

To
The Secretary
A.P. Electricity Regulatory Commission
4th floor, Singareni Bhavan, Red Hills
Hyderabad - 500 004

August 16, 2019

Respected Sir,

Sub : Submission of views and suggestions in application filed by AP Discoms – APSPDCL and APEPDCL - seeking approval for true-up for retail supply business for 2015-16 and 2016-17 to the tune of Rs.11,144 crore pertaining to the increase in power purchase costs, etc., in I.A.No.14 of 2019 in O.P.Nos. 1 & 2 of 2016

With reference to your public notice dated 27.7.2019, inviting views, objections and suggestions on the subject petition, I am submitting the following points for the consideration of the Hon'ble Commission:

1. APSPDCL and APEPDCL, being independent entities should have submitted their true-up applications separately. However, a common application is filed by both the Discoms for the years 2015-16 and 2016-17, claiming revenue true-up of Rs.2817 crore for the year 2015-16, a revenue true-up of Rs.5352 crore for 2015-16 and 2016-17 and expense true up of Rs.2580 crore for the year 2016-17, with a carrying cost of Rs.3212 crore at an interest rate of 12% considering FY 2019-20 as the year of approval. Whatever be the true-up amounts that the Hon'ble Commission is going to permit, its impact on consumers should be confined to the respective true-up amounts of the Discom concerned. It should not be an average for the entire State.
2. While the affidavit filed by the Discoms claims that their claims for true-up pertain to the year 2016-17, at page 19, the Discoms have claimed true-up for the year 2015-16 also, without giving details pertaining to the same. It is strange that the Hon'ble Commission has issued public notice, inviting objections and suggestions in the subject petition, without directing the Discoms to file required information relating to their true up claims for 2015-16 also and without incorporating the same in the subject petition. We request the Hon'ble Commission to direct the Discoms to file their true-up petition for the year 2015-16 separately with all the required information. At page 20, the Discoms have dishonestly claimed that the claimed true-up amount of Rs.11,144 crore is for retail supply business for the year 2016-17.
3. While the Hon'ble Commission approved a total power purchase of 56,805 mu for the year 2016-17, the actual purchases claimed by the Discoms are 52,561 mu only, i.e., there is a lesser purchase of power by 4244 mu. Despite that, against total power purchase cost of Rs.22,538 crore approved by the Commission, the Discoms incurred an expenditure of Rs.25,455 crore for power purchase, i.e., higher by Rs.2,917 crore. They have shown lesser payment of Rs.270 crore towards fixed cost, higher payment of Rs.3086 crore towards variable cost and higher payment of Rs.101 crore towards other costs for the year 2016-17. The Discoms have claimed

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that supply of power is lesser vis a vis energy despatch approved by the Commission for the year 2016-17 by 3032 mu by AP Genco thermal, by 2292 mu from APPDCL, by 1049 mu from AP Genco hydel, by 262 mu from CGSs, by 253 mu from NCE, by 10,124 mu from IPPs and others and by 28 mu from APGPCL. The short supply includes 661 mu from KSK Mahanadi, 2828 mu from Hinduja, 75 mu from Thermal Power Tech and 6566 mu from 600 MW DBFOO. Did the Discoms claim and collect liquidated damages from the power stations concerned for lesser supply of power as per the terms and conditions in their respective PPAs, wherever applicable? The Discoms have not explained the reasons for shortfall in generation and supply of power. Despite the claimed shortfall in generation and supply of power, the Discoms have shown an unsold surplus of 10,384 mu for the year 2016-17. This dichotomy shows how unrealistically energy availability and despatch were proposed by the Discoms and determined and approved by the Hon'ble Commission.

