



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
4th & 5th Floors, Singareni Bhavan, Red Hills, Hyderabad 500 004

RP (SR) No.23 of 2012

Dated: 18.02.2013

Present

Sri A.Raghotham Rao, Chairman
Sri C.R.Sekhar Reddy, Member
Sri R.Ashoka Chari, Member

Between
M/s. APNPDCL

.... Petitioner

And

Nil

... Respondent

This petition has come up for hearing on 19.01.2013 in the presence of Sri P.Shiva Rao, Advocate for the petitioner, the Commission passed the following:

O R D E R

This petition is filed by the petitioner u/s 49 of the APERC (Business Rules of the Commission) Regulations 1999, seeking reconsideration of NCE cost adjustment and Non-tariff income in the retail supply business tariff order for FY 2012-13 dated March 30.2012.

The case of the petitioner is briefly as follows:

- (i) In the said Tariff order for the FY 2012-13, the Commission has approved an amount of Rs.135.06 crores against actual NTI Rs.74.70 crores as per audited accounts for the FY 2010-11, which exceeded by Rs.60.36 i.e., 81% excess over that of FY 2010-11. This will have an adverse impact on licensee's financial condition.
- (ii) Based on the observation and licensee's analysis provided hereunder, the licensee seeks reconsideration by the Commission on the issue highlighted above.

A. NCE Cost adjustment among the all Discoms in Retail Supply Business Tariff Order 2012-13

As per Tariff order

(NCE Adjustment) Power Purchase cost for FY 2012-13						
Discoms	Allocation from NCE sources (MU)	NCE purchase required (MU)	Surplus / (Deficit) (MU)	Power purchase cost Rs.Cr		
				Before adjustment	After adjustment	NCE Cost adjustment
1	2	3	4	5	6	7=(5-6) = (Rs.- 0.7442*4)
CPDCL	442.86	692.32	-249.46	12613.96	12592.22	21.74
EPDCL	236.44	257.12	-20.68	4766.53	4766.04	0.49
NPDCL	263.20	215.70	47.50	3861.38	3862.80	(1.42)
SPDCL	590.29	367.95	222.64	6782.43	6803.24	(20.81)
Total	1532.79	1532.79	0.00	28024.30	28024.30	-

In view of NPDCL, the NCE cost adjustment calculation should be as follows:

Average Rate Rs.-0.7442 (NCE Average Rate Rs.2.8343/kwh – D to D sales Rate Rs.3.5785)						
Discom	PP Requirement (MU)	NCE Energy Allocation (MU)	NCE Energy allocations (%)	NCE Energy purchase required	Surplus/(Deficit) (MU) after adjusting to RPPO order	(Cost) / Revenue in crores
1	2	3	4(3/2 x 100)	5(2x1.70 %)	6(3-5)	7(6x - 0.7442/10)
CPDCL	40832.39	442.860	1.08%	692.32	(249.46)	18.56
EPDCL	15164.57	236.440	1.56%	257.12	(20.68)	1.54
NPDCL	12721.82	263.200	2.07%	215.70	47.50	(3.53)
SPDCL	21683.58	590.280	2.72%	367.65	222.63	(16.57)
Total	90402.36	1532.78	1.70%	1532.78	-	-

In view of the above, the Commission has taken into account the ARR of NPDCL by considering the expenditure in NCE cost adjustment as Rs.1.42 crores instead of Rs.3.53 crores on account of erroneous mathematical calculation. Due to this erroneous calculation, there is a mismatch of Rs.2.11 crores (Rs.3.53 crs – Rs.1.42 crs) while adjusting NCE cost among the Discoms in the power purchase cost for the FY 2012-13.

B. Non Tariff Income of Retail Supply Business

- (iii) In the Tariff order, the Commission has approved Rs.135.06 crs towards Non-Tariff income for the FY 2012-13 against the NPDCL's filing Rs.22.77 crores. **As per the para no. 91 of Tariff order for the FY 2012-13, it is stated by the Hon'ble Commission that it has examined the non-tariff income in consultation with annual accounts of licensee.**
- (iv) In this connection with regard to licensee's annual accounts for the FY 2010-11, the details of total Non-tariff income out of which that has to be treated as Non-tariff income for retail supply business.
- (v) It is evident that the licensee's non-tariff income for retail supply business for the FY 2010-11 was only an amount of Rs.74.70 crs out of which certain non-tariff income heads are non-recurring i.e., Rs.8.57 crs for Liquidated Damages (Konaseema in 2009-10 & Kondapalli in 2010-11), Rs.2.57 crs towards compensation from power traders and Rs.1.04 crs related to interest on corporate liquid term deposits.

