERC.

B. It is to inform that the availability of power from all the sources as allowed by Commission and actually realized by APDISCOMs is given below:

Period	Energy Availability from all sources approved by APERC (MU)	Energy actually realised from all sources (MU)	Energy actually realised from Short Term Power Purchases (MU)
FY2015-16	55624	49514	7285

i. From the above, it is very clear that though Commission allowed 55624 MU for the year FY2015-16 on availability front, only 49514 MU is actually available even after including the Short Term Power Purchases to the tune of 7285 MU. Thus the short fall from the anticipated planned sources like APGenco, CGS etc., has to be met obviously by Short Term Power Purchases.

ii. The tariff order issued by APERC is based on the commissioning and stabilization of Krishnapatnam and Hinduja plants as per the original schedule and also based on reasonable Hydel power. Govt. of A.P has advised APDISCOMs to approach APERC for the additional purchases based on the need apart from optimizing the generation from their own plants. It is to inform that the tariff order allows APDISCOMs to go for need based purchases beyond 757 MU with the permission of the Commission.

iii. As per tariff order FY2015-16 approved by APERC, the approved availability is 55624 MU where as the actual total availability from all the sources by APDISCOMs is only 49514 MU which clearly indicates that the purchases are within the approved quantities of APERC.

iv. Further, average weighted price of Short Term Power Purchases are well within the ceiling price determined by Commission.

C. It is to inform that with a gap of around 2000 MW between the day and night demand, a peculiar situation has arisen where by power has to be purchased for certain hours in the day and also considerable amount of power has to be backed down on the same day but in different hours.

D. As per para No.91 of Page No. 86 of Tariff Order for FY2016-17, even APERC acknowledged the efforts of APDISCOMs and recorded that:
"the savings affected by cancellation of some of PPAs *without paying any penalties are appreciated and hopefully the DISCOMs will maintain the same vigil in safeguarding public interest.* The short term purchases in FY2015-16 over and above the permitted quantum will be examined on merits as and when placed before the Commission"

Objection-4: With reduction of energy despatch from the stations approved by the Commission in the tariff order for FY2015-16, the DISCOMs have shown a reduction of fixed cost to the tune of Rs.2823.39 Cr. - from Rs.6829.15 Cr to Rs.4005.76 Cr. However, the DISCOMs have shown payment of higher variable cost to the tune of Rs.3384.14 Cr. – from the approved amount of Rs.12670.79 Cr. to Rs.16054.93 Cr. - for total purchases, including additional purchases. Against the total purchase cost of Rs.19,538 Cr. approved by the Commission, the DISCOMs incurred total power purchase cost of Rs.20,899 Cr., i.e., an additional cost of Rs.1361 Cr. This is despite the fact that energy despatch approved by the Commission came down by 12682.71 MU and additional purchases made were to the tune of 7804.27 MU only. In other words, compared to the approvals given by the Commission, while purchases have come down by 8.68% from 54,224.71 MU approved by the Commission to 49,514 MU, the cost of power purchase, instead of decreasing, has increased by 6.96% from Rs.19,538 Cr. approved by the Commission to Rs.20,899 Cr. The revised power purchase cost includes other additional costs of Rs.800 Cr. While an additional sum of Rs.825 Cr. is shown as paid to APGenco towards pension bonds for the years FY2014-15 and FY2015-16, there was a reduction of Rs.25 Cr. under other costs from IPPs and others. The DISCOMs have sought additional subsidy of Rs.414.06 Cr. from GoAP for additional sales to agriculture and Rs.968 Cr. under true up from the consumers.

Sri M. Thimma Reddy:

Objection-5: A comparison of power purchase costs for FY2015-16 as approved in the Tariff order for the same year and actual power purchase costs during FY2015-16 as mentioned in ARR and Tariff Proposals of FY2017-18 shows that power purchase cost of APEPDCL for the FY2015-16 increased by Rs.165.57 Cr. True up amount claimed by APEPDCL under the present petition is nearly double to that of increase in power purchase cost as mentioned in Tariff Proposals of FY2017-18. APEPDCL need to explain the reasons for claiming higher amount under true up.

Discom’s Response: The Tariff Order for FY2014-15 was not issued by APERC. The Commission directed to adopt the Tariff order of FY2013-14 for FY2014-2015

APGenco & DSTPP:

In respect of APGenco stations the approved dispatch energy was about 28481 MU inclusive TSGenco thermal energy & Hydel energy, the approved cost for APGenco/TSGenco & Hydel stations Rs.10182.33 Cr. The actual energy which was for FY2015-16 is 21,500.39 MU which includes TSGENCO thermal and APPDCL.

Actual fixed cost admitted was Rs.3010.43 Cr. which includes fixed cost of APGenco, TSGenco, APGenco Hydel stations and interest on pension bonds of Rs.838.38 Crs.

In the tariff order for FY2014-15 & FY2015-16 the amount towards interest on pension bonds was not shown in the relevant tariff order but the same was approved by the Commission vide order dated 26.03.2016 in O.P No. 3 of 2016. An amount of Rs.838.38 Cr. was admitted towards additional interest on pension bonds for FY2014-15 & FY2015-16. The increase is due to interest on pension bonds to APGenco.

In respect of M/s HNPCL, the actual energy was 454.06 MU as against the approved dispatch of 5881 MU. Due to short fall of energy from M/s HNPCL, the energy was taken from other sources.

The energy from the following sources were expected but not received.

Small hydel	-	5.47 MU
Municipal waste	-	0.83 MU
Reliance BSES	-	161.85 MU
Wind	-	1751.57 MU
Solar	-	38.93 MU
Total	-	1958.65 MU

From hydel stations of APGenco 2320.40 MU against the approved energy of 3403.55 MU.

APDISCOMs had purchased power from gas based IPPs namely GVK extension, Vemagiri, Gautami, GMR Rajahmundry Energy Ltd and Lanco Kondapalli Power Ltd at a tariff of Rs.4.70 Ps per unit (Single part tariff) for the FY2015-16 under e-bid RLNG scheme announced by MoP, GoI with the approval of Commission.

Objection-6: The reason for higher cost for purchase of power is shown as increase in variable cost from an average of Rs.2.35 per unit approved by the Commission to Rs.3.24 per unit, i.e., an increase of Rs.0.91 per unit or by 38.8%. However, the DISCOMs have avoided giving the variation in average fixed cost per unit approved by the Commission and actually paid by them. For purchasing 54224.70 MU with a total cost of Rs.19538 Cr. as permitted by the Commission in the tariff order, the average tariff per unit works out to Rs.3.60. For purchasing 48818 MU, the DISCOMs paid a total cost of Rs.20,506 Cr. which works out to Rs.4.20 per unit. The revised purchases resulted in an increase of power purchase cost on an average by Rs.0.60 per unit or an increase of 16.66%. Commission is requested to examine the following points, among others:

Objection-6a: The DISCOMs had purchased additional power from sources not approved by the Commission and without even seeking prior permission of the latter. Obviously, the DISCOMs must have made such additional purchases at the behest or consent of GoAP. For the additional cost of power purchases, the DISCOMs might have taken loan as working capital term loan (WCTL). Under the tripartite memorandum of understanding signed on 24.6.2016 by Ministry of Power, GoI, GoAP and the two DISCOMs of AP, bringing the DISCOMs under Ujwal Discom Assurance Yojana (UDAY), GoAP took over a debt of Rs.14,720.50 Cr. of the DISCOMs, the Commission revealed, briefing media on the retail supply tariffs for FY2017-18 on 31.3.2017. As per the terms and conditions in the Memorandum, GoAP has to take over 75% of debt of the DISCOMs as on 30.9.2015 and 50% of WCTL as on 30.9.2015 by 30.9.2016 and 25% of WCTL by 31.3.2017. Out of FRP bonds liability of Rs.2546.38 Cr., Rs.1500 Cr. has to be taken over by GoAP by 30.9.2016 and balance Rs.I046.38 Cr. by 31.3.2017. We request the Commission to direct the DISCOMs to submit details of their debt and WCTL taken over or to be taken over by GoAP and to what extent the debt or WCTL incurred by them for purchasing power from additional sources during FY2015-16 was taken over or to be taken over by GoAP under UDAY.

