

# ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

## Draft Regulation No. \_\_\_ of 2013

### (First Amendment to the Regulation 4 of 2005)

#### **INTRODUCTION:**

Andhra Pradesh Electricity Regulatory Commission notified Regulation No.4 of 2005 (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) in Andhra Pradesh Gazette, on 14.11.2005, [herein after referred to as the Principal Regulation].

As per said Principal Regulation, licensees shall file Aggregate Revenue Requirement (ARR) for Distribution Business and Retail Supply Business along with Filing for Proposed Tariff (FPT) for recovery of ARR for the entire Control Period, beginning with the second Control Period (i.e., 2009-10 to 2013-14) and the Commission shall determine ARR and Retail Supply Tariff for the said Control Period. In this framework, ARR and tariff fixation for each year of the Control Period is contemplated to be determined at one time in advance for the entire five years period.

The Principal Regulation states that the distribution licensee has to claim variations in uncontrollable items of Distribution Business & Retail Supply Business including power purchase cost for the year succeeding the relevant year of the Control Period after netting out the impact of controllable items.

Regulation No.1 of 2003 amended the APERC (Conduct of Business) Regulation 1999, and provided for the licensee to recover from or pay to consumers as the case may be, variations in power purchase cost through levy of fuel surcharge on a quarterly basis. This provision enabled the licensee to recover variation of power purchase cost in a timely manner without accumulating it for true up at the end of the relevant Control Period in the Multi-Year-Tariff Regulatory Frame-work (MYTRF). The levy of Fuel Surcharge has been approved by the Commission up to FY 2012-13 under the said Amendment Regulation. This Amendment Regulation No.1 of 2003 has been repealed vide Regulation No.2 of 2013 and the provision empowering the Commission to authorize the levy of Fuel Surcharge Adjustment has been deleted.

From the beginning of the second Control Period (FY 2009-10 to FY 2013-14) Distribution Licensees have been requesting the Commission every year to permit them to file ARR for Retail Supply Business on annual basis on various grounds. These include uncertainty involved in projection of quantum of power to be procured from various sources, including from outside the State of Andhra Pradesh, corridor constraints to procure through NEW Grid as well as its cost and delay in commissioning of new power plants. It was also represented that Short falls in generation from Hydel Stations, shortage of Natural Gas to gas based IPPs, further magnify such uncertainties. As the cost of power purchase constitutes about 75% of the total cost of ARR of Retail Supply Business there is uncertainty in the medium term of quantity to be procured from open market.

The Commission, after considering the evolving complexities involved in forecasting the Sales and Revenue Requirement and the uncertainties involved in the Retail Supply Business, has been permitting licensees to file the ARR and Tariffs for Retail Supply Business on annual basis from 2009-10 onwards.

With the repeal of Regulation No.1 of 2003, the licensees are no longer empowered to recover the variation in power purchase cost through levy of a fuel surcharge.

As per the MYTRF, the licensees will have to accumulate these variations till the end of respective Control Period. This approach may militate against the present regime of annual filings and may place an unacceptably high burden on licensees through on unduly elongated carrying cost burden.

Given that the quantum of variation of power purchase cost for each year is likely to be high (either way depending upon the actual market conditions during that year), the Commission considers that the recovery of such cost variation should also be under taken annually in tune with annual retail supply tariff filings.

In the present context of Annual Filings for Retail supply Business and non- availability of any provision for periodic adjustment of Power Purchase Cost variation, an annual true up is desirable to ensure an equitable burden on both licensees and consumers. Accordingly, the Commission proposes to permit the licensees to include the variation in power purchase cost for a tariff year as an item cost in the succeeding year's ARR relating to Retail Supply Business.

The proposed amendment of APERC (Terms & Conditions for Determination of Tariff for Wheeling and Retail Supply of Electricity) regulation, 2005 i.e., Regulation No.4 of 2005 is placed below. Comments / Views / Suggestions on the amendment from all stake holders are solicited.