4. Despite having an unsold surplus of 10,384 mu, the Discoms have purchased 1707 mu from the market against 294 mu permitted by the Commission. At the same time, the Discoms have claimed that they have purchased 901 mu additionally from gas-based IPPs against 3054 mu approved by the Commission. The Discoms have claimed that they have purchased mu from the market at a total cost of Rs.797 crore, with additional amount of Rs.645 crore paid for additional purchase of 1413 mu. It needs to be clarified by the Discoms whether additional purchases on such a higher scale were made by them without seeking prior consent of the Hon'ble Commission, both in terms of quantum and cap for tariffs to be paid, and the procedure to be adopted for such purchases to ensure competitive tariffs. Since the Discoms had not sought and got permission of the Hon'ble Commission for purchasing additional power from the market, maximum cap of tariff and the procedure to be adopted for competitive bidding for such purchases, it reflects "executive arrogance" of the powers-that-be who handled such purchases from Vidyuth Soudha. It is a negation of the directions given periodically by the Hon'ble Commission on additional power purchases to be made by the Discoms and reflects recklessness of the powers-that-be that they need not seek prior permission of the Commission for such purchases and their contempt for regulatory requirements and questionable approach that the Commission would or should give its consent to such purchases as and when they seek.
5. The Discoms have maintained that they have incurred fixed cost of Rs.8551 crore against Rs.8821 crore approved by the Commission. This mainly due to failures of the power stations concerned to supply approved quantum of power. At the same time, the Discoms have paid additional variable costs by Rs.3086 crore, i.e., Rs.16074 crore against Rs.12,989 crore approved by the Commission. Similarly, the Discoms also have paid additional other costs by Rs.101 crore, i.e., Rs.830 crore against Rs.729 crore approved by the Commission. The reasons for the same need to be explained by the Discoms to examine whether such higher payments are justified or not. That apart, fixed cost being fixed in nature, it cannot increase for purchase of the quantum of power approved by the Commission. Therefore, the

moot point is whether the Discoms backed down capacities of the stations of AP Genco and paid fixed charges therefor. If so, what were the quantum of power backed down by the Discoms and fixed charges paid therefor to AP Genco and other thermal stations, if any?

6. The Discoms have shown that they could not sell a surplus of 1765 mu, with a variation of Rs.4463 crore. At the same time, they have purchased 1241 mu more than what was approved by the Commission from the market. What are the reasons for the same? Did the Discoms back down thermal power in order to purchase high cost and must-run non-conventional energy, exceeding their obligations under RPPO, and pay fixed charges therefor? If so, what are the costs per unit of NCE purchased and per unit cost of power from the thermal stations backed down, station-wise and unit-wise?
7. The Discoms have claimed that following fixed costs determined by the Commission for SDSTPS stage I (2x800 MW) on 2.3.2019, they have to pay Rs.621.19 crore for 2015-16 and Rs.1145.94 crore for 2016-17 additionally to the project. When the Commission fixed an interim tariff of Rs.3.63 per unit, with a fixed cost of Rs.1.02 per unit, and when actual energy availed from SDSTPS-1 was with a PLF of 41.96% only for the year 2015-16 and with a PLF of 78.99% for the year 2016-17, and when the Discoms paid Rs.430.05 crore for 2015-16 and Rs.824.27 crore for 2016-17, the fixed costs determined by the Commission for the station on 2.3.2019 cannot, and should not, be applied with retrospective effect. Therefore, we request the Hon'ble Commission not to approve payment of additional sum of Rs.1767.12 crore the Discoms have claimed to be paid to the said station under true-up. When fixed cost was approved by the Commission for threshold level PLF and when the station could achieved PLFs less than that, liquidated damages should be collected from SDSTPS-1 for generation and supply of power below threshold level.
8. The Discoms have claimed that while the Commission approved Rs.2.29 per unit as the average variable cost for the year 2016-17, they have paid @ Rs.2.94 per unit on an average. They have not explained the reasons for paying higher variable costs. The justification or otherwise for paying higher variable costs need to be examined.
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10. We request the Hon'ble Commission to determine the amounts taken over or to be taken over by GoAP from the debts of the Discoms for the year 2016-17 under UDAY and deduct the same from their true-up claims. In the subject petition, the Discoms have not given the details of taking over of their debt by GoAP under UDAY.