Discom's Response: As per the Tripartite MoU signed between Ministry of Power, Government of India, Government of Andhra Pradesh and APDISCOMs, GoAP will take over 75% of the Working Capital Terms Loans of Rs.8,641.75 Cr. and 100% of the FRP Bonds debt of Rs.2,546.15 Cr. of

APDISCOMs as on 30th September, 2015. The loan taken over by the government of AP under UDAY scheme is Rs.7376 Cr. (i.e APEPDCL: Rs.2919.15 Cr. and APSPDCL: Rs.4456.85 Cr.) on 18.10.2016 under 1st tranche and Rs.880.01 Cr. (i.e APEPDCL: Rs.79.84 Cr. and APSPDCL: Rs.800.17 Cr.) under 2nd tranche paid on 09.03.2017.

Special term loans contracted by APSPDCL and APEPDCL during FY2015-16 upto September, 2015 are Rs.525 Cr. and Rs.25 Cr. respectively. 75% of this long term debt was taken over by GoAP under UDAY. However as the loans taken over under UDAY scheme pertain to several years, the loans under the scheme need to be factored in True-up for 3rd control period which is to be filed along with the MYT filings for the 4th control period in FY2018-19.

Objection-6b: The DISCOMs have shown short fall in energy despatch from SDSTPP I &II by 5879.51 MU and from HNPCL by 5426.99 MU. They have explained that the delay in commissioning the stations of both these projects was the reason for such huge shortfall in despatch. What are the amounts collected by the DISCOMs from SDSTPP and HNPCL towards liquidated damages for delay in commissioning these projects and towards penalty for generating and supplying energy much below the threshold levels of PLF as per applicable standard regulations and terms and conditions?

Discom's Response: With regard to short fall in energy dispatch from HNPCL by 5426.99 MU the following is informed:

APDISCOMs have filed ARRs before APERC for approval of energy dispatch from the HNPCL project for the FY2015-16. APERC accordingly approved energy dispatch of 5881 MU for the FY2015-16. M/s. HNPCL had achieved the actual COD of Unit 1 on 11.01.2016 and dispatched energy 454 MU for 3 months i.e. till the end of the FY2015-16. Presently APDISCOMs are paying adhoc tariff to HNPCL for the actual power received as per the directions of APERC in its orders dt: 06.08.2016. With regard to liquidated damages for delay in commissioning of the project by HNPCL, it is to state that as per the provisions of agreements, the delay on the part of HNPCL in completion of the project has already been contested by APDISCOMs in its counter petition dated 26.09.2015 in O.P.No.21 of 2015 and in its written submissions filed by APDISCOMs on 15.05.2017 before Commission with a claim of Rs.120 Cr. APERC is yet to approve PPA and finalization of the tariff.

The actual average cost was shown as Rs.3.24/kWh which includes DSTPP-I&II. The cost approved in the tariff order was Rs.4.31/kWh includes variable cost as Rs.2.35 and fixed cost as Rs.1.96 per unit. Since the PPA and tariff is yet to be determined by APERC an adhoc price of Rs.3.63/kWh was admitted and the cost was shown under the variable cost. The adhoc price includes fixed cost also. After the tariff approved by APERC the adhoc amount will be adjusted accordingly.

With regard to the objection raised in collection of liquidated damages by the DISCOMs from SDSTPP, it is to inform that there is no provision for Liquidated Damages and penalties in any of the PPAs of Central and State PSUs. However, APDISCOMs would follow the directions if any are issued by APERC in this regard.

Objection-6c: The DISCOMs have shown shortfall in energy despatch by 227.87 MU from wind power units and by 325.07 MU from solar power units. The DISCOMs have maintained that wind and solar sources are "not very reliable sources as the generation depends upon the weather conditions." Was non-commissioning of wind and solar units as per scheduled timelines responsible for shortfall in energy despatch? If so, what action was taken by the DISCOMs to collect penalty for such delay from the wind and solar power units and terminate the PPAs?

Discom's Response: Wind and Solar Power is seasonal, intermittent. The short fall in the energy dispatch from wind power units and Solar Power Unit is due to non-commissioning of anticipated Wind capacity of around 100 MW during FY2015-16 and around 35 MW Solar Power units during Second Half of FY2014-15 and around 250 MW Solar Power during FY2015-16. APDISCOMs imposed penalties and terminated the PPAs of solar power developers, as per the provisions of PPA due to delay in commissioning of Solar Power Plants.

Objection-6d: The DISCOMs have maintained that while the Commission had approved a tariff of Rs.5.70 per unit for permitted purchases from market, they had purchased at an average tariff of Rs.5.30 per unit. Since the tariff of Rs.5.70 per unit (not average tariff) approved by the Commission was the maximum limit for specific quantity of power approved by it, the DISCOMs cannot arrogate to themselves the freedom to purchase additional power from market as they like. They had purchased additional power from some companies at tariffs exceeding the cap fixed by the Commission - the higher tariffs paid by the DISCOMs ranged from Rs.5.92 to TPCIL to Rs.6.09 to JSW Power Traders Ltd. and to Rs.6.16 per unit to NSL Sugars Limited. Whatever be the procedure adopted by the DISCOMs for purchasing additional power, it is obvious that tariffs can be manipulated with collusion or prior understanding with the sellers. For example, the tariff for purchasing power from TPCIL on long-term basis by the Commission for the FY2015-16 was Rs.3.58 per unit. For short-term purchase from TPCIL, the DISCOMs had paid Rs.5.92 per unit. When tariff for bagasse-based power fixed by the Commission was Rs.4.11 per unit for FY2015-16, the DISCOMs had paid Rs.6.16 per unit to NSL Sugars Ltd.

Sri M. Thimma Reddy:

According to Section 61 (1) "The Appropriate Commission shall determine the tariff in accordance with the Act for – (a) supply of electricity by a generating company to a distribution licensee: Provided that the Appropriate Commission may, in case of shortage of supply of electricity, fix the minimum and maximum ceiling of tariff for sale or purchase of electricity in pursuance of an agreement, entered into between a generating company and a licensee, for a period not exceeding one year to ensure reasonable price of electricity:"

While the Commission stipulated that Rs.5.70 / Unit shall be deemed as the maximum ceiling tariff determined under section 62 of Electricity Act, 2003 for short term power purchases to meet the unanticipated power shortages during FY2015-16 the APDISCOMs procured power from the market at higher prices. The present petition of APDISCOMs shows instances of higher prices being paid to JSW Power Trading Ltd. (Rs.6.09/Unit), Thermal Powertech Corporation of India (Rs.5.92/Unit), NSL

Sugars Ltd. (Rs.6.16/Unit), and National Energy Trading Services Ltd. (Rs.6.35/Unit) than allowed by the Commission. Because of this power purchase cost had increased by Rs. 64.35 Cr. As the power procurement from the market at higher prices is in violation of the Commission's directive, this additional power purchase cost shall not be allowed.

Discom's Response:

Trading:

1. APDISCOMs have called tenders on Web based e-procurement platform for procurement of 2000 MW RTC power for the period from 29.05.15 to 26.05.16 in the month of July-14 (i.e., immediately after bifurcation of the erstwhile A.P) well in advance almost one year due to the following facts.
   (i) During bifurcation of the state, AP state has witnessed severe power crisis from 2nd June-2014 as the existing power supplies were divided in the ratio of 53.89 : 46.11 and the supply demand gap was around 22 MU/day. The utilities could supply 126 MU/day against a demand of 148 MU/day.
   (ii) In the combined state though orders were placed under short term power purchases for 1571 MW from SR generators, because of bifurcation, AP could get only 798 MW.
   (iii) After bifurcation, APDISCOMs faced severe deficit conditions and imposed following load relief to different consumers.

District Headquarters	-	4 to 5 Hrs./day
Mandal Headquarters	-	6 to 7 Hrs./day
Villages	-	8 to10 Hrs./day
Industries	-	Lighting load during evening peak hours

   (iv) Anticipating an overall increase of 10% in the demand because of the formation of new state and commitment of Government to supply un-interrupted supply to all the categories of consumers in the state, APDISCOMs have decided to procure sufficient quantum of power in advance, so that the above objective is fulfilled in the coming years.

(v) Further, it was also understood that the 765 KV line between Rayachoor–Sholapur line will take some time to stabilize. APDISCOMs are not very sure about the corridor that can be available for SR states particularly after fulfilling long term obligation of Tamilnadu and Kerala.

It is learnt from PGCIL that the entire available transfer capacity (ATC) for import of power to southern region has already been allocated to Tamilnadu and Kerala and all our MTOA applications got rejected.

(vi) The capacity addition in the SR has not been very encouraging for last few years and particularly in the state of AP. Even though the plants of Krishnapatnam and Hinduja are expected during FY2014-15, but the dates were not finalized and even the energy sharing was under dispute between the two states.

