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EASTERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED
CORPORATE OFFICE :: VISAKHAPATNAM

From

The Chief General Manager ;
 PPA, RA & QC,
 APEPDCL, Corporate Office,
 Seethammadhara,
 Visakhapatnam – 530013.

To

Sri. Penumalli Madhu,
 State Secretary,
 H.No.27-28-12, CPI(M),
 State Committee Office,
 Yamalavari Street, Governorpet,
 Vijayawada – 500 002

Lr.No.CGM/PPA, RA&QC/EPDCL/VSP/RAC/F:True-Up/D.No. 182 /19, dt. 17-10-2019

Sir,

Sub: APEPDCL – RAC – Replies to the Objections received on True-up petition filed by APDISCOMS on Retails Supply Business for 2016-17 - Regarding.

Ref: Your Objection letter dated.18-08-2019

We are in receipt of your suggestion/ objections on True-up petition filed by APDISCOMS on Retails Supply Business for 2016-17 and the same is herewith acknowledged with thanks. Para wise replies of APEPDCL are as follows:

Para No /Brief Issue	EPDCL Response
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.	It is to inform that, in view of the uniform nature of Retail Supply Tariffs across the state independent of the service area of the distribution licensees, the DISCOMs are proposing to impose the burden of per unit True-Up also on uniform basis across the State. Further Power Purchase cost which constitutes around 80% of the entire expenditure of Distribution business is being incurred centrally to optimize the procurement cost and reduce the transaction costs. Even in the True-Up exercise, Power purchase cost variation is major element and so the DISCOMs have proposed for uniform levy of per unit True-up across the 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	Revenue True-up to the extent of Rs 2817 Crs pertaining to FY 2015-16 has been claimed as part of True-up petition for FY 2016-17. Revenue true-up

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<p>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.</p>	<p>has not been claimed earlier for FY 2015-16.</p> <p>The Honorable Commission approves tariff and non-tariff income for the Retail Supply Business in its Retail Supply Tariff Order for every financial year. However, tariff and non-tariff income approved by the Honourable Commission is different from the actual revenue realized. If the actual revenue realized is lower than the approved revenue, the Petitioners incur losses. Hence, the Petitioners request the Honourable Commission to consider true-up/true-down for the revenue also.</p> <p>Further, the DISCOMs have written to a letter (Lr.No.CGM/Opn/SPDCL/TPT/RAC/F.Regd.4/D.No.12/16 dated 15-01-2017) to the Hon'ble Commission seeking amendment to the Regulation 4 of 2005, to this effect.</p>
<p>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</p>	<p>Whenever there is a short supply of power from the plants which are governed by PPAs & Two part tariff structure (Capacity Charge & Energy Charge), owing to the issues of Plant availability (either due to outage or due to shortage of supply) capacity charges payable to such generators would be reduced proportionately as per the provisions of the PPA.</p> <p>Main reason for deficiency in supply is less availability declaration by the concerned Generator owing to shortage of Coal and the payment of capacity charges are made accordingly.</p> <p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>There is no dichotomy between energy availability & dispatch. The surplus is assessed based on the potential plant availability, subjected to the condition of accessibility of sufficient fuel.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night</p>

Para No /Brief Issue	EPDCL Response
<p>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.</p>	<p>power etc) is important to fetch reasonable revenue.</p>
<p>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 VidyuthSoudha. 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.</p>	<p>It is to inform that unsold surplus of 10,384 MU as claimed by the objector is not the actual surplus generation. It is only the potential to generate surplus subjected to the availability of required fuel. Most of the thermal generating stations were falling short of expected generation due to shortage of coal.</p> <p>After considering the power available from all the sources, the DISCOMs fell short of energy availability, and in order to ensure reliable & uninterrupted power supply, the DISCOMs have resorted to market purchases and additional purchases.</p>