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 12. Any additional supplies made to LT agriculture, with additional costs, the same should be sought as additional subsidy by the Discoms from GoAP.
 13. Carrying cost claimed by the Discoms to the tune of Rs.3212 crore under true-up for the years 2015-16 and 2016-17 is not permissible. We request the Hon'ble Commission to reject the claim for carrying cost. The Discoms have to submit their true-up claims in time and the consumers should not be penalised for delay caused by the Discoms in submitting the same.
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Thanking you,

Yours sincerely,

M. Venugopala Rao
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(CH.NARASINGARAO)

State Secretariat Member

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Copies to :

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13. Carrying cost claimed by the Discoms to the tune of Rs.3212 crore under true-up for the years 2015-16 and 2016-17 is not permissible. We request the Hon'ble Commission to reject the claim for carrying cost. The Discoms have to submit their true-up claims in time and the consumers should not be penalised for delay caused by the Discoms in submitting the same.
14. We request the Hon'ble Commission to provide us an opportunity to make further submissions in person during the public hearing after receiving responses of the Discoms to our above-mentioned submissions and studying and analysing the same.

Thanking you,

Yours sincerely,

A. Punna Rao
59-2-1, 1st Lane
Ashok Nagar
Vijayawada-520010
Cell : 9392133712

Copies to :

1. Chief General Manager (RAC), APSPDCL, Tirupati

COMMUNIST PARTY OF INDIA (MARXIST)

ANDHRA PRADESH COMMITTEE

H.No:27-28-12, CPI (M) State Committee Office, Yamalavari Street, Governorpet, Vijayawada-2.
Phone: 0866 – 2577202, Fax: 2577203, E-mail: cpimap@gmail.com Web: cpimap.org

Vijayawada,
Date: 18th August, 2019.

To
The Secretary
A.P. Electricity Regulatory Commission,
4th floor, Singareni Bhavan, Red Hills,
Hyderabad - 500 004.

Sub : Submission of views and suggestions in application filed by AP Discoms – APSPDCL and APEPDCL:- seeking approval for true-up for retail supply business for 2015-16 and 2016-17 to the tune of Rs.11,144 crore pertaining to the increase in power purchase costs, etc., in I.A.No.14 of 2019 in O.P.Nos. 1 & 2 of 2016

With reference to your public notice dated 27.7.2019, inviting views, objections and suggestions on the subject petition, I am submitting the following points for the consideration of the Hon'ble Commission:

1. APSPDCL and APEPDCL, being independent entities should have submitted their true-up applications separately. However, a common application is filed by both the Discoms for the years 2015-16 and 2016-17, claiming revenue true-up of Rs.2817 crore for the year 2015-16, a revenue true-up of Rs.5352 crore for 2015-16 and 2016-17 and expense true up of Rs.2580 crore for the year 2016-17, with a carrying cost of Rs.3212 crore at an interest rate of 12% considering FY 2019-20 as the year of approval. Whatever be the true-up amounts that the Hon'ble Commission is going to permit, its impact on consumers should be confined to the respective true-up amounts of the Discom concerned. It should not be an average for the entire State.
2. While the affidavit filed by the Discoms claims that their claims for true-up pertain to the year 2016-17, at page 19, the Discoms have claimed true-up for the year 2015-16 also, without giving details pertaining to the same. It is strange that the Hon'ble Commission has issued public notice, inviting objections and suggestions in the subject petition, without directing the Discoms to file required information relating to their true up claims for 2015-16 also and without incorporating the same in the subject petition. We request the Hon'ble Commission to direct the Discoms to file their true-up petition for the year 2015-16 separately with all the required information. At page 20, the Discoms have

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dishonestly claimed that the claimed true-up amount of Rs.11,144 crore is for retail supply business for the year 2016-17.