(vii) In view of the above emerging situation, APDISCOMs thought that it could be prudent to procure sufficient quantum of power well in advance. The one big advantage in procuring power in advance is that sufficient quantum can be purchased at cheaper price, particularly when the neighboring state of Telangana also in the process of procurement of power at any cost as the demand supply gap for them also was anticipated 30 MU/day an average and 45MU/day in the peak periods.

(viii) Due to the past experience, APDISCOMs have decided to float the tenders on e-procurement plat-form for a quantum of 2000 MW in the month of July-14. The tenders opened in the month of Aug-14 and around 2400 MW from southern region and around 4000 MW from NEW Grid generators are participated. At the same time, the state of Telangana also called tenders for a quantum of 2000 MW but only 1000 MW from southern region and around 2800 MW from NEW Grid generators have participated.

(ix) The following statement shows the power tied up from Intra / Inter State Generators and APCTU connected generators.

S.No	Name of the Generator / Trader	Source	Quantum (MW)	Rate at Delivery Point (Rs/KWh)
AP STU connected generators				
1	Anrak Alluminium	Anrak Alluminium	120	5.5
2	KISPL	Sriba	4	5.7
3	Rain CII	Rain CII	20	5.7
4	PTC India Ltd.	NCS Sugars	13-16	5.7
5	Mittal Processors	Blue Ocean Biotech	1.25	5.7
6	KISPL	MaaMahamaya	2.25	5.7
7	KISPL	Sri Lalitha	1	5.7
8	SreeRayalaseema	SreeRayalaseema	5	5.7
9	SEIL (VZM)	SEIL (VZM)	27	5.7
10	SEIL (Kothapeta)	SEIL (Kothapeta)	9.8	5.7
11	Shri Girija	Shri Girija	72	5.7
12	TPTCL	NBVL (Dharmavaram)	18	5.7
13	KISPL	Sirius	2.5	5.7
14	KISPL	RVK Energy	4.5	5.7
15	Sarda Metals	Sarda Metals	30	5.7
16	TPTCL	SBQ Steels	50	5.7
17	NVVNL	BMM Cement	15	5.7
18	GMRETL	VVIL	6-6.2	5.7
19	Venkataraya	Venkataraya	2.5	5.7
20	Sri Sarvaraya	Sri Sarvaraya	7.5-10.5	5.7
AP CTU connected generators				
21	PTC India Ltd.	Simhapuri	110	5.91
22	PTC India Ltd.	Simhapuri	110	5.91
23	PTC India Ltd.	Meenakshi Unit-1	110	5.91
24	PTC India Ltd.	Meenakshi Unit-2	110	5.91
25	Thermal Powertech	Thermal Powertech	300	5.91
Karnataka &Tamilnadu generators				
26	NSL Sugars (Thungabhadra)	NSL Sugars (Thungabhadra)	15.91 to 24.23	5.95
27	NSL Sugars (Koppa)	NSL Sugars (Koppa)	12.15 to 23.4	5.95
28	IL& FS Tamilnadu	IL& FS Tamilnadu	300	5.69
			200	5.95
29	JSWPTC	JSWEL	200-300	5.82-6.14
30		Munoli	10	5.96
31	PTC India Ltd.	Sathavahana	30	5.95

2. As it can be seen from the above list, in the case of Intra-state generators, all the rates are within the ceiling price of Rs.5.70/kWh. In the other cases

i.e., Inter-state (Karnataka) and APCTU connected generators the prices are more than ceiling price of Rs.5.70/kWh allowed by Commission.

3. Though the rate finalized for Karnataka & PGCIL, CTU connected Generators is more than the ceiling price, APDISCOMs placed the above orders for the following reasons
    a. The Karnataka generators (JSW & NSL Sugars) have to bear a cost of 80 paisa/kWh towards the POC and Karnataka charges & losses since its plant is connected to Karnataka STU. This implies that the generator will get Rs.5.34/kWh at Ex-bus which is lower compared with power purchased from Intra State generators.
    b. The PGCIL, CTU connected generators have to bear a cost of 50 paisa/kWh towards to POC charges and losses since they are connected to power grid 400 KV network. The generator will get Rs.5.42/kWh at Ex-bus which is lower compared with Intra state generators
    c. The amounts paid towards PoC charges will be distributed among the constituents of SR and accordingly, APDISCOMs will get back around 40 Paisa per unit.
    d. If APDISCOMs cannot tie up this power, there is every likelihood of Karnataka utilities would capture it particularly as the generators M/s.JSW & M/s.NSL connected with Karnataka STU. Similarly other neighboring States likes Tamilnadu, Kerala and Telangana also called tenders to tie up with CTU connected generators in Tamilnadu and Andhra Pradesh.
    e. It is also to inform that the quantum from the above SR Generators is too crucial to the APDISCOMs to mitigate the adverse severe demand supply gap being faced by them and so cannot be avoided.

4.

    (i) The procurement of above power and rates were reflected in the ARR submitted to be finalized for FY2015-16. But, however with the power availability from Krishnapatnam, Hinduja, KTPP-II, Singareni plant and also Thermal Power Tech, the supply demand position was reviewed.

(ii) As the state is going to witness availability of huge quantum of power from June-2015 onwards, there will be substantial surplus energies left with APDISCOMs and unless they are off-loaded at this stage, we may end-up in paying huge penalties as compensation. Hence, it was decided to finalize the possible quantum that can be retained with us and quantum that can be cancelled without any financial commitment to APDISCOMs duly following merit order dispatches.

(iii) During the meeting it was informed that APDISCOMs are now witnessing surplus of power due to certain factors which have taken place subsequent to the date of LoI viz., capacity addition in the state of A.P and Telangana namely Krishnapatnam, Hinduja, Kakathiya and BhoopalaPalli which are going to be available in the current financial year itself and also the demand in the state of A.P has not picked up as anticipated.

(iv) Orders placed on the CTU connected generators M/s. Simhapuri, M/s. Meenakshi, M/s. Thermal Powertech and M/s. IL&FS were cancelled without any penalty as they have not filed MTOA applications for corridor booking. Further the Karnataka generators filed MTOA applications and got 327 MW corridor approval. If APDISCOMs doesn't take the power, as per the LoI conditions they are liable to pay huge compensation of an amount of Rs. 246 Cr.

(v) In order to resolve the issue, it was contemplated by APDISCOMs to request the Karnataka generators to reduce their quantum's voluntarily and at the same time to request the State generators to reduce their quantum's. So that APDISCOMs can find an optimum quantum without attracting penalties.

(vi) Accordingly, several rounds of negotiations were held with Karnataka and A.P Intra-State generators and the final outcome is:

a. Karnataka generators reduced 100 MW straight away from the LoI without any financial liability to APDISCOMs. JSW reduced the price of 7 paisa/Unit and NSL reduced the price of 5 paisa/unit.

b. AP State generators have agreed to reduce their quantum by 30% thereby APDISCOMs could make the existing 418 MW to 304 MW. Also, generators were negotiated to reduce their prices from the existing Rs. 5.70/kWh to 5.45/kWh.

c. The total quantum from these two sources become 531 MW against the original 745 MW. And since there is a provision of 15% backing down, in effect APDISCOMs can have 450 MW from these generators, the original quantum APDISCOMs contemplated earlier.

d. The total savings accrued by reducing quantum both from Karnataka and A.P works out to

(I)	Savings from Karnataka generators : towards compensation.	87.44 Cr.
(II)	Savings from State generators towards : compensation.	95.43 Cr.
(III)	Savings from State generators towards : reduction in price.	51.72 Cr.
Total:		**234.59 Cr.**

Thus from the above, it is very clear that APDISCOMs tried their level best to keep the prices below the APERC stipulated ceiling price of Rs.5.70/kWh. With regard to intra-state generators, the rates were not beyond Rs.5.70/kWh but in case of inter-state generators like JSWEL, the rates are beyond the ceiling price because of PoC charges of PGCIL and KPTCL Transmission charges and losses of Karnataka State which amounts to 80 Paisa per unit. Though the generator’s net realization price is Rs.5.34/kWh, because of these additional statutory charges, the landed price has become Rs.6.14/kWh. In this, nearly 40 Paisa per unit will be reimbursed to APDISCOMs by M/s. PGCIL as per the procedures in vogue.