- **Liquidated Damage from IPP Kondapalli:** In the FY 2010-11, the licensee has raised Rs.8.57 crs from the gas based independent power producer (Kondapalli) towards liquidated damages due to delay in declaration of COD of the plant which is a non-recurring income. Hence, for the fiscal year 2012-13, the licensee has projected 'nil' income under this head.
- **Compensation from power traders:** In the year 2010-11, the licensee has earned an amount of Rs.2.57 crs under this head. This has happened due to the more demand from the other states (mainly from Tamilnadu due to elections) in the market and stringent clauses in agreements. In the current year, one of the clauses in the agreement for short term power purchase from power traders i.e., minimum percentage of contracted energy to be supplied has been changed from 90% to 70%. In view of the modified clause, the compensation from the power traders may not be raised in current year and ensuing year also. In this regard, revenue from the compensation from power traders is projected to be nil for the FY 2012-13.
- **Interest on CLTD (Corporate Liquid Term Deposit):** The interest on corporate liquid term deposits depends on surplus cash balance available with the licensee for short period. In anticipation of non-availability of such cash balance, the licensee

estimated that the interest on corporate liquid term deposits would be nil for the FY 2012-13.

- (vi) The actual non-tariff income for retail supply business for FY 2010-11 as per audited accounts was only Rs.74.70 crs that excludes NTI of Distribution business, delayed payment surcharge and customer charges since the Commission has already accepted to exclude delayed payment surcharge from NTI and the element customer charges is considered under tariff income in terms of Regulatory Accounts.
- (vii) However out of the aforesaid actual non-tariff income Rs.74.70 crs, Rs.12.18 crs is a non-recurring income as said earlier against liquidated damages, compensation and interest on corporate liquid term deposits. Considering this fact, the legitimate non-tariff income for retail supply business is only 62.52 crs. But in the tariff order for the FY 2012-13, the Commission has approved for an amount of Rs.135.06 crs against actual NTI Rs.62.52 crs as per audited accounts for the FY 2010-11, which exceeded by Rs.72.54 crs i.e., 116% excess over FY 2010-11. This will have an adverse impact on licensee's financial condition.
- (viii) Hence, it is prayed that
 - a. The Commission may consider Rs.3.53 crs as cost for NPDCL instead of Rs.1.42 crs under NCE cost adjustment mechanism.
 - b. It is requested to consider an amount of Rs.62.52 crs only instead of Rs.135.06 crs towards non-tariff income of the licensee for the FY 2012-13.

3. Now, the point for consideration is, whether the petition filed by the petitioner is to be accepted by the Commission for consideration?

4. This petition is coming up for numbering as it is at the S.R.stage. The petitioner filed the above said petition to revise the tariff order by reviewing its own order. The petitioner has mentioned so many grounds projecting alterations as there is a change of revenue impact than the impact projected in the tariff order. It is urged that unless the above said petition is numbered, it is not possible for the Commission to consider the merits or otherwise grounds mentioned in the petition.

5. The petitioner has suggested many alterations which go to change the very pattern and structuring of the Tariff order for 2012-13. The Tariff order was issued after great deliberations and examination of various issues, following the public hearing process route. It is not feasible to make wholesale changes as sought by the petitioner, that too at this late stage of the Tariff year 2012-13, by way of review proceedings. Hence, the request made by the petitioner cannot be acceded to.

6. We are of the considered opinion that the request made by the petitioner to review the tariff order as prayed by the petitioner cannot be entertained.

7. In the result, the petition is hereby rejected.

This order is corrected and signed on this 18th day of February, 2013.

Sd/-	Sd/	Sd/-
(R.ASHOKA CHARI)	(C.R.SEKHAR REDDY	(A.RAGHOTHAM RAO)
MEMBER	MEMBER	CHAIRMAN