3. While the Hon'ble Commission approved a total power purchase of 56,805 mu for the year 2016-17, the actual purchases claimed by the Discoms are 52,561 mu only, i.e., there is a lesser purchase of power by 4244 mu. Despite that, against total power purchase cost of Rs.22,538 crore approved by the Commission, the Discoms incurred an expenditure of Rs.25,455 crore for power purchase, i.e., higher by Rs.2,917 crore. They have shown lesser payment of Rs.270 crore towards fixed cost, higher payment of Rs.3086 crore towards variable cost and higher payment of Rs.101 crore towards other costs for the year 2016-17. The Discoms have claimed that supply of power is lesser vis a vis energy despatch approved by the Commission for the year 2016-17 by 3032 mu by AP Genco thermal, by 2292 mu from APPDCL, by 1049 mu from AP Genco hydel, by 262 mu from CGSs, by 253 mu from NCE, by 10,124 mu from IPPs and others and by 28 mu from APGPCL. The short supply includes 661 mu from KSK Mahanadi, 2828 mu from Hinduja, 75 mu from Thermal Power Tech and 6566 mu from 600 MW DBFOO. Did the Discoms claim and collect liquidated damages from the power stations concerned for lesser supply of power as per the terms and conditions in their respective PPAs, wherever applicable? The Discoms have not explained the reasons for shortfall in generation and supply of power. Despite the claimed shortfall in generation and supply of power, the Discoms have shown an unsold surplus of 10,384 mu for the year 2016-17. This dichotomy shows how unrealistically energy availability and despatch were proposed by the Discoms and determined and approved by the Hon'ble Commission.
4. Despite having an unsold surplus of 10,384 mu, the Discoms have purchased 1707 mu from the market against 294 mu permitted by the Commission. At the same time, the Discoms have claimed that they have purchased 901 mu additionally from gas-based IPPs against 3054 mu approved by the Commission. The Discoms have claimed that they have purchased mu from the market at a total cost of Rs.797 crore, with additional amount of Rs.645 crore paid for additional purchase of 1413 mu. It needs to be clarified by the Discoms whether additional purchases on such a higher scale were made by them without seeking prior consent of the Hon'ble Commission, both in terms of quantum and cap for tariffs to be paid, and the procedure to be adopted for such purchases to ensure competitive tariffs. Since the Discoms had not sought and got permission of the Hon'ble Commission for purchasing additional power from the market, maximum cap of tariff and the procedure to be adopted for competitive bidding for such purchases, it reflects "executive arrogance" of the powers-that-be who handled such purchases from Vidyuth Soudha. It is a negation of the directions given periodically by the Hon'ble Commission on additional power purchases to be made by the Discoms and reflects recklessness of the powers-that-be that they need not seek prior permission of the Commission for such purchases and their contempt for regulatory requirements and questionable approach that the Commission would or should give its consent to such purchases as and when they seek.
5. The Discoms have maintained that they have incurred fixed cost of Rs.8551 crore against Rs.8821 crore approved by the Commission. This mainly due to failures of the power stations concerned to supply approved quantum of power. At the same time, the Discoms have paid additional variable costs by Rs.3086 crore, i.e., Rs.16074 crore against Rs.12,989 crore approved by the Commission. Similarly, the Discoms also have paid

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additional other costs by Rs.101 crore, i.e., Rs.830 crore against Rs.729 crore approved by the Commission. The reasons for the same need to be explained by the Discoms to examine whether such higher payments are justified or not. That apart, fixed cost being fixed in nature, it cannot increase for purchase of the quantum of power approved by the Commission. Therefore, the moot point is whether the Discoms backed down capacities of the stations of AP Genco and paid fixed charges therefor. If so, what were the quantum of power backed down by the Discoms and fixed charges paid therefor to AP Genco and other thermal stations, if any?