Objection-6e: The DISCOMs have informed that "take or pay clause" was incorporated for short term purchases from market, i.e., if the DISCOMs won't take the contracted energy from those sources, then they have to pay 20% of tariff for the power not taken by them. The DISCOMs might have entered into agreements for short-term purchases from market to meet requirement of power as approved by the Commission in the tariff order or as proposed by them in the ARR submissions. Since actual total purchases had come down by 4710.71 MU, the DISCOMs should clarify whether they had sought backing down from other power projects in order to purchase short-term power or whether they had paid 20% of tariff under "take or pay clause" for not taking contracted power from such sources. What are the amounts paid by the DISCOMs towards fixed charges for such backing down, or 20% of tariff under "take or pay clause," as the case may be?

Discom's Response:

Short term purchase:

Take or pay liability clause incorporated in LoI as per the guidelines of MoP and the same is as below.

"In case deviation from Procurer / Seller side is more than 15% of contracted energy for which open access has been allocated on monthly basis, Procurer / Seller shall pay compensation at 20% of Tariff per kWh for the quantum of shortfall in excess of permitted deviation of 15% while continuing to pay open access charges as per the contract."

In addition to the above clause, APDISCOMs incorporated the following to get the assured supply from the generator.

> "The indicated percentage limitation of quantum is only to meet any technical problems due to poor PLF or due to shortage of fuel or due to some forced outage in the transmission line and not for utilizing the balance quantum for sales with 3rd parties. If it is found that any of the generators indulge in such practices, such quantum of energy sold will carry compensation of Rs.10.00 per unit. However this will not be applicable when APSPDCL/APDISCOMs direct the generators to reduce the scheduling and such quantum reduced can be sold after getting the concurrence of APSPDCL/APDISCOMs."

Whenever the rates in market shoot up, the generators will try to get benefit by reducing the share of power to APDISCOMs and sell in exchanges and because of the above clauses, the generators have not reduced the DISCOMs share even when market prices were high.

Similarly during surplus conditions, APDISCOMs have backed down the following energies and made payment for the excess backing down as per the above clauses.

S.No	Generator	Excess Backing down by APPCC (MU)	Compensation paid for Excess backing down (Cr.)
1	JSWPTC - JSWEL	130.70	15.47
2	AnrakAlluminium	19.06	2.08
3	TATA - SBQ Steels	11.75	1.28
4	SEIL (VZM)	5.93	0.65
5	TATA - NBVL (Dharmavaram)	5.53	0.60
6	Rain CII	5.39	0.59
7	Sarda Metals	5.25	0.57
8	NSL Sugars (Thungabhadra)	4.39	0.52
9	NSL Sugars (Koppa)	3.76	0.44
10	BMM Cement	2.96	0.32
Total:		**194.71**	**22.52**

If the APDISCOMs have not backed down the 194.71 MU of energy, then they had to pay Rs.112.62 Cr. for off-take as per tariff of contract. APDISCOMs could avoid the same by backing down and paid compensation @ 20% of tariff for Rs.22.52 Cr.

The energy backed down by APDISCOMs @ 194.71 MU is only 2.67% of the total market purchases of 7285 MU, which is normal in grid operation. Since energy demand is very dynamic in nature, we need to be always adequately ready to meet the demand 24 Hrs. in all 365 days. When short term purchases orders placed, they will be normally one year ahead. Thus even when we placed purchase orders one year ahead, the fact that only 2.67% is in excess clearly testifies the ability of APDISCOMs to anticipate the demand dynamics and meet them at the least possible cost by incorporating adequate safe guard clauses in the purchase orders placed.

APDISCOMs dispatched 49514 MU and backed down a total of 3122 MU because of intermittent surplus situations. Out of this 3122 MU, 1000 MU is from high cost short term purchases and balance 2100 MU is from other stations. Thus while around 13% of short term purchases were backed down and only 4.7% of other generation was backed down due to exigencies which clearly shows that APDISCOMs were economically prudent in backing down costly power more than the cheaper power.

Objection-6f: For increase in variable cost paid to thermal projects of APGenco, the DISCOMs have attributed such increase to increase in cost of coal as well as increase in transportation costs of coal. They have informed that during that period, there was congestion in the railway network leading to shortage of coal in AP Genco stations and that, in order to counter that, Genco also used the rail-sea-rail mode of transportation, resulting in increase in landed cost of coal and rise in variable cost. We had raised the need for examining the procedures adopted by AP Genco for purchasing imported coal and transportation of coal, resulting in higher costs, repeatedly before the successive Commissions but to no avail. While the variable cost for thermal plants of AP Genco increased by Rs.0.79 per unit, for TS Genco plants it increased by Rs.0.27 only during FY2015-16. A huge difference of Rs.0.52 per unit between the two Gencos give rise to serious doubts about the questionable procedure adopted by APGenco for purchasing and transporting coal. We request the Commission to direct the DISCOMs to submit all relevant information relating to purchase of coal by APGenco and its transportation and examine the same, at least now. Since the DISCOMs have not been examining and questioning the procedure adopted by APGenco for purchase and transportation of coal and their higher costs, if the Commission, too, does not examine the same and give appropriate directions, larger consumer interest will continue to be the casualty. Earlier, serious allegations have been made and reports appeared in a section of the media about irregularities committed in importing coal and its transportation. In this connection, I would like to bring to the notice of the Commission a few letters addressed to different authorities by Dr. E A S Sarma garu, former secretary, Government of India. For example, in his letter dated 8.2.2016 addressed to the Secretary, department of energy, GoAP, he had pointed out that he had brought to the State government's notice the fact that the existing contracts under which APGenco was importing coal had become outdated in the face of the sharply declining coal prices in the global markets. He further pointed out that "I understand that APGenco has similarly been paying very high coal transportation charges by patronizing a few favourite contractors for the last several years. From the information I have, it appears that the unit rail-sea-rail freight being paid by APGenco is three times that being paid by the Telangana Genco to the Shipping Corporation of India (SCI). Even after negotiating with the contractors recently, APGenco has been able to secure only a marginal reduction in the freight cost." Dr. Sarma garu raised the pointed question as to why APGenco was reluctant to approach the PSU, the Shipping Corporation of India. In his letter dated 31.5.2016, addressed to several authorities, including CBI, Enforcement Directorate, Directorate of Revenue Intelligence and Serious Fraud Investigation Office, Government of India, Dr Sarma garu pointed out, inter alia, that "AP State utilities are making hectic efforts to import coal at prices ranging around Rs.6,000 per ton, whereas Coal India Ltd (CIL), a Central PSU, had imported coal about one year ago at a price of Rs.4300 per ton. In my view, the large difference in the price of coal imported by the AP PSUs, as compared to the world market price and the price at which CIL has imported coal suggests the possibility of over-invoicing of coal imports and money laundering. This is corroborated by the fact that some of the coal importers with whom the AP PSUs are in "negotiation" at present are known to hold undisclosed offshore accounts, some of which have figured prominently in the recent Panama leaks. Some public functionaries of these utilities have also been reported to be holding overseas accounts, not disclosed to the government and the RBI."

Discom's Response: In respect of DSTPP-I&II, per unit cost approved was Rs.4.31/kWh and variable cost approved was Rs.2.35/kWh in the Tariff Order for FY2015-16. The energy charges admitted was as per adhoc tariff of Rs.3.63/kWh which includes fixed and variable charges. The PPA is yet to be approved by APERC and capital cost is also yet to be determined by the Commission. The total cost was shown under variable cost head due to which variable cost appears to have increased beyond the actual level. If the adhoc tariff is split as Rs.1.28 towards fixed cost and Rs.2.35 towards variable cost, the variable cost of APGenco stations including DSTTP-I & II would reduce to Rs.2.89 per kWh instead of Rs.3.34 per kWh which is approximately on par with TSGenco stations. Further the TSGenco stations are less distance to the coal mines where as APGenco stations are far away from coal mines. There by transportation cost is factored in the coal cost hence cost of APGenco stations is slightly more than the fuel cost of TSGenco stations.