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Para No /Brief Issue	EPDCL Response
<p>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?</p>	<p>Thermal Generating stations located in Telangana State are older units when compared to the stations located in Andhra Pradesh. This causes, per unit fixed cost of generating stations in TS at lower side when compared to its counterparts in AP. This is the reason behind payment of higher fixed costs by AP DISCOMs when "Regulation" of power came into force between AP & TS.</p> <p>During certain instances in the grid operations, Thermal Power Stations are backed down to accommodate Renewable Energy sources which have been conferred "Must Run" status. During the period of backing down, the thermal generating stations have to be compensated for fixed cost payment, if they confirm the availability, as per the provisions of the PPAs.</p> <p>As the backing down details sought are pertaining to older period, the same will be furnished shortly.</p>
<p>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?</p>	<p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours; Day Time Power, Night Power etc) is important to fetch reasonable revenue. RE power has been purchased in accordance with the provisions of the approved PPAs and regulations governing grid operations. As the backing down details sought are pertaining to older period, the same will be furnished shortly.</p>
<p>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</p>	<p>It is to inform that short payment of fixed cost would take place, if the generator didn't achieve the target availability factor as specified in the relevant RPA.</p>

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<p>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.</p>	<p>The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.</p>
<p>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.</p>	<p>Ownership wise / Source wise variation in respect of the per unit variable cost is given in Table 12 of the petition.</p> <p>The increase in variable cost is due to increase in Basic price, Fuel Cost Adjustment (FCA) levied by the Coal / Gas companies and increased freight charges leveled by Railways and other transportation agencies.</p>
<p>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.</p>	<p>Other Costs include expenditures incurred on account of Additional Interest on pension bonds, incentives paid if any and actual payment of Income Tax. These are the prudent expenditures made by the DISCOMs and submitted for admission in to the True-Up</p>
<p>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</p>	<p>As per Clause 1.2(a) of the MoU, GoAP agreed to take over 75% of working capital term loan of Rs.8461.75 Crs. and 100% FRP bonds of Rs.2546.15 Crs. of the APDISCOMs outstanding as on 30th September, 2015. Accordingly, GoAP issued G.O.Ms.No.27, Energy Infrastructure & Investment (Power-I) Department, dt.26-07-2016.</p>

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GoAP under UDAY.	<table><tr><th colspan="2">Outstanding loans as on 30-09-2015</th></tr><tr><td>Capex Loans</td><td>3712.49</td></tr><tr><td>Working capital Loans</td><td>8461.76</td></tr><tr><td>FRP Bonds Liability</td><td>2546.15</td></tr><tr><td>Total</td><td>14720.40</td></tr></table> <p>Out of the total outstanding loans of Rs.14720.40 Crs. as on 30-09-2015, GoAP has accorded approval for takeover of 75% of working loans (Rs.6346.32 Crs.) and 100% of FRP bonds (Rs.2546.15 Crs.).</p> <table><tr><th></th><th>EPDCL</th><th>SPDCL</th><th>Total</th></tr><tr><td>Against 100% FRP Bonds</td><td>1205.95</td><td>1340.20</td><td>2546.15</td></tr><tr><td>Against 75% working capital loan</td><td>2094.53</td><td>4251.79</td><td>6346.32</td></tr><tr><td>Total</td><td>3300.48</td><td>5591.99</td><td>8892.47</td></tr></table> <p>As on date GoAP has taken over loans as given below:</p> <table><tr><th></th><th>EPDCL</th><th>SPDCL</th><th>Total</th></tr><tr><td>Against 100% FRP Bonds</td><td>904.46</td><td>1005.23</td><td>1909.69</td></tr><tr><td>Against 75% working capital loan</td><td>2094.53</td><td>4251.79</td><td>6346.32</td></tr><tr><td>Total</td><td>2998.99</td><td>5257.02</td><td>8256.01</td></tr></table>	Outstanding loans as on 30-09-2015		Capex Loans	3712.49	Working capital Loans	8461.76	FRP Bonds Liability	2546.15	Total	14720.40		EPDCL	SPDCL	Total	Against 100% FRP Bonds	1205.95	1340.20	2546.15	Against 75% working capital loan	2094.53	4251.79	6346.32	Total	3300.48	5591.99	8892.47		EPDCL	SPDCL	Total	Against 100% FRP Bonds	904.46	1005.23	1909.69	Against 75% working capital loan	2094.53	4251.79	6346.32	Total	2998.99	5257.02	8256.01
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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	<p>Per Unit Cost of power procurement of Rs 5.17/Unit approved by the Commission is the weighted average cost of procurement. Even though the actual cost of procurement varies from Rs 0.24/Unit to Rs 7.68/Unit, the weighted average cost is contained well below the price approved by the Hon'ble Commission, in the Retail Supply Tariff Order.</p> <p>It is to inform that, while procuring power on Day-ahead basis from the market, in certain instances the time block wise discovered price exceeds the average price approved by the Commission. To ensure reliable 24X7 power supply to the Consumers, the DISCOMs are procuring power from short term sources, after exhausting receivable power from all committed sources, to meet the shortages only.</p> <p>Per unit rates in the exchanges during peak hours</p>																																										