6. The Discoms have shown that they could not sell a surplus of 1765 mu, with a variation of Rs.4463 crore. At the same time, they have purchased 1241 mu more than what was approved by the Commission from the market. What are the reasons for the same? Did the Discoms back down thermal power in order to purchase high cost and must-run non-conventional energy, exceeding their obligations under RPPO, and pay fixed charges therefor? If so, what are the costs per unit of NCE purchased and per unit cost of power from the thermal stations backed down, station-wise and unit-wise?
7. The Discoms have claimed that following fixed costs determined by the Commission for SDSTPS stage I (2x800 MW) on 2.3.2019, they have to pay Rs.621.19 crore for 2015-16 and Rs.1145.94 crore for 2016-17 additionally to the project. When the Commission fixed an interim tariff of Rs.3.63 per unit, with a fixed cost of Rs.1.02 per unit, and when actual energy availed from SDSTPS-1 was with a PLF of 41.96% only for the year 2015-16 and with a PLF of 78.99% for the year 2016-17, and when the Discoms paid Rs.430.05 crore for 2015-16 and Rs.824.27 crore for 2016-17, the fixed costs determined by the Commission for the station on 2.3.2019 cannot, and should not, be applied with retrospective effect. Therefore, we request the Hon'ble Commission not to approve payment of additional sum of Rs.1767.12 crore the Discoms have claimed to be paid to the said station under true-up. When fixed cost was approved by the Commission for threshold level PLF and when the station could achieved PLFs less than that, liquidated damages should be collected from SDSTPS-1 for generation and supply of power below threshold level.
8. The Discoms have claimed that while the Commission approved Rs.2.29 per unit as the average variable cost for the year 2016-17, they have paid @ Rs.2.94 per unit on an average. They have not explained the reasons for paying higher variable costs. The justification or otherwise for paying higher variable costs need to be examined.
9. The Discoms have claimed that other costs paid by them increased to Rs.830 crore from Rs.729 crore approved by the Commission. They have not explained what those other costs are and why a sum of Rs.101 crore was paid by them additionally. The justification and permissibility for paying such a huge amount for unexplained other costs need to be examined.
10. We request the Hon'ble Commission to determine the amounts taken over or to be taken over by GoAP from the debts of the Discoms for the year 2016-17 under UDAY and deduct the same from their true-up claims. In the subject petition, the Discoms have not given the details of taking over of their debt by GoAP under UDAY.

11. The Discoms have claimed that they were able to procure power from short-term sources from the market at an average rate of Rs.4.66 per unit against the cost of Rs.5.17 per unit approved by the Commission. The cost per unit approved by the Commission is upper limit only. The Discoms have purchased power from market at a cost per unit ranging from the lowest of Rs.0.24 to the highest of Rs.7.68. The Discoms cannot justify purchasing power from the market at costs higher than the upper limit determined by the Commission, under the facile pretext that the average cost per unit paid is less than the upper limit fixed by the Commission. In other words, the Discoms have passed on the benefit of costs paid below the upper limit fixed by the Commission to some of the companies trading in power by paying them costs higher than the upper limit fixed by the Commission. We request the Hon'ble Commission to direct the Discoms to seek additional subsidy required for purchases made in market far exceeding the quantum permitted by the Commission and from other sources from GoAP, since they did not seek prior approval of the Commission for purchasing additional quantum, procedure to be adopted for real and transparent competitive bidding and cap on tariff. The powers-that-be should be brought round to scrupulously adhere to regulatory requirements of the Commission for purchasing power and additional power.

12. Any additional supplies made to LT agriculture, with additional costs, the same should be sought as additional subsidy by the Discoms from GoAP.

13. Carrying cost claimed by the Discoms to the tune of Rs.3212 crore under true-up for the years 2015-16 and 2016-17 is not permissible. We request the Hon'ble Commission to reject the claim for carrying cost. The Discoms have to submit their true-up claims in time and the consumers should not be penalised for delay caused by the Discoms in submitting the same.

We request the Hon'ble Commission to provide us an opportunity to make further submissions in person during the public hearing after receiving responses of the Discoms to our above-mentioned submissions and studying and analysing the same.