Objection-6g: The DISCOMs had purchased additional power from gas-based IPPs, paying a higher variable cost of Rs.4.20 per unit against Rs.2.59 per unit approved by the Commission. For purchasing power from other (new) IPPs and others, the DISCOMs had paid a higher variable cost of Rs.2.32 per unit against Rs.1.91 per unit approved by the Commission. Similarly, the DISCOMs had paid higher variable cost of Rs.4.82 per unit against Rs.4.41 per unit approved by the Commission to non-conventional energy sources. The DISCOMs have not even explained as to why they had paid such higher variable costs to those projects. In their ARR submissions for the year 2017-18, the DISCOMs have considered energy availability from the new gas-based private power projects of GVK extension (220 MW), GMR Vemagiri (370 MW), Gautami (464 MW) and Konaseema (444.08 MW) as zero based on non-supply of natural gas from KG D-6 fields of Reliance Industries Limited. AP DISCOMs have a share of 46.11% (690 MW) in the installed capacities of these four projects. As and when supply of natural gas is resumed to these projects as per allocations, additional energy to the tune of 4835.52 MU would be available per annum at 80 per cent PLF. While informing that they have decided not to approve the request of these four projects to supply power generated with natural gas from deep water fields of ONGC, as the cost per unit would be around Rs.4.53 per kWh, the DISCOMs have admitted that "if any directions/allocations from MoP & NG or any court directions are received, APDISCOMs are obligated to off-take the power produced from the natural gas available from the Deep water fields." When the DISCOMs had purchased power from gas-based IPPs paying a variable cost of Rs.4.20 per unit during FY2015-16, they did not consider the cost per unit as not worth approving. When they purchased power from new IPPs paying a variable cost of Rs.2.32 per unit during FY2015-16, the DISCOMs did not explore possibilities for getting supply of natural gas increased to them by approaching the GoI through GoAP.

Discom's Response: APDISCOMs had purchased power from gas based IPPs namely GVK extension, Vemagiri, Gautami, GMR Rajahmundry Energy Ltd and Lanco Kondapalli Power Ltd at a tariff of Rs.4.70 Ps per unit (Single part tariff) for the FY2015-16 under e-bid RLNG scheme announced by MoP, GoI with the approval of Commission.

Variable Cost (Bio-Mass, Bagasse & Industrial waste): The cost mentioned is the average cost (Rs. /Unit) of NCE power purchase which is the factor of the amount incurred on purchase of renewable energy in Cr. to the energy received in MU. Hence, any decrease/ shortfall in MU results in increase of the average tariff. However, the payments to the NCE generators were made as per the terms & conditions of PPA and APERC approved tariff only.

Objection-7: Regarding claims of the DISCOMs for payment of interest on pension bonds for AP Genco stations for the FY2014-15 and FY2015-16, we would like to bring to the notice of the Commission again that while approving the first transfer scheme, APERC had permitted revaluation of the assets of AP Genco to provide for pension reserve funds which the erstwhile APSEB had not provided and maintained. The Commission had been liberal in allowing additional interest on a year to year basis in the tariff orders dated 24.3.2003 and 4.7.2013. Pension funds are supposed to be provided by the contributions of employees and managements and interest thereon earned periodically. As such, it is not fair to continue to impose such interest burdens on the consumers by allowing them as pass through periodically. The erstwhile APSEB failed in discharging its responsibility. Therefore, we request the Commission to dispense with the unfair practice of imposing the burden of interest on pension bonds on consumers of power. Let the power utilities bear it from their revenue or get as additional subsidy from the Government.

Discom's Response:

APGenco Stations:

Pension Commitments:

APERC determined tariff of APGenco for the control period 2014-19. APERC has allowed additional interest on pension bonds in tariff as provided in PPA and in earlier orders. The additional interest on pension bonds approved in the Multi Year Tariff order for FY2016-17 was considered in FY2016-17 retail tariff order. The additional interest on pension bonds for the FY2014-15 and FY2015-16 admitted by APERC was included in true-up claim to the extent of 46.11% share. The claim is as per the orders given by APERC in APGenco tariff.

Regarding payment of pensions by the respective companies, the power utilities are following the same as stated by the objector. The pension commitment is two parts i.e. APSEB service and Company service. The APSEB service (74%) is being met by APGenco and Company Service (26%) is by respective company only.

Objection-8:

Objection-8a: Commission is requested to consider the following points as well:

To determine the amounts taken over or to be taken over by GoAP from the debts of the DISCOMs for the FY2015-16 under UDAY and deduct the same from their true up claims. In the subject petition, the DISCOMs have not even made any mention of taking over of their debt by GoAP under UDAY.

Discom's Response: The loan taken over by the government of AP under UDAY scheme is Rs.7376 Cr. (i.e. APEPDCL : 2919.15 Cr. and APSPDCL: 4456.85 Cr.) on 18.10.2016 under 1st tranche and Rs.880.01 Cr. (i.e. APEPDCL: 79.84 Cr. and APSPDCL: 800.17 Cr.) under 2nd tranche paid on 09.03.2017. Special term loans contracted by APSPDCL and APEPDCL during FY2015-16 upto September, 2015 is Rs.525 Cr. and Rs.25 Cr. respectively. 75% of this long term debt was taken over by GoAP under UDAY. However as the loans taken over under UDAY scheme pertain to several years, the loans under the scheme need to be factored in True-up for 3rd control period which is to be filed along with the MYT filings for the 4th control period in FY2018-19.

Objection-8b: Direct the DISCOMs to collect liquidated damages from SDSTPP and HNPCL for delay in commissioning their stations, and penalty for lesser generation and supply of energy much below the threshold level of PLF, leading to huge shortfall in energy despatch, which, in turn, resulted in the DISCOMs purchasing additional power from other sources at higher costs.

Discom's Response: With regard to liquidated damages for delay in commissioning of the project by HNPCL, it is to state that as per the provisions of agreements, the delay on the part of HNPCL in completion of the project has already been contested by APDISCOMs in its counter petition dated 26.09.2015 in O.P.No.21 of 2015 and in its written submissions filed by APDISCOMs on 15.05.2017 before Commission with a claim of Rs.120 cr. But APERC is yet to approve PPA and finalization of the tariff.

With regard to the objection raised in collection of liquidated damages by the DISCOMs from SDSTPP, it is to inform that there is no provision for Liquidated Damages and penalties in any of the PPAs of Central and State PSUs. However, APDISCOMs would follow the directions if any are issued by APERC in this regard.

Objection-8c: Direct the DISCOMs to collect penalty from generators of units of wind and solar for shortfall in despatch, if it was due to delay in commissioning the units concerned.

Discom's Response: APDISCOMs imposed penalties and terminated the PPAs of solar power developers, as per the provisions of PPA due to delay in commissioning of Solar Power Plants.

Sri M.Thimma Reddy

Objection-9: True up Claims FY2015-16 Rs. in Cr

Sl. No.	Particulars	APEPDCL	APSPDCL	TOTAL
1	True up for FY2015-16 as claimed in ARR and Tariff Proposals of FY2017-18.	298.00	589.00	887.00
2	True up for FY2015-16 as claimed in the present petition.	324.00	644.00	968.00
3	Difference between power purchase cost as provided in the tariff order of FY2015-16 as mentioned in ARR and Tariff Proposals of FY2017-18.	165.57	1226.27	1391.84

APDISCOMs claimed Rs.887 Cr. towards true up for FY2015-16 as a part of their ARR and Tariff Proposals for FY2017-18. On the directions of the Commission they have filed the present petition. In this petition they have increased their true up claims for FY2015-16 by Rs.81 Cr. to Rs. 968 Cr. They have not provided any explanation for this increase in true up claims.

Discom's Response: The increase in true up claims from Rs.887 Cr. to Rs. 968 Cr. is due to not taking into consideration of PGCIL losses in the initial True up claim for APSPDCL while working out the allowable power purchase quantity.

Considering the above, the allowable power purchase quantity and the true up claims have increased by 248 MUs and Rs.81 Cr. respectively.

Objection-10: Even when power dispatch declined by 4,710.71 MU power purchase cost increased by Rs.1,361 Cr. When total quantum of power purchase was lower than allowed by the Commission the total power purchase cost also should have come down. But in the present case the contrary situation has taken place. Despite lower purchases total power purchase bill increased by Rs.1,361 Cr.

Discom's Response: The increase in power purchase cost is due to increase in per unit cost of power. While the power purchase decreased by 4,711 MU (8.7% decrease) from 54,225 MU to 49,514 MU, however the per unit cost of power increased from Rs.3.60/kWh to Rs.4.23/kWh. (17.5% increase).

As can be seen from above, net increase in power purchase cost is higher by 8.8% after adjusting for less quantum of power procurement.

Objection-11: Fixed costs paid to APGenco hydel units was Rs. 200 Cr. higher than approved by the Commission. We request the Commission to direct the DISCOMs to explain higher fixed costs paid to APGenco hydel units.

