

**Draft**

**ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION**

**[Regulation No. of 2023]**

**FIFTH AMENDMENT TO THE ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS FOR DETERMINATION OF TARIFF FOR WHEELING AND RETAIL SALE OF ELECTRICITY) REGULATION, 2005.**

**Introduction:**

The erstwhile APERC (Andhra Pradesh Electricity Regulatory Commission) of the undivided Andhra Pradesh State notified the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005 (Regulation No.4 of 2005) (hereinafter referred to as 'the Principal Regulation') which was published in the AP Extraordinary Gazette on 14.11.2005. The first amendment to the Principal Regulation was notified by the erstwhile APERC in the AP Extraordinary Gazette on 07.03.2014 (Regulation 1 of 2014).

And the newly constituted APERC for the State of Andhra Pradesh, which came into existence w.e.f. 01.08.2014 post bifurcation of the undivided AP State, adopted the above Regulations, among others, vide APERC (Adaption) Regulation, 2014 (Regulation 4 of 2014). Subsequently, the new APERC notified the second amendment to the Principal Regulation (Regulation 4 of 2021), a third amendment to the Principal Regulation (Regulation 2 of 2022), and a Fourth Amendment to the Principal Regulation (Regulation 2 of 2023) on 02.07.2021, 29.04.2023, and 29.03.2023 respectively in the AP Extraordinary Gazette.

Whereas, the distribution licensees after explaining the reasons and comparing Regulations issued by the various SERCs, have requested the Commission for amendments to the Principal Regulation with regard to the following:

- i. To allow the variations in sales and revenue from the sale of electricity to consumers as an uncontrollable item, and accordingly, pass to the consumers the gains/losses in a financial year in the ARR of the subsequent financial year based on the actuals..
- ii. To recognise the expenditure incurred on market purchases of power as working capital, and accordingly allow the interest on working capital

based on the approved short-term power purchase cost in Retail Supply Tariff Order;

- iii. To allow the Bad Debts up to 2 percent of revenue receivables from the sale of electricity annually in the ARR for Retail Supply Business and True-up/down based on actuals subject to the ceiling of 2 percent of revenue receivables. The recoveries if any from bad debts will be shown in non-tariff income;
- iv. To allow the Contingency Reserves of 0.5% of the original cost of Fixed Assets annually in ARR.

After thoroughly examining the DISCOMS' submissions, Model Tariff Regulations issued by the Forum of Regulators (FoR), and other relevant aspects, the Commission, in exercise of the powers conferred on it under sub-sections (zd), (ze), and (zf) of Section 181(2) read with Sections 61, 62 of the Electricity Act, 2003 (36 of 2003) and all other powers enabling it in that behalf, hereby amends the Principal Regulation as under.

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

- i. This Regulation shall be called the Fifth Amendment to Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005.
- ii. This Regulation shall extend to the whole of the State of Andhra Pradesh.
- iii. This Regulation shall come into force on the date of its publication in the Andhra Pradesh Gazette.

**2. Clause 5 of the Principal Regulation shall be substituted as below:**

*“Till such time the Distribution Licensee provides details of costs on an actual basis for the Distribution Business and Retail Supply Business separately, the costs shall be distributed between the Distribution Business and Retail Supply Business as shown in the table below:*

| <b>Particulars</b>   | <b>Distribution /<br/>Wires Business<br/>(%)</b> | <b>Retail Supply<br/>Business (%)</b> |
|--|--|---------------------------------------|
| <i>Power Purchase Expenses</i>                                     | 0%   | 100%                                  |
| <i>Intra-State, Inter-State Transmission &amp;<br/>LDC Charges</i> | 0%   | 100%                                  |
| <i>Employee Expenses</i>   | 60%  | 40%                                   |
| <i>Administration &amp; General Expenses</i>                       | 30%  | 70%                                   |
| <i>Repair &amp; Maintenance Expenses</i>                           | 90%  | 10%                                   |
| <i>Depreciation</i>  | 90%  | 10%                                   |
| <i>Interest on Long-term Capital Loan</i>                          | 100%   | 0%                                    |
| <i>Interest on Working Capital</i>                                 | 10%  | 90%                                   |
| <i>Interest on consumer security deposits</i>                      | 0%   | 100%                                  |
| <i>Bad Debts Written off</i>                                       | 0%   | 100%                                  |
| <i>Income Tax</i>  | 90%  | 10%                                   |
| <i>Contingency reserves, if any</i>                                | 100%   | 0%                                    |
| <i>Return on Equity/ Business margin</i>                           | 90%  | 10%                                   |