In exercise of powers conferred under Clauses (zd), (ze) and (zf) of Section 181(2) read with Sections 61, 62 of Electricity Act 2003(36 of 2003) and Clause 23 of Regulation No.4 of 2005 and all other enabling powers in that behalf, the Andhra Pradesh Regulatory Commission hereby makes the following amendments to the Principal Regulation, viz., APERC (Terms & Conditions for Determination of Tariff for Wheeling and Retail Supply of Electricity) Regulation, 2005.

### **1. Short title, Extent and Commencement**

- (i) This Regulation may be called the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) First Amendment Regulation, 2013.
- (ii) This Regulation shall extend to the whole State of Andhra Pradesh.
- (iii) This Regulation shall come into force on the date of its publication in the Andhra Pradesh Gazette.
- (iv) This Regulation will be applicable only as long as Commission authorizes filing the Tariff for Retail Supply Business on an annual basis.

### **2. DEFINITIONS AND INTERPRETATION**

- (i) The following sub-clause shall be inserted after sub-clause 12.4 in the Principal Regulation.

#### **“12.5 True up for Retail Supply Business**

- 1) The Distribution Licensee shall include the power purchase cost variation (limited to power purchase quantity approved in the tariff orders) for previous year as expense (in the event of incurring excess cost)/rebate (in case of cost saving) in the ARR as special item with relevant details.

- 2) Since the complete information of cost actually incurred relating to previous year will not be available at the time of filing of ARR for a tariff year, the Licensee may include provisional cost variation for the previous year in ARR filings which will be subject to final correction by the Commission as and when final accounts for that year become available.
- 3) The Licensees shall also include in the ARR the amounts to be collected on final basis being the difference between the cost incurred based on audited annual accounts report and costs provisionally approved by Commission in the Tariff Order for the year immediately preceding the previous year.

- 4) The amount to be trued up for Retail Supply Business in a tariff year shall be determined as follows:

$$\sum_i^n \Delta C_{trp}(t) = \left[ \sum_i^n C_{prv}(t-1) - \sum_i^n C_{apr}(t-1) \right] + \sum_i^n C_{fnl}(t-2) - \mu(t-2)$$

Where summation  $\sum$  extends over all Power Purchase sources  $i = 1, 2, \dots, n$

$\sum_i^n \Delta C_{trp}(t)$  = Truing up cost summed over all sources for the tariff year (t).

$\sum_i^n C_{prv}(t-1)$  = The Power Purchase cost summed over all sources based on provisional estimates for the previous year (t-1).

$\sum_i^n C_{apr}(t-1)$  = The power purchase cost summed over all sources as approved in Tariff Order for the Previous year (t-1)

as per the relevant Tariff Order

$\mu(t-2)$  = Ineligible items charges and Interest amounts paid on capital borrowed for financing the power purchase cost where they have been included in determination of power purchase cost in the accounts for the year (t-2).

$$\sum_i^n C_{fnl}(t-2) = \sum_i^n C_{actb}(t-2) - \sum_i^n C_{prv}(t-2)$$

= (The difference between actual power purchase cost as per Audited Balance Sheet for (t-2) year and provisional power purchase cost of the year (t-2) adopted in the year (t-1) by the Commission)

Where  $\sum_i^n C_{actb}(t-2)$  = The actual power purchase cost summed over all sources based on audited balancesheet for the year (t-2)

$\sum_i^n C_{prv}(t-2)$  = The Power purchase Cost summed over all sources based on provisional estimates adopted in year (t-1) for the year (t-2).

Note :- Claim of power purchase variance of FY 2012-13 will not be allowed under item  $\sum_i^n C_{fnl}(t-2)$  as entire

amount has already been recovered under FSA earlier. The term  $\sum_i^n C_{fnl}(t-2)$  will be applicable from the year t = 2015-16 onwards only

- 5)  $\sum \Delta C_{trp}(t)$  will be added to  $\sum C_{apr}(t)$  as determined by the Commission to get total approved purchase cost as  
 Approved cost (t) =  $\sum C_{apr}(t) + \sum \Delta C_{trp}(t)$

#### Working example of above formula:

$\sum_i^n \Delta C_{trp}(t)$ , (t) is to be determined for the year FY 2015-16

$\sum_i^n C_{prv}(t-1)$ , FY 2014-15 which is (t-1). Provisional power purchase cost amount for all source aggregates to Rs.42500/-.