Discom's Response: As per Tariff Order for FY2015-16, the fixed charges approved for hydel stations including Nagarjuna Sagar tail pond was Rs.337.21 Cr. Subsequently, APERC in its order dated 26.03.2016 in O.P.No.3/2016 approved the fixed charges for 3rd control period FY2014-15 to FY2018-19. For the FY2015-16, the approved fixed costs are Rs.426.41 Cr. including Nagarjuna Sagar Tail Pond.

After bifurcation, TSGENCO is not scheduling power from its hydel stations. Similarly APGenco is also not scheduling hydel power to TSDISCOMs. Hence 100% power from APGenco hydel stations was availed and 46.11% was availed from interstate projects such as Machkund and T.B Dam. The reason for higher fixed cost proposed is as per said order. Similarly for FY2014-15 also the fixed charges liability is also included. As APDISCOMs have availed 100 % hydel energy, the fixed cost will admitted to that extent i.e. over and above 46.11%.

Objection-12: According to APDISCOMs' filing gas based IPP units were paid additional fixed costs of Rs.126.90 Cr. Reasons for this excess expenditure need to be explained. From the filings it is not clear whether these fixed are related to old gas based power plants only or all gas based plants including the stranded gas plants that received gas under Power System Development Fund (PSDF).

1,376.86 MU of power was procured from five stranded gas based power plants viz., GVK extension, Vemagiri, Gautami, GMR Rajahmundry, Lanco Kondapally (1108MW). These plants were provided gas linkage under PSDF. The subsidy bids received from stranded power plants were in the range of Rs.1.42 to Rs.1.45 per unit. The companies submitted bids for subsidy amount they would require to sell the incremental electricity that they will produce from the gas supplied to them at subsidized rates. The tariff of power was capped at Rs.5.5 per unit. From the filings it is not clear the price that APDISCOMs paid for this power. Any excess payment after taking in to account the subsidy provided by the central government under PSDF and the cap on price for power from these plants shall not be allowed.

Discom's Response: APDISCOMs had purchased power from gas based IPPs namely GVK extension, Vemagiri, Gautami, GMR Rajahmundry Energy Ltd and Lanco Kondapalli Power Ltd at a tariff of Rs.4.70 Ps per unit (Single part tariff) for the FY2015-16 under e-bid RLNG scheme announced by MoP, GoI with the approval of Commission.

Objection-13: During the FY2015-16 while variable cost of TSGENCO units increased by 12.74% that of APGenco units increased by 31%. Reasons for such exorbitant increase in fuel cost need to be examined and avoidable costs shall not be imposed on the consumers in the state.

Objection-14: Generation from coal based plants VTPS units, whose variable cost is lower (Rs.2.99 to Rs. 3.21 per unit) was lower by 596.97 MU and from RTPP units whose variable cost is higher (Rs.3.26 to Rs. 3.42 per unit) is higher by 643.61 MU. Because of this power procurement burden was higher by Rs.28 Cr.

Discom's Response: In respect of DSTPP-I&II, the per unit cost approved was Rs. 4.31/kWh and variable cost approved was Rs.2.35/ kWh in the Tariff Order for FY2015-16. The energy charges admitted was as per adhoc tariff of Rs.3.63/kWh which includes fixed and variable charges. The PPA is yet to be approved by APERC and capital cost is also yet to be determined by the Commission. The total cost was shown under variable cost head due to which variable cost appears to have increased beyond the actual level. If the adhoc tariff is split as Rs.1.28 towards fixed cost and Rs.2.35 towards variable cost, the variable cost of APGenco stations including DSTTP-I & II would reduce to Rs.2.89 per kWh instead of Rs.3.34 per kWh which is approximately on par with TSGenco stations. Further the TSGenco stations are less distance to the coal mines where as APGenco stations are far away from coal mines. There by transportation cost is factored in the coal cost hence cost of APGenco stations is more than the fuel cost of TSGenco stations.

Objection-15: Comptroller and Audit General (CAG) in its Report No. 6 of 2016 related to GoAP has dealt at length with fuel management in AP Genco units up to March 2016. It has highlighted gross mismanagement on the part of APGenco in handling fuel supplies that has led to exorbitant fuel cost increases. Some extracts from the Report are placed below:

"Though the Company was aware of the clause on joint sampling of coal and under-loading/over-loading freight charges, it failed to incorporate the same in the Supply Order placed on SCCL. In the absence of the clause, the Company could not claim Rs. 918.61 cr., towards value of ungraded and differential grades of coal during the years 2014 to 2016."

"Inadequate unloading facility in Coal Handling Plant (CHP) and inaction by the Company to augment the CHPs even after commissioning new units resulted in avoidable demurrage charges of Rs.112.66 cr. during 2011 to 2016."

"The difference in Gross Calorific Value (GCV) as per invoiced / received coal and the bunkered coal resulted in excess consumption of coal of 86.02 Lakh MT valued Rs.3,179.32 cr."

Discom's Response: The issue was noted and referred to APGenco for appropriate action.

Objection-16: Commission's attention is requested on following points also:

1. APSEB Engineers Association's submission on ARR and Tariff Proposals related to FY2017-18 wherein they highlighted mismanagement in handling coal supplies in APGenco which, led to higher power generation costs.
2. To see that cost escalation due to mismanagement of APGenco in handling coal supplies shall not be imposed on the electricity consumers in the state.

Discom's Response: Under the purview of the Commission.

6. Commission's Office queries and DISCOMs responses:

In the public hearing held on 21-07-2018, a letter has been filed by the Eastern Power Distribution Company of Andhra Pradesh Limited (APEPDCL) stating that apart from the amount from Rs.666.50 Cr. already factored in the APGenco tariff, Rs.838 Cr. has to be still approved as a

True-up towards pension liabilities, which is not in consonance with the oral submission made earlier. Hence, the Commission directed a detailed affidavit of responsible officer of the petitioners in this regard. Accordingly, the affidavit is filed by Chief General Manager, RAC, SPDCL in the public hearing held on 10-08-2018. Commission directed its office to verify affidavit and put up a note before it in the next date of public hearing i.e., on 18-08-2018. Certain questions raised by the Commission's office, an affidavit filed by the DISCOMs are served to all parties in the public hearing held on 18-08-2018.

The questions raised by the Commission's office and reply furnished by the DISCOMs are as given below:

Query-1: Why the audited accounts were not submitted for True up claim?

Discom's Response: In the Regulation, there is no mention of the requirement of submission of audited accounts along with the true up claims. However, the audited accounts reports of both DISCOMs for FY2015-16 are herewith enclosed.

Query-2: Why the actual true-up/true-down claim for FY2014-15 is not submitted yet, though the provisional true-up of Rs.958 Cr. was admitted by the Commission for FY2014-15 in the ARR determination for the FY2015-16?

Discom's Response: In the reference Lr. No. CGM / Opn. / APSPDCL/TPT/RAC/F: / D.No.393/2017, Dt.10-07-2017 (Revised True-up petition), it was stated that due to participation in UDAY scheme by Govt., of A.P, the APDISCOMs have not filed true-up petition of power purchase costs for FY2014-15.

Query-3: Why Rs.413.85 Cr. pertaining to FY2014-15 was included in the True-up claim for the FY2015-16 and what about the provisional claim Rs.958 Cr. admitted by the Commission in this regard in the RST order for FY2015-16?

Discom's Response: The amount of Rs.413.85 Cr. pertaining to FY2014-15 was included in the true-up claims for FY2015-16 as the amount was incurred during FY2015-16 (as the fixed charges of APGenco plants were revised vide APERC Orders in OP.No.16 of 2016, dt. 26-03-2016) subsequent to finalization of audited accounts for FY2014-15.

The provisional claim of Rs.958 Cr. admitted by the APERC for FY2014-15 is not taken into consideration as the final true up for FY2014-15 is not filed in view of participation of the DISCOMs in UDAY scheme.

Query-4: When the DISCOMs themselves admitted in the ARR submissions for FY2015-16 that the pension liabilities are included in fixed costs of AP Genco and the same was acknowledged by the Commission vide Para 215 of RST order for FY2015-16, why different stand is taken by DISCOMs in the latest affidavit submitted to the Commission? The fact is that differential fixed cost including pension liabilities is only Rs.262.07 Cr. over and above the fixed costs approved in the RST order for FY2015-16 in comparison to subsequent AP Genco Tariff order issued by the Commission in this regard

Discom's Response: In the para No.215 of Retail Supply Tariff order for FY2015-16, the APERC has observed as follows:

"The Licensees have estimated the fixed cost for APGenco and TSGenco stations at Rs.4391 Cr. for FY2015-16. Pending determination of the fixed cost for third MYT control period of five years from FY2014-15 to FY2018-19, the Commission has adopted the fixed costs determined for these stations for FY2013-14 in the generation tariff order for second MYT control period and provisionally estimated the fixed cost at Rs 4078 Cr. for FY2015-16. The fixed costs approved herein are subject to the adjustments to be carried out as and when the generation tariff is determined for these stations.