3. **Clause 6 heading shall be substituted with the following :**

***“Filing Procedure, Issue of the Order, and Publication of Tariffs”***

4. **Sub-clause 6.2 of the Principal Regulation shall be substituted with the following :**

*“The ARR filing for the Distribution Business shall be for the entire control period. For the Retail Supply Business, the ARR filing shall be preferably for the entire control period, and on an annual basis if permitted by the Commission.”*

5. **Sub-clause 6.3 of the Principal Regulation shall be read as Sub-clause 11.1**  
6. **Sub-clause 6.4 of the Principal Regulation shall be deleted.**

**7. After sub-clause 6.2 of the Principal Regulation, the following new sub-clauses shall be added.**

*“6.3 The Distribution Licensee shall, along with the ARR & FPT petition, submit a statement on the status of compliance with directives, if any, issued by the Commission in its previous tariff order.*

*6.4 On submission of a complete application accompanied by all requisite information and particulars, the distribution licensee shall, within 3 (three) working days of an intimation given to him, publish a notice in at least 1 (one) English daily newspaper in English language and 1 (one) Telugu daily newspaper in Telugu language having wide circulation in the area to which the application pertains, outlining the proposed ARR & tariffs, as the case may be, and such other matters as may be stipulated by the Commission, and invite suggestions and objections from the public:*

*Provided that the distribution licensee shall make available a hard copy of the complete application to any interested party, at such locations and at such rates as may be stipulated by the Commission:*

*Provided further that the distribution licensee shall also place on its website, in downloadable spreadsheet format showing detailed computations, the application made to the Commission along with all regulatory filings, information and documents in the manner stipulated by the Commission:*

*Provided further that the web link to the information mentioned in the second proviso above shall be easily accessible, archived for downloading and shall be prominently displayed on the distribution licensee's website.*

*Explanation - for the purpose of this Regulation, the term “downloadable spreadsheet format” shall mean one (or multiple, linked) spreadsheet software files containing all assumptions, formulae, calculations, software macros, and outputs forming the basis of the application.*

*6.5 The Commission shall, within 120 (one hundred and twenty) days from receipt of a complete application for tariff determination and after considering all suggestions and objections received from the public:*

*(a) issue a Tariff Order accepting the application with such modifications or such conditions as may be specified in that Order;*

*(b) reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of the Act and the rules and Regulations made thereunder or the provisions of any other law for the time being in force:*

*Provided that the Distribution Licensee shall be provided a reasonable opportunity of being heard before rejecting its application.*

*6.6 The Distribution Licensee shall publish the tariff approved by the Commission in at least 1 (one) English daily newspaper in English language and 1 ( one ) Telugu daily newspaper in Telugu language having wide circulation in the area of supply and shall place the approved tariff/tariff schedule on its website and make available for sale, a booklet containing such tariff or tariffs, as the case may be, to any person on payment of reasonable charges.*

*6.7 The tariffs so published shall be in force from the date specified in the said Order and shall unless amended or revised, continue to be in force for such period as may be stipulated therein. The licensee shall raise the bills for the electricity supplied or transmitted or services rendered to the consumers in accordance with the notified tariff.*

*6.8 No tariff determined and notified as above may be amended more frequently than once in any financial year except that tariff rates shall be adjusted in accordance with the Fuel and Power Purchase Cost Adjustment (FPPCA) notified in the latest amendments to the Principal Regulation.”*

**8. Sub-clause 7.4 (c) of Principal Regulation shall be substituted with the following:**

*“(c) Each Tariff Proposal submitted by the Distribution Licensee shall be supported with a cost of service model as approved by the Commission from time to time in the previous tariff orders for each category of the consumers.”*

