

**Draft**  
**ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION**

**[Regulation 2 of 2023]**

**FOURTH 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 (vide Regulation No.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 No.4 of 2014). Subsequently, the new APERC notified the second amendment to the Principal Regulation in the AP Extraordinary Gazette on 02.07.2021 (vide Regulation 4 of 2021) and a third amendment to the Principal Regulation in the AP Extraordinary Gazette on 29.04.2022 (vide Regulation 2 of 2022).

And whereas the Government of India issued the Electricity ( Amendment) Rules 2022 on 29.12.2022 to further amend the Electricity Rules, 2005. According to the amended Rules, the Appropriate Commission shall specify a price adjustment formula for recovery of the costs, arising on account of the variation in the price of fuel, or power purchase costs and the impact in the cost due to such variation shall be automatically passed through in the consumer tariff, on a monthly basis and till a methodology and formula are specified by the Appropriate Commission, the formula and methodology specified in the Rules shall be applicable. The Rules also specify that such monthly automatic adjustment shall be trued up on annual basis and the existing methodology and the formula specified by the Appropriate Commission shall suitably be amended in accordance with the Electricity (Amendment) Rules 2022, to implement the automatic pass-through of fuel and power purchase adjustment surcharge, on a monthly basis. Hon'ble APTEL in its Order dated 11.11.2011 in OP No 1 of 2011 holds that Fuel and Power Purchase cost is a major expense of the distribution Company which is uncontrollable and directed the State Commissions to put in place a

mechanism for Fuel and Power Purchase costs adjustment in terms of Section 62 (4) of the Act, preferably be on monthly basis on the lines of the Central Commission's Regulations for the generating companies but in no case exceeding a quarter. The extant regulation allows DISCOMS to recover the Fuel and Power Purchase costs adjustment on a quarterly basis. However, due to the regulatory process, it is getting delayed. The Electricity Rules, 2002 obviate the regulatory process and allow the DISCOMS to recover the FPPCA automatically on a monthly basis *and* such monthly automatic adjustment shall be trued up on annual basis by the Commission. Therefore, in order to comply with the directions of Hon'ble APTEL and to align with the Government of India Rules, the Commission has decided to amend the Principal Regulation appropriately.

Accordingly, 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 may be called the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Fourth Amendment Regulation, 2023.
  - ii. This Regulation shall extend to the whole of State of Andhra Pradesh.
  - iii. This Regulation shall come into force with effect from 01.04.2023.
2. With the coming into effect of this Regulation, the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Second Amendment Regulation, 2021 (Regulation 4 of 2021) and Third Amendment Regulation, 2021 (Regulation 2 of 2022) stand repealed forthwith.
3. Sub-clause 12.4 in the Principal Regulation shall be substituted with the following:
- "The Distribution Licensee shall be entitled to recover from or refund to the consumers, as the case may be, the FPPCA (Fuel and Power Purchase Cost Adjustment) according to the formula and other conditions specified in this regulation on a monthly basis automatically from time to time and such monthly automatic adjustment shall be trued up on annual basis by the Commission".*
4. Sub-clause 12.5 in the Principal Regulation shall be substituted with the following.

**"12.5. FPPCA (Fuel and Power Purchase Cost Adjustment)**

*The formula for FPPCA as under*

$$\text{FPPCA} = (\text{APPC} - \text{BPPC}) / (100 - \text{Loss in}\%)$$

**Where,**

**FPPCA** = Fuel & Power Purchase Cost Adjustment in Rs/unit up to 4 decimal places

**APPC** = The actual weighted average power purchase cost per unit of energy, which shall be arrived at as the actual total power purchase cost (including the transmission &

scheduling costs) in Rs. Million for the month for which the Distribution Licensee is recovering 'FPPCA' automatically divided by the actual quantum of power purchases in Million Units made by the Distribution Licensee from the sources approved by the Commission for that month.

**BPPC** = The base weighted average power purchase cost per unit of energy, which shall be arrived at as the total power purchase cost approved by the Commission in Rs. Million (including the transmission & scheduling costs) in the RSTO (Retail Supply Tariff Order) for the month for which the Distribution Licensee is recovering 'FPPCA' divided by the total quantum of energy in Million Units approved by the Commission in the RSTO for the Distribution Licensee for that month.

**Loss in %** = The weighted average Transmission and Distribution losses (%) approved by the Commission for the Distribution Licensee for the financial year (n) in which the Distribution Licensee is recovering 'FPPCA' or actual weighted average Transmission and Distribution losses (%) of the previous year (n-1) for that Distribution Licensee, whichever is lower.

**Manner of recovery or refund of FPPCA by the Distribution Licensee and conditions:**

- A. The FPPCA arrived at as per the above formula shall be recovered from or refunded to the consumers by the Distribution Licensee, as the case may be, on a monthly basis automatically not exceeding 50 paise per unit. Explanation:- FPPCA Surcharge shall be computed and charged by the distribution licensee, in (n+2)th month, on the basis of actual variation, in cost of fuel and power purchase and intra & inter- state Transmission Charges for the power procured during the nth month. For example, the FPPCA surcharge on account of changes in tariff for power supplied during the month of April of any financial year shall be computed and billed in the month of June of the same financial year.
- B. In case the distribution licensee fails to compute and charge FPPCA surcharge within the timeline, as specified above, except in case of any force majeure condition, its right to recover costs on account of FPPCA surcharge for that month shall be forfeited and in such cases, the right to recover the FPPCA for that month in annual true-up shall also be forfeited. however, true-down, if any, the DISCOMS shall pay to the consumers by way of adjustments in future CC bills as determined by the Commission in the final FPPCA order at the end of the financial year.
- C. The distribution licensee may decide, the FPPCA surcharge or a part thereof, to be carried forward to the subsequent month in order to avoid any tariff shock to consumers, but the carry forward of the FPPCA surcharge shall not exceed a maximum duration of two months and such carry forward shall only be applicable, if the total FPPCA