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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.	are usually higher than the ceiling rates approved by Hon'ble APERC. If the procurement rates are restricted to the ceiling rates during peak hours, DISCOMs would not get the required power, leading to load shedding.
12. Any additional supplies made to LT agriculture, with additional costs, the same should be sought as additional subsidy by the Discoms from GoAP.	The Hon'ble Commission has already passed order vide IA No.20 of 2017 in OP No. 1 of 2016 dated 07.10.2017 to provide addl subsidy of Rs. 64.26 Crores to APEPDCL.
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.	For the reasons beyond in the control of the DISCOMs, the True-Up claims have been submitted with a delay and carrying cost also has been claimed. The Hon'ble Commission is requested to condone the delay and approve the True-Up claim including carrying costs. Even if true-ups are filed in time, carrying costs are inevitable as APDISCOMs have to pay interest on working capital availed towards additional power procurement cost.
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.	Within the purview of Hon'ble APERC

Yours faithfully


 Chief General Manager
 PPA, RA & QC
 APEPDCL: VISAKHAPATNAM

Copy submitted to

The Secretary, APERC, 4TH Floor, 11-4-660, Singareni Bhavan, Red Hills, Hyderabad-500004.

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1. 1990年12月25日，在俄罗斯莫斯科市，俄罗斯总统叶利钦在克里姆林宫正式签署《俄罗斯联邦宪法》，宣布俄罗斯联邦为总统制国家。

The image shows a single page of a document, possibly a historical record or a manuscript. The text is extremely faded and illegible, appearing as a series of vertical columns of characters. The page is oriented vertically, and the text is arranged in a structured manner, suggesting it might be a list or a table. The overall quality is poor, with significant noise and artifacts, making it impossible to read the specific content.

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EASTERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED
CORPORATE OFFICE :: VISAKHAPATNAM

From

The Chief General Manager,
 PPA, RA & QC,
 APEPDCL, Corporate Office,
 Seethammadhara,
 Visakhapatnam – 530013.

To

Sri. Ch.Narasingaro,
 State Secretariat Member,
 Communist Party of India (Marxist),
 N.P.R Bhawan, H.No. 28-6-8,
 Yallammathota, Jagadamba Jn.,
 Email: chnrao33@gmail.com

Lr.No.CGM/PPA, RA&QC/EPDCL/VSP/RAC/F:True-Up/D.No. 163 /19, dt. 09-10-2019

Sir,

Sub: APEPDCL – RAC – Replies to the Objections received on True-up petition filed by APDISCOMS on Retails Supply Business for 2016-17 - Regarding.

Ref: Your Objection letter dated. 17-08-2019

We are in receipt of your suggestion/ objections on True-up petition filed by APDISCOMS on Retails Supply Business for 2016-17 and the same is herewith acknowledged with thanks. Para wise replies of APEPDCL are as follows:

Para No /Brief Issue	EPDCL Response
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.	It is to inform that, in view of the uniform nature of Retail Supply Tariffs across the state independent of the service area of the distribution licensees, the DISCOMs are proposing to impose the burden of per unit True-Up also on uniform basis across the State. Further Power Purchase cost which constitutes around 80% of the entire expenditure of Distribution business is being incurred centrally to optimize the procurement cost and reduce the transaction costs. Even in the True-Up exercise, Power purchase cost variation is major element and so the DISCOMs have proposed for uniform levy of per unit True-up across the 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	Revenue True-up to the extent of Rs 2817 Crs pertaining to FY 2015-16 has been claimed as part of True-up petition for FY 2016-17. Revenue true-up