Thanking you,

Yours sincerely,



(PENUMALLI MADHU)

State Secretary

Copy to

1. **Chief General Manager
P&MM&IPC
APSPDCL, Tirupati**
2. **Chief General Manager
RAC, PP&Projects-III
APEPDCL, Visakhapatnam**

To
The Secretary
A.P. Electricity Regulatory Commission
 4th floor, Singareni Bhavan, Red Hills
 Hyderabad - 500 004

August 19, 2019

Respected Sir,

Sub : Submission of views and suggestions in application filed by AP Discoms – APSPDCL and APEPDCL - seeking approval for true-up for retail supply business for 2015-16 and 2016-17 to the tune of Rs.11,144 crore pertaining to the increase in power purchase costs, etc., in I.A.No.14 of 2019 in O.P.Nos. 1 & 2 of 2016

With reference to your public notice dated 27.7.2019, inviting views, objections and suggestions on the subject petition, I am submitting the following points for the consideration of the Hon'ble Commission. I request that the delay in submission may please be condoned and to take this in to consideration.

1. APSPDCL and APEPDCL, being independent entities should have submitted their true-up applications separately. However, a common application is filed by both the Discoms for the years 2015-16 and 2016-17, claiming revenue true-up of Rs.2817 crore for the year 2015-16, a revenue true-up of Rs.5352 crore for 2015-16 and 2016-17 and expense true up of Rs.2580 crore for the year 2016-17, with a carrying cost of Rs.3212 crore at an interest rate of 12% considering FY 2019-20 as the year of approval. Whatever be the true-up amounts that the Hon'ble Commission is going to permit, its impact on consumers should be confined to the respective true-up amounts of the Discom concerned. It should not be an average for the entire State.
2. While the affidavit filed by the Discoms claims that their claims for true-up pertain to the year 2016-17, at page 19, the Discoms have claimed true-up for the year 2015-16 also, without giving details pertaining to the same. It is strange that the Hon'ble Commission has issued public notice, inviting objections and suggestions in the subject petition, without directing the Discoms to file required information relating to their true up claims for 2015-16 also and without incorporating the same in the subject petition. We request the Hon'ble Commission to direct the Discoms to file their true-up petition for the year 2015-16 separately with all the required information. At page 20, the Discoms have dishonestly claimed that the claimed true-up amount of Rs.11,144 crore is for retail supply business for the year 2016-17.
3. While the Hon'ble Commission approved a total power purchase of 56,805 mu for the year 2016-17, the actual purchases claimed by the Discoms are 52,561 mu only, i.e., there is a lesser purchase of power by 4244 mu. Despite that, against total power purchase cost of Rs.22,538 crore approved by the Commission, the Discoms incurred an expenditure of Rs.25,455 crore for power purchase, i.e., higher by Rs.2,917 crore. They have shown lesser payment of Rs.270 crore towards fixed cost, higher payment of Rs.3086 crore towards variable cost and higher payment of Rs.101 crore towards other costs for the year 2016-17. The Discoms have claimed that supply of power is lesser vis a vis energy despatch approved by the Commission for the year 2016-17 by 3032 mu by AP Genco thermal, by 2292 mu from APPDCL, by 1049 mu from AP Genco hydel, by 262 mu from CGSs, by 253 mu from NCE, by 10,124 mu from IPPs and others and by 28 mu from APGPCL. The short

supply includes 661 mu from KSK Mahanadi, 2828 mu from Hinduja, 75 mu from Thermal Power Tech and 6566 mu from 600 MW DBFOO. Did the Discoms claim and collect liquidated damages from the power stations concerned for lesser supply of power as per the terms and conditions in their respective PPAs, wherever applicable? The Discoms have not explained the reasons for shortfall in generation and supply of power. Despite the claimed shortfall in generation and supply of power, the Discoms have shown an unsold surplus of 10,384 mu for the year 2016-17. This dichotomy shows how unrealistically energy availability and despatch were proposed by the Discoms and determined and approved by the Hon'ble Commission.

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Thanking you,

Yours sincerely,

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Vijayawada – 520 003

Copies to :

1. Chief General Manager (RAC), APSPDCL, Tirupati
2. Chief General Manager (RAC), APEPDCL, Visakhapatnam