**9. The following sub-clauses shall be added after sub-clause 7.4 (c) of the Principal Regulation:**

*(d) The Distribution Licensee shall furnish to the Commission such additional information, particulars, and documents as the Commission may require from time to time after such filing of revenue calculations and tariff proposals.*

*(e) The Commission may, from time to time, issue guidelines for the filing of statements of revenue calculations and tariff proposals, and unless waived by the Commission, the licensee shall follow such guidelines issued by the*

*Commission.”*

10. Under sub-clause 10.4 of the Principal Regulation, the following items shall be added to the existing items in the First table:

| <b><i>Distribution Business</i></b> |  |
|-------------------------------------|--|
| <b><i>ARR Item</i></b>              | <b><i>"Controllable"/<br/>"Uncontrollable"</i></b> |
| <i>Force Majure</i>                 | <i>Uncontrollable</i>                              |
| <i>Change in law</i>                | <i>Uncontrollable</i>                              |
| <i>AT&amp;C losses</i>              | <i>Controllable</i>                                |
| <i>Contingency reserves</i>         | <i>Uncontrollable</i>                              |

11. Under sub-clause 10.4 of the Principal Regulation, the following items shall be added to the existing items in the Second table:

| <b><i>Retail Supply Business</i></b>  |   |
|---|---|
| <b><i>ARR Item</i></b>  | <b><i>"Controllable" /<br/>"Uncontrollable"</i></b> |
| <i>Sale of Electricity to the Consumers</i>                                     | <i>Uncontrollable</i>                               |
| <i>Revenue from Sale of Electricity to Consumers</i>                            | <i>Uncontrollable</i>                               |
| <i>Inter-state and Intra-state Transmission &amp; Load<br/>Despatch Charges</i> | <i>Uncontrollable</i>                               |
| <i>Interest on Consumer Security Deposits</i>                                   | <i>Uncontrollable</i>                               |
| <i>Taxes on Income</i>  | <i>Uncontrollable</i>                               |
| <i>Bad debts</i>  | <i>Controllable</i>                                 |

12. **Sub-clause 10.5 of Principal Regulation shall be substituted with the following:**

**“Pass through of Gains/Losses due to variations in “uncontrollable” items of the ARR:** *The Distribution Licensees shall present variations in each uncontrollable item with detailed reasoning. The aggregate gain/loss of the nth year in all uncontrollable items of Distribution and Retail Supply Businesses shall be pass-through in the ARR of the (n+2) year of Retail Supply Business in case the filings are done on an annual basis. If the filings of Retail Supply Business are done for the entire control period, the aggregate gain/loss in uncontrollable items shall be pass-through to consumers as a True-down/up in separate proceedings either based on the petition filed by the Licensees or on suo-motu by the Commission on an annual basis.*

*Provided that the Commission shall allow the financing costs on account of the time gap between the time when the true-up becomes due and when it is actually allowed.”*

13. **Sub-clauses 10.6, 10.7, and 10.8 of the Principal Regulation shall be substituted with the following:**

**“10.6 Sharing of Gains/Losses due to variations in “controllable” items of the ARR:** *The Distribution licensees shall present variations in each controllable item with detailed reasoning. The aggregate gain/loss of the nth control period (Actuals of 4 years and provisional for 5th year) in controllable items of Distribution and Retail Supply Businesses shall be pass-through in the respective ARR of (n+1) control period of Distribution & Retail Supply Businesses at the appropriate ratio for each item as decided by the Commission. However, the Licensees shall submit the gains/losses in each controllable item of the Distribution Business for the previous financial year by 30th November of the current financial year through the annual performance petition or shall submit the gains/losses in each controllable item as a part of ARR filings of the Retail Supply Business for the next financial year if the filings are done on an annual basis. The gains/losses in the controllable items of ARR on account of factors that are beyond the control of the Distribution Licensees shall be a passthrough to the consumers similar to the controllable items as stated in clause 10.5 above. “*

**14. Clause 11 of the Principal Regulation shall be substituted with the following:**

*“11.1 Main ITEMS of ARR of Distribution Business and Retails Supply Business”*

*Clause 6.3 of the Principal Regulation shall be read as clause 11.1*

*Under sub-clause 11.1 of the Principal Regulation, after (l), the following shall be added:*