Para No /Brief Issue	EPDCL Response
<p>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.</p>	<p>Has not been claimed earlier for FY 2015-16.</p> <p>The Honorable Commission approves tariff and non-tariff income for the Retail Supply Business in its Retail Supply Tariff Order for every financial year. However, tariff and non-tariff income approved by the Honourable Commission is different from the actual revenue realized. If the actual revenue realized is lower than the approved revenue, the Petitioners incur losses. Hence, the Petitioners request the Honourable Commission to consider true-up/true-down for the revenue also.</p> <p>Further, the DISCOMs have written to a letter (Lr.No.CGM/Opn/SPDCL/TPT/RAC/F.Reg.4/D.No.12 /16 dated 15-01-2017) to the Hon'ble Commission seeking amendment to the Regulation 4 of 2005, to this effect.</p>
<p>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</p>	<p>Whenever there is a short supply of power from the plants which are governed by PPAs & Two part tariff structure (Capacity Charge & Energy Charge), owing to the issues of Plant availability (either due to outage or due to shortage of supply) capacity charges payable to such generators would be reduced proportionately as per the provisions of the PPA.</p> <p>Main reason for deficiency in supply is less availability declaration by the concerned Generator owing to shortage of Coal and the payment of capacity charges are made accordingly.</p> <p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>There is no dichotomy between energy availability & dispatch. The surplus is assessed based on the potential plant availability, subjected to the condition of accessibility of sufficient fuel.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night</p>

Para No /Brief Issue	EPDCL Response:
<p>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.</p>	<p>Power etc) is important to 'fetch' reasonable revenue.</p>
<p>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 VidyuthSoudha. 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.</p>	<p>It is to inform that unsold surplus of 10,384 MU as claimed by the objector is not the actual surplus generation. It is only the potential to generate surplus subjected to the availability of required fuel. Most of the thermal generating stations were falling short of expected generation due to shortage of coal.</p> <p>After considering the power available from all the sources, the DISCOMs fell short of energy availability, and in order to ensure reliable & uninterrupted power supply, the DISCOMs have resorted to market purchases and additional purchases.</p>

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Para No /Brief Issue	EPDCL Response
<p>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?</p>	<p>Thermal Generating stations located in Telangana State are older units when compared to the stations located in Andhra Pradesh. This causes, per unit fixed cost of generating stations in TS at lower side when compared to its counterparts in AP. This is the reason behind payment of higher fixed costs by AP DISCOMs when "Regulation" of power came into force between AP & TS.</p> <p>During certain instances in the grid operations, Thermal Power Stations are backed down to accommodate Renewable Energy sources which have been conferred "Must Run" status. During the period of backing down, the thermal generating stations have to be compensated for fixed cost payment, if they confirm the availability, as per the provisions of the PPAs.</p> <p>As the backing down details sought are pertaining to older period, the same will be furnished shortly.</p>
<p>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?</p>	<p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, it's not commercially prudent to opt for sale of power.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue. RE power has been purchased in accordance with the provisions of the approved PPAs and regulations governing grid operations. As the backing down details sought are pertaining to older period, the same will be furnished shortly.</p>
<p>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</p>	<p>It is to inform that short payment of fixed cost would take place, if the generator didn't achieve the target availability factor as specified in the relevant PPA.</p>

Para No /Brief Issue	EPDCL Response
<p>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.</p>	<p>The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.</p>
<p>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.</p>	<p>Ownership wise / Source wise variation in respect of the per unit variable cost is given in Table 12 of the petition.</p> <p>The increase in variable cost is due to increase in Basic price, Fuel Cost Adjustment (FCA) levied by the Coal / Gas companies and increased freight charges leveled by Railways and other transportation agencies.</p>
<p>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.</p>	<p>Other Costs include expenditures incurred on account of Additional Interest on pension bonds, incentives paid if any and actual payment of Income Tax. These are the prudent expenditures made by the DISCOMs and submitted for admission in to the True-Up</p>
<p>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</p>	<p>As per Clause 1.2(a) of the MoU, GoAP agreed to take over 75% of working capital term loan of Rs.8461.75 Crs. and 100% FRP bonds of Rs.2546.15 Crs. of the APDISCOMs outstanding as on 30th September, 2015. Accordingly GoAP issued G.O.Ms.No.27, Energy Infrastructure & Investment (Power-I) Department, dt.26-07-2016.</p>


