

NOTE:

Sub: Ferro Alloy Industry representation - Removal of Deemed Consumption Charges Clause mentioned in tariff order FY 2016-17.

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1) AP Ferro Alloys Producer's Association (APFAPA) made a representation to the Commission vide letter dated 02-04-2016, seeking removal of deemed consumption charges prescribed in the latest tariff order for FY 2016-17. The details of the letter in brief are furnished below:

- They stated that they have represented about the ill effects of deemed consumption charges during the public hearing held at Tirupati on 10-03-2016.
- The DISCOMs are silent on deemed consumption charges clause in the ARR filings.
- The deemed consumption charges clause mentioned in the tariff order played havoc leading to sickness in the industry.
- In view of the changed environment of the macro economic conditions accentuated by market volatility, long term contracts are being replaced by quarterly revisions in most supply contracts.
- This would go a long way in restarting of the closed industries confidently without the fear of imposition of deemed consumption charges.
- Requested the Commission to do away with the deemed consumption charges clause and replace it with a more reasonable 'Minimum Consumption Clause' on the lines of Railway category.

Discussion on the issue:

2) It is a fact that the industry is suffering a lot and most of the industries have closed their operations. The Government of Andhra Pradesh having noticed the difficulties faced by the industry extended a subsidy of ₹ 1.50 per unit to revive the ailing industry.

3) The DISCOMs have included four more industries viz., PV ingots, Cell manufacturing units, Poly Silicon Industry and Aluminum Industry apart from Ferro Alloy Industry with a revised name "Energy Intensive Industries". The order issued in OP.No. 29-33 of 2002, is specifically related to Ferro Alloy Industry only. In response to a representation made to the

Commission, the Commission issued an order dated 18-02-2016 directing the DISCOMs not to levy deemed consumption charges during disconnection period. It is not known whether the other four industries which are included in the present tariff order can achieve 85% load factor.

4) The DISCOMs have included the four new industries into this category to attract these industries into our state. Taking into consideration the fact that the Ferro Alloy Industry in the State of Andhra Pradesh is in the state of collapse, that any liability to pay deemed consumption charges will be further onerous and unbearable for the said industry and as a better safeguard to protect the interest of the DISCOMs while not strangulating the industry has to be devised, the Commission considers it necessary, reasonable and just to remove the deemed consumption charges clause mentioned in para under the heading '7.2 HT-I (B) Energy Intensive Industries' of page no.255 of the tariff order FY 2016-17 and replace with minimum energy charges clause.

5) Therefore, para under the heading '7.2 HT-I (B) Energy Intensive Industries' of page no.255 of Tariff Order FY 2016-17 shall stand deleted and be substituted with the following clause. The substituted clause also shall be deemed to take effect from 01-04-2016.

"Energy charges will be billed on the basis of actual energy consumption or 50 kVAh/kVA per Month of Contracted Demand, whichever is higher".

Sd/-
P. RAMA MOHAN
MEMBER

Sd/-
Dr. P. RAGHU
MEMBER

Sd/-
G. BHAVANI PRASAD
CHAIRMAN