The licensees have included the pension liabilities in fixed costs payable to generating stations owned by APGECNO during FY2015-16. The Commission has decided to take up the issue of pension liabilities at the time of determination of generation tariff for APGECNO stations for third Control Period from FY2014-15 to FY2018-19".

Subsequently, the APERC approved Tariff of APGenco generating stations for the 3rd control period from 01-04-2014 to 31-03-2019 on 26-03-2016 in OP.No.3 of 2016.

Fixed cost of APGenco Thermal plants and pension liabilities as per Retail Supply Tariff Order for FY2015-16 and orders in OP.No.3 of 2016 are as follows:

AP GENCO Thermal Station wise Fixed Cost for FY2015-16				
Station	**As per Tariff Order for FY2015-16**	**Revised Tariff as per O.P.No.3 of 2016, Dt.26.03.2016 (Total Station)**	**Revised Tariff Dt.26.03.2016 (AP Share @ 46.11%)**	**Difference (Payable)**
Dr.NTTPS-I, II & III	210.76	640.22	295.21	**84.45**
Dr.NTTPS-IV	225.73	485.61	223.91	**-1.82**
RTPP Stage- I	103.47	264.49	121.96	**18.49**
RTPP Stage- II	190.97	436.20	201.13	**10.16**
RTPP Stage- III	129.20	293.07	135.13	**5.93**
Interest on Pension Bonds	-	666.50	307.32	**307.32**
Thermal total	**860.13**	**2786.09**	**1284.67**	**424.54**

Hence, the differential fixed costs including pension liabilities of APGenco Thermal Plants for FY2015-16 is Rs.424.54 Cr.

Query-5: The Commission had determined Rs.414.06 Cr. towards the additional subsidy required to be paid by the GoAP to both the licensees for the additional sales made to the agricultural consumers in FY2015-16. Why this amount is not taken into account while filing the latest affidavit to arrive at the actual True-up claim for FY2015-16?

Discom's Response: The licensees have filed true-up for FY2015-16 as per first amendment regulation 2014. As per the Regulation:

"a. The Distribution licensee shall include the power purchase cost variation over the previous year Power purchase cost in the Tariff Order as expense (in the event of incurring excess cost)/ rebate (in case of saving) in the ARR as special item with relevant details. To arrive at the power purchase cost variation, the least of the following power purchase quantity is to be considered:

Actual power purchase quantity procured by the DISCOMs for its consumers Power purchase quantity computed based on actual sales except LT Agriculture sales. LT Agriculture sales will be limited to Tariff Order quantity. These aggregated sales will be grossed up with approved losses for the relevant year in the MYT Orders.

The allowable power purchase quantum calculated as per the above procedure was used to re-compute the Merit Order Dispatch and the normative variable costs. The total of the difference between the approved and actual values of Fixed costs, Variable costs, Incentives and other expenses is the regulatory true-up.

The difference between actual agricultural sales and approved agricultural sales is grossed up with approved losses to arrive at additional power procurement and the power procurement cost was computed to determine additional subsidy requirement for additional agricultural sales.

Following the above procedure, the petition – I.A.No.12 of 2017 in O.P.Nos. 1 & 2 of 2015 was prepared with two parts.

(1) True-up on increase in power purchase cost for FY2015-16– Rs.968 Cr.

(2) Additional subsidy requirement for additional agricultural sales – Rs.414.06 Cr.

The APERC has approved Rs.414.06 Cr. as additional subsidy towards agriculture sales already. Hence, the additional subsidy amount towards agricultural sales was not specified in the affidavit on true-up.

Query-6: What are the reasons for different amounts for True up in O.P.Nos. 1 & 2 of 2015 (Rs. 887 Cr.) and I.A.No.12 of 2017 (Rs. 968 Cr.) and also why there is difference in figures w.r.t. bilateral purchases in I.A.No.12 of 2017 (7285 MU) and latest affidavit filed (6691 MU)?

Discom's Response: The reason for different amounts for true-up in O.P.Nos. 1 & 2 of 2015 (Rs. 887 Cr.) and I.A.No.12 of 2017 (Rs. 968 Cr.) is not taking into consideration of PGCIL losses in the initial true-up claim for APSPDCL while working out allowable power purchase quantity.

The market purchases from short term sources as per Annexure-I of I.A.No.12 of 2017 is 7285 MU. After limiting the agricultural sales to the approved quantities and running of merit order despatch for FY2015-16 to compute recoverable true up, the market purchases are arrived as 6691 MU as per Page No.17 & Annexure-3 of I.A.No.12 of 2017 in OP.Nos. 1 & 2 of 2015.

Query-7: Why the Commission was not approached seeking permission to purchase from the Market when the approved quantity is not sufficient to meet the demand and also what are the reasons to purchase about one third of the energy out of the total market purchase @ rate over and above the ceiling price Rs.5.70 per unit fixed by the Commission in the RST Order for FY2015-16?

Discom's Response: The response of the Discom as provided in objection 3 and 6d.

7. In the public hearing dated 03-11-2018, the Commission has sought further clarification on some queries raised by the Commission's office on True-up claims of DISCOMs. The queries and response furnished by the DISCOMs are as follows:

Query–1: With reference to the fixed cost variation of APGenco stations for FY2014-15, the DISCOMs calculation appears to be based on Tariff Order for FY2015-16 and O.P.No.3 of 2016, dt.26-03-2016 (fixed charges tariff order of APGenco) approved by the Commission. But the Commission had directed the DISCOMs to continue the Tariff for FY2014-15 as per the Tariff Order for FY2013-14. Hence, the calculations are to be done based on Tariff order for FY2013-14 or actual payments made to APGenco and O.P.No.3 of 2016. As actual payments made to APGenco for FY2014-15 are not furnished by the DISCOM, the tentative estimation based on Tariff Order for FY2013-14 and O.P.No.3 of 2016 arrived as True down of Rs.374.28 Cr. as against the true up claim of Rs.413.84 Cr. for FY2014-15.

Discom's Response:

1) In the information furnished by APDISCOMs, the reference data for FY2014-15 has been taken from O.P.No.15 of 2009 values and only APGenco Thermal have been taken
2) O.P.No. 15 of 2009 Order envisaged revised fixed costs approved to APGenco stations consequent to an application made by the Company for the 2nd control period ending FY2013-14.
3) Since no Retail Supply Tariff Order has been issued for FY2014-15 and the APERC has directed to continue Retail Supply Tariff Order for FY2013-14 for FY2014-15 as well, the APDISCOMs have admitted the fixed costs as per O.P.15 of 2009 for FY2014-15 initially
4) Further vide the order in O.P.No.3 of 2016, the APERC has determined fixed charges for APGenco stations for the third control period spanning

FY2014-15 to FY2018-19. The APDISCOMs have admitted the fixed costs for FY2014-15 in accordance with the subject order.

5) As pointed out by the Commission, the fixed cost reference figures have to be considered from the then prevailing Tariff Order for FY2013-14.
6) Even if we consider APGenco Thermal & Hydro plants and reference numbers from Tariff Order for FY2013-14, the approved fixed costs works out to Rs.1288.12 Cr. as against Rs.2021.08 Cr. worked out by the Commission
7) As a result, the deviation works out positive value of Rs.358.7 Cr.

Query–2: With reference fixed cost variations of APGenco stations for FY2015-16, the DISCOMs appear to have considered difference of fixed costs only for thermal stations. After taking into account of difference of fixed costs (inclusive of interest on pension bonds) of all stations of APGenco, the tentative estimation of true up is Rs.453.26 Cr. as against the DISCOMs claim of Rs.424.54 Cr. for FY2015-16.

Discom's Response: DISCOMs have reconciled the data and agree with the calculation of the Commission.

Query–3: In the APDISCOMs calculation, Rs.474 Cr. was claimed without furnishing any details. The DISCOMs may clarify the above and furnish the details for the claim of Rs.474 Cr. shown in the variable cost of summary table.

Discom's Response: The amount of Rs.474 Cr. was shown in the true-up petition towards D-D transaction. However, in view of the treatment to DISCOM to DISCOM transactions in revenue and expenditure terms, the net effect is appearing to be a Zero sum game. The DISCOMs which consumes over and above its allocation has to pay its counterpart for the over drawl and vice versa.