*“(m) Contingency reserves, if any, on actuals basis, and as admissible”*

**11.2** *The Aggregate Revenue Requirement (ARR) of the Retail Supply Business shall contain the following:*

**A. Network and LDC costs:**

- i. Intra-State Transmission Cost*
- ii. Intra State LDC cost*
- iii. Inter-State Transmission cost*
- iv. Regional/NLDC cost*
- v. Distribution Cost (As per clause 5 & 11.1)*

**B. Supply Costs:**

- i. Power procurement cost*
- ii. Distribution Cost attributable to Retail Supply Business*  
*( As per clause 5 & 11.1)*
- iii. Interest on Consumer Security Deposits*
- iv. Supply Margin in Retail Supply Business*
- v. Corrections for controllable and uncontrollable items*
- vi. Provision for bad debts*
- vii. Any other relevant expenditure as admissible “*

**15. The following sub-clause shall be added after sub-clause 12.5 of the Principal Regulation.**

*“ 12.6 Provision for bad debts*

*Bad and doubtful debts in the ARR shall be allowed based on the actual written-off bad debts in the past 5 years as per the audited financial statements to the*



*extent Commission considers them appropriate subject to a ceiling limit of 1% of the yearly revenue at the discretion of the Commission:*

*Provided that, the cumulative bad debts shall not exceed 3 percent of the yearly revenue for the ARR under consideration.*

*Provided further that subsequent to the write-off of a particular bad debt, if revenue is realised from such a bad debt, the same shall be included as income under the Non-Tariff Income of that year.”*

**16. Clause 20 of Principal Regulation shall be substituted with the following:**

*“20. Determination of full cost tariffs and subsidy:*

*20.1 The Commission shall determine full cost tariffs for Distribution and Retail Supply Businesses to enable the Distribution Licensee to recover the ARR approved by the Commission based on the application made by it in accordance with the principles laid down in this Regulation.*

*20.2 Subsidy*

*(a) The Commission shall determine the ARR and Tariff without considering subsidy.*

*Provided further that in case the State Government declares subsidy in advance or during tariff filing proceedings and the Distribution Licensee incorporates the subsidy in the petition, the Commission shall notify two tariff schedules, one with subsidy and the other without subsidy (full cost tariffs):*

*Provided also that the subsidy provided or declared by the Government shall be supported by documentary evidence of time schedule of payment, mode of the payment of the subsidy and the break up of the subsidy amount into different subsidized consumer categories:*

*(b) The Commission shall state in the tariff order, post the declaration from the Government, the quantum of Government's subsidy applicable to the consumers category wise, mode of payment and schedule of payment, etc.*

*(c) In case of no disbursement or delayed disbursement of subsidy by the Government, the Distribution Licensee shall charge consumers as per the full cost tariff schedule approved by the Commission, without considering the subsidy.*

(d) *The Distribution Licensee(s) shall submit to the Commission on a quarterly basis the information on subsidy due, subsidy overdue, and subsidy realized based on actual energy supplied to the subsidized categories of consumers. The report on subsidy status shall be hosted on the Distribution Licensee's website.*

**17. The following clauses shall be added after clause 25 of the Principal Regulation.**

*“26. Issue of orders and practice directions:*

*Subject to the provisions of the Electricity Act, 2003 and this Regulation, the Commission may, from time to time, issue orders and practice directions about the implementation of the Regulation and procedure to be followed and various matters which the Commission has been empowered by this Regulation to specify or direct.*

*27. Power to Remove difficulties:*

*If any difficulty arises in giving effect to any of the provisions of this Regulation, the Commission may, by a general or special order, do or undertake or direct the Licensees to do or undertake things which in the opinion of the Commission are necessary or expedient for removing the difficulties.*

*28. Power to Relax*

*The Commission may, by general or special order, for reasons to be recorded in writing and after giving an opportunity of hearing to the parties likely to be affected, relax or waive any of the provisions of these Regulations on its own motion or on an application made to it by any interested person. “*

**(BY ORDER OF THE COMMISSION)**

Place: Hyderabad  
Date: 14.07.2023

  
**Commission Secretary (I/c)**