$\sum_i^n C_{apr}(t-1)$ , FY2014-15 which is (t-1), is the aggregate approved power purchase cost in the relevant Tariff Order for all the sources say Rs.42,000/-

$\sum_i^n C_{fnl(t-2)}$ , is the difference between actual aggregate power purchase cost incurred based on audited balance sheet for the year FY2013-14 and provisional power purchase cost amount for year FY 2013-14 approved during the FY 2014-15.

$\sum_i^n C_{actb(t-2)}$  = Actual power purchase cost incurred during FY 2013-14 (based on the audited balance sheet) is Rs.35,627/-

$\sum_i^n C_{prv(t-2)}$ , provisionally aggregates power purchase cost estimated for FY 2013-14 is Rs.35127/- at the time of ARR filing for FY2014-15 and adopted by the Commission during the year FY 2014-15

$$\sum_i^n C_{fnl(13-14)} = 35627 - 35127 = 500$$

Assume  $\mu_{(13-14)} = 0$

$$\begin{aligned} \sum_i^n \Delta C_{trp(15-16)} &= \left[ \sum_i^n C_{prv(14-15)} - \sum_i^n C_{apr(14-15)} \right] + \sum_i^n C_{fnl(13-14)} - \mu_{(13-14)} \\ &= (42500 - 42000) + 500 - 0 \\ &= 1000 \end{aligned}$$

Assume  $\sum C_{apr(t)}$  is 43000

Then Approved cost(t) = 43000 + 1000 = 44000

- 6) The approved amounts which are to be collected or have already been collected by Licensee from the consumers for the reference year in pursuance of any regulation/order covering u/s 62(4) of Electricity Act 2003 or in pursuance of clause 12(4) of this regulation shall be suitably adjusted.
- 7) The Commission, after examination of the details, will approve the expense/rebate duly dealing the same in detail in the relevant Tariff Order. No expense shall be added to or rebate shall be deducted from ARR unless the details of such amounts are provided in the tariff order.
- 8) If the Commission feels it is necessary to avoid tariff shock, it may consider carrying forward to subsequent years as a regulatory asset as much a provision of the trued up cost i.e.  $\sum \Delta C_{trp(t)}$  to recoup suitably.
- 9) A format in which information on power purchase quantity and its cost to be filed by licensee for true up is enclosed to this Regulation.

(BY ORDER OF THE COMMISSION)

Hyderabad  
23.12.2014

M.D.MANO HAR RAJU  
Commission Secretary

Statement showing the details of Power purchase quantity and cost incurred during the the FY \_\_\_\_\_ and the claim of element wise cost variance.

Name of DISCOM:

Fianacial Year :

Generating Station	Plant Capacity (MWs)		DISCOM's share	Energy Purchased (MU) by DISCOM		Cost Components (Rs. Crs.)												Cost Variance claim (Rs. Crs)							
	Tariff Order	Actual		Tariff Order	Actual	Fixed		Variable		Incentive		Income Tax		Others		Total		Fixed	Variable	Incent-ives	Income Tax	Others	Total		
			Tariff Order			Actuals	Tariff Order	Actuals	Tariff Order	Actuals	Tariff Order	Actuals	Tariff Order	Actuals	Tariff Order	Actuals	Tariff Order	Actuals	Tariff Order	Actuals	Variance	Variance	Variance	Variance	Variance
(a) THERMAL #																									
(b) HYDRO #																									
<b>I . APGENCO Total</b>																									
NTPC- (SR) #																									
NTPC - (ER) #																									
NTPC- Simhadri #																									
NLC #																									
NPC #																									
<b>II . TOTAL CGS</b>	-	-		-	-																				
III . APGPCL #																									
IV . IPPS #	-	-																							
V. NCE #																									
VI .OTHERS #																									
VII . MARKET #																									
<b>Grand Total ( I to VII)</b>																									

# - Provided details Station wise as per relevant year actuals data.