Query–4: Further, the provisional true-up of Rs.958 Cr. was allowed in computing the ARR for FY2015-16 towards power purchase cost variation for FY2014-15. 75% of losses for all the full FY2014-15 had been taken over by GoAP in the form of grant as submitted by the DISCOMs. Therefore, Rs.718.50 Cr. (75% of Rs.958 Cr.) allowed by the Commission in the ARR for FY2015-16 towards power purchase cost variations for FY2014-15 has become over / double receipt for the DISCOMs. DISCOM may clarify whether the commitment of GoAP under UDAY scheme for reimbursement of Rs.8256.01 Cr. has resulted in any physical benefit to the DISCOMs.

Discom's Response: In reply it is to submit that, giving effect to the provisional true-up allowed by the APERC for FY2014-15 requires determination of true-up / true-down of power purchase cost variation for FY2014-15 duly considering the total power purchase cost of all stations. As the present petition is related to the differential fixed costs of FY2014-15 incurred in FY2015-16 consequent to the issue of OP.No.3 of 2016 by the APERC, the provisional true-up for FY2014-15 need not be taken into consideration in the present petition. The provisional true up for FY2014-15 needs to be taken into consideration only at the time of determination of true-up for FY2014-15.

UDAY scheme has been notified by GoI for operational and financial turnaround of DISCOMs on 20-11-2015. Accordingly State Govt. entered into a tripartite MoU with Ministry of Power (GoI) and DISCOMs on 24-06-2016.

As per Clause 1.2(a) of the MoU, GoAP agreed to take over 75% of working capital term loan of Rs.8461.75 Cr. and 100% FRP bonds of Rs.2546.15 Cr. of the APDISCOMs outstanding as on 30th September 2015. Accordingly GoAP issued G.o.Ms.No.27, Energy Infrastructure & Investment (Power-I) Department, dt.26-07-2016.

	Outstanding loans as on 30-09-2015 Rs in Cr.
Capex Loans	3712.49
Working capital loans	8461.76
FRP Bonds liability	2546.15
Total	**14720.40**

Out of the total outstanding loans of Rs.14720.4 Cr. as on 30-09-2015, GoAP has accorded approval for takeover of 75% of working loans (Rs.6346.32 Cr.) and 100% of FRP bonds (Rs.2546.15 Cr.).

S.No	Particulars	APEPDCL	APSPDCL	Total
		Rs. in Cr.		
1	Against 100% FRP bonds	1205.95	1340.20	**2546.15**
2	Against 75% working capital loan	2094.53	4251.79	**6346.32**
Total		**3300.48**	**5591.99**	**8892.47**

As on date GoAP has taken over loans as given below:

S.No	Particulars	APEPDCL	APSPDCL	Total
		Rs. in Cr.		
1	Against 100% FRP bonds	904.46	1005.23	**1909.69**
2	Against 75% working capital loan	2094.53	4251.79	**6346.32**
Total		**2998.99**	**5257.02**	**8256.01**

The GOAP did not take the losses of FY2014-15.

The interest liability on working capital is not a recognized expenditure as per regulation of APERC. Thus the liability taken over by GOAP under UDAY scheme is a relief in interest liability for working capital to APDISCOMs. Further the GoAP took over Rs.7376 Cr. on 18-10-2016 and Rs.880.01 Cr. on 09-03-2017. The DISCOMs had to incur carrying cost of Rs.1035.07 Cr. from 30-09-2015 to the date of taking over of loans by the GoAP. In this regard, it is requested to keep the above carrying cost in view while finalizing the true-up petition.

Query-5: As per UDAY MoU (para 2j), GoAP shall provide operational funding requirement (OFR) support to the DISCOMs till the DISCOMs achieve turn around which shall also include the outstanding power purchase liabilities of the DISCOMs as on 31-03-2015. In this regard, the DISCOMs may submit the outstanding power purchase liabilities as on 31-03-2015 which was submitted to the GOAP for assistance.

Discom's Response: In reply it is to submit that GOAP has not provided operational funding requirement (OFR) support to the APDISCOMs as per the UDAY MOU. Further the DISCOMs have not furnished outstanding power purchase liabilities of the DISCOMs as on 31-03-2015. The outstanding power purchase liabilities of DISCOMs as on 31-03-2015 are given below:

APSPDCL : Rs.2402.80 Cr.
APEPDCL : Rs.1508.04 Cr.

Instead DISCOMs have furnished outstanding loan liabilities as on 30-09-2015 only.

8. Commissions's final view and Conclusions:

The Commission after perusal of all the objections, queries raised by the Commission's office and replies/responses furnished by licensees in this regard, arrived at following conclusions:

(i) The licensees submitted final true up claim for FY2015-16 for Rs.968 Cr. (EPDCL-Rs.324 Cr. and SPDCL -Rs.644 Cr.) and as detailed below:

S. No.	Description	True-up Required (Rs. Cr.)
1.	Variation due to deviation in fixed costs (Majorly due to delay in Commissioning)	(-)2,823
2.	Variation due to increase in variable costs (primarily due to increase in cost of coal and purchase of power from market)	2,991
3.	Variation due to other costs (primarily due to pension liabilities of APGenco Stations)	800
4.	**True –Up for FY 2015-16**	**968**

(ii) Inference: (a) With reference to Rs.474 Cr. included in the variation due to variable costs (sl.no.2 of above table), the licensees have submitted that the net effect is zero in view of the treatment to Discom to Discom transaction in both revenue and expenditure term. Hence, the net variation becomes Rs.2517 Cr.

(b) Other costs Rs.413.84 Cr. pertaining to FY2014-15 that was included in the variation due to other costs Rs.800 Cr. (sl.no.3 of above table) was not admitted for true up claim for FY2015-16 for the following reasons.

1. The Commission has considered provisional true up of Rs.958 Cr. for FY2014-15 in the determination of ARR for FY2015-16 in the Retail Supply Tariff Order for FY2015-16.
2. As on 30.09.2015, out of the total Discoms' outstanding liabilities of Rs.14720.40 Cr., the Government of Andhra Pradesh has taken over Rs.8256.01 Cr.
3. In the absence of total comprehensive picture of true up for FY2014-15 which the licensees have not filed any petition in this regard so far before the Commission.

Therefore, variation due to other costs Rs.800 Cr claimed by the licensees becomes Rs.386.16 Cr. But, Discoms have calculated fixed cost variations of APGenco stations for FY2015-16 as Rs.424.54 Cr. as against the actual difference of Rs.453.26 Cr. calculated by the Commission. Hence taking this difference of Rs.28.72 Cr. amount into consideration, variation due to other costs is estimated as Rs.414.88 Cr.

(iii) After accounting the variations (ii)a & (ii)b, the true up estimated for FY2015-16 is as below.

S. No.	Description	True-up estimated (Rs. Cr.)
1.	Variation due to deviation in fixed costs	(-)2,823.00
2.	Variation due to increase in variable costs	2,517.00
3.	Variation due to other costs	414.88
4.	**True –Up for FY 2015-16**	**108.88**

The total true up of Rs.108.88 Cr. as estimated above for both the licensees shared among them on the basis of the power purchased by EPDCL and SPDCL for FY2015-16 as per their submissions. Thus the true up claim of EPDCL is Rs.36.43 Cr. and SPDCL is Rs.72.45 Cr. for FY2015-16.

(iv) Licensees are directed to have a prudent check on fuel expenditure incurred by the Generators as per the norms & standards in this regard keeping in view of the various objections received & points raised by Comptroller & Auditor General in this regard.

(v) The Commission takes this opportunity to place its appreciation on record for the learned and valuable assistance, experienced guidance of Sri. P. Shiva Rao, Sri G.V. Brahmanada Rao, Sri M. Venugopala Rao, Sri A. Punna Rao, Sri Ch. Narasinga Rao, Sri M. Thimma Reddy, Sri P. Madhu and Sri B. Tulasidas.

(vi) The Commission also wishes to place on record their appreciation for the efforts of the two members of the Commission family namely, Sri. D. Ramanaiah Setty, Deputy Director (Tariff Engineering) and Smt. P.V. Padmaja, Private Secretary in assisting the Commission in this regard.

This Order is signed on 2nd day of February, 2019.

Sd/-	Sd/-	Sd/-
P. Rama Mohan	**P. Raghu**	**Justice G. Bhavani Prasad**
Member	**Member**	**Chairman**