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Para No /Brief issue	EPDCL Response																																																				
GoAP under UDAY.	<table><tr><td></td><td colspan="3">Outstanding loans as on 30-09-2015</td></tr><tr><td>Capex Loans</td><td colspan="3">3712.49</td></tr><tr><td>Working capital Loans</td><td colspan="3">8461.76</td></tr><tr><td>FRP Bonds Liability</td><td colspan="3">2546.15</td></tr><tr><td>Total</td><td colspan="3">14720.40</td></tr></table> <p>Out of the total outstanding loans of Rs.14720.40 Crs. as on 30-09-2015, GoAP has accorded approval for takeover of 75% of working loans (Rs.6346.32 Crs.) and 100% of FRP bonds (Rs.2546.15 Crs.).</p> <table><tr><td></td><td>EPDCL</td><td>SPDCL</td><td>Total</td></tr><tr><td>Against 100% FRP Bonds</td><td>1205.95</td><td>1340.20</td><td>2546.15</td></tr><tr><td>Against 75% working capital loan</td><td>2094.53</td><td>4251.79</td><td>6346.32</td></tr><tr><td>Total</td><td>3300.48</td><td>5591.99</td><td>8892.47</td></tr></table> <p>As on date GoAP has taken over loans as given below:</p> <table><tr><td></td><td>EPDCL</td><td>SPDCL</td><td>Total</td></tr><tr><td>Against 100% FRP Bonds</td><td>904.46</td><td>1005.23</td><td>1909.69</td></tr><tr><td>Against 75% working capital loan</td><td>2094.53</td><td>4251.79</td><td>6346.32</td></tr><tr><td>Total</td><td>2998.99</td><td>5257.02</td><td>8256.01</td></tr></table>		Outstanding loans as on 30-09-2015			Capex Loans	3712.49			Working capital Loans	8461.76			FRP Bonds Liability	2546.15			Total	14720.40				EPDCL	SPDCL	Total	Against 100% FRP Bonds	1205.95	1340.20	2546.15	Against 75% working capital loan	2094.53	4251.79	6346.32	Total	3300.48	5591.99	8892.47		EPDCL	SPDCL	Total	Against 100% FRP Bonds	904.46	1005.23	1909.69	Against 75% working capital loan	2094.53	4251.79	6346.32	Total	2998.99	5257.02	8256.01
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Para No /Brief Issue	EPDCL Response
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.	are usually higher than the ceiling rates approved by Hon'ble APERC. If the procurement rates are restricted to the ceiling rates during peak hours, DISCOMs would not get the required power, leading to load shedding.
12. Any additional supplies made to LT agriculture, with additional costs, the same should be sought as additional subsidy by the Discoms from GoAP.	The Hon'ble Commission has already passed order vide IA No.20 of 2017 in OP No. 1 of 2016 dated 07.10.2017 to provide addl subsidy of Rs. 64.26 Crores to APEPDCL.
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.	For the reasons beyond in the control of the DISCOMs, the True-Up claims have been submitted with a delay and carrying cost also has been claimed. The Hon'ble Commission is requested to condone the delay and approve the True-Up claim including carrying costs. Even if true-ups are filed in time, carrying costs are inevitable as APDISCOMs have to pay interest on working capital availed towards additional power procurement cost.
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.	Within the purview of Hon'ble APERC

Yours faithfully


 Chief General Manager
 PPA, RA & QC
 APEPDCL::VISAKHAPATNAM

Copy submitted to

The Secretary, APERC, 4TH Floor, 11-4-660, Singareni Bhavan, Red Hills, Hyderabad-500004.

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EASTERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED
CORPORATE OFFICE :: VISAKHAPATNAM

From

The Chief General Manager,
 PPA, RA & QC,
 APEPDCL, Corporate Office,
 Seethammadhara,
 Visakhapatnam – 530013.

To

Sri. M. Venugopala Rao,
 Senior Journalist & Convener