*surcharge for a Billing Month, including any carry forward of FPPCA surcharge of the previous month or annual true-up, exceeds 50 paise per unit.*

- D. The carry forward shall be recovered within one year or before the next tariff cycle whichever is earlier and the money recovered through the FPPCA surcharge shall first be accounted towards the oldest carry forward portion of the FPPCA surcharge followed by the subsequent month. In case of carry forward of FPPCA surcharge, the carrying cost at the rate of State Bank of India Marginal cost of Funds-based lending Rate plus one hundred and fifty basis points shall be allowed till the same is recovered through tariff and this carrying cost shall be trued up in the year under consideration. In respect of any past claim that is admitted during the month exceeding 100 Crores, such claims may be spread over for a period such that the EMI including the carrying cost of the past claim does not exceed 100 crores per month in order to avoid tariff shock on the consumers.*
- E. The FPPCA surcharge so computed for any month, or the fuel and power purchase cost variations for every month irrespective of recovery shall be submitted in the format specified in this regulation along with actual category-wise sales vis-a-vis approval, and source-wise despatch & cost vis-a-vis approval with a detailed explanation, availability and PLF of each source, market purchases with detailed break up of segments (RTC, morning peak, evening peaks and night ) exchange wise, Deep e- bidding portal, swapping, etc, PoC charges break up for scheduled CGS, market purchases and other approved sources, the past claims of any source if any with specific mention, backing down of thermal sources on account of RE and other reasons if any, loss percentages, etc, by the end of the month during which FPPCA recovery is effected (for the 'n' th month variations, by the end of (n+2) month).The reports so submitted to the Commission shall be made available on the website of the Distribution Licensee under FPPCA heading in the Regulatory Compliance tab.*
- F. The final true-up of FPPCA surcharge for any financial year shall be submitted in the format specified in this regulation along with actual category-wise sales vis-a-vis approval, and source-wise despatch & cost vis-a-vis approval with a detailed explanation, availability, and PLF of each source, market purchases with detailed break up of segments (RTC, morning peak, evening peaks and night ) exchange wise, Deep e- bidding portal, swapping, etc, PoC charges break up for scheduled CGS, market purchases and other approved sources, the past claims of any source if any with specific mention, backing down of thermal sources on account of RE and other reasons if any, loss percentages, etc, by the end of June 30 of next financial year and the Commission will issue a final order within 90 days from the date of filing of such annual true up.*

- G. In case of excess revenue recovered for the year against the FPPCA, the same shall be recovered from the licensee at the time of true up along with its carrying cost to be charged at 1.20 times the carrying cost rate approved by the State Commission and the under-recovery of FPPCA shall be allowed after true up, to be billed along with the automatic FPPCA Surcharge amount. Explanation:-For example in the month of October, the automatic pass-through component for the power supplied in August and additional FPPCA Surcharge, if any, recoverable after true-up for the previous financial year, shall be billed.*
- H. The Distribution Licensee shall pass through the FPPCA uniformly on all categories of consumers existing in that month based on their consumption.*
- I. The Distribution Licensee shall raise the FPPCA bills on the Government in respect of the consumers who are provided 100 percent tariff subsidies under Section 65 of the Electricity Act, 2003. The subsidy true-up/down on account of variations of sales of agricultural consumers under the free power category will be done after the end of the financial year during the final true-up of FPPCA.*
- J. The Distribution Licensee shall publish the abstract of FPPCA computed every month in one English newspaper in English and one Telugu newspaper in Telugu having wide circulation in its area of supply for information and wider reach of the public before recovering the FPPCA.*
- K. To ensure smooth implementation of the FPPCA surcharge mechanism and its recovery as per this regulation, the distribution licensee shall ensure that its billing system and power procurement software and systems are updated.*

**(BY ORDER OF THE COMMISSION)**

Sd/- 10/02/2023  
K. RAJA BAPAI AH

Commission Secretary (i/c)

Hyderabad  
10.02.2023.

## FORMAT

S. No.	Generating Station / Stage/Source	Plant Capacity (MW)	Discom's Share (%)	Energy(MU)			Cost Components (Rs. Millions)																	
				TO (a)	Actual (b)	Variance (c)= (b-a)	Fixed (A)			Variable (B)			Incentive (C)			Income Tax (D)			Others (E)			Total F=(A+B+C+D+E)		
							TO (d)	Actual (e)	Variance (f)= (e-d)	TO (g)	Actual (h)	Variance (i)= (h-g)	TO (j)	Actual (k)	Variance (l)=(k-j)	TO (m)	Actual (n)	Variance (o)= (n-m)	TO (p)	Actual (q)	Variance (r)= (q-p)	TO (s)	Actual (t)	Variance (u)= (t-s)
1	X																							
2	Y																							
3	Z																							
-	Transmission Cost																							
-	LDC Costs																							
	Past claims/ refunds, if any, pertaining to the month(s) prior to the month for which FPPCA is being recovered																							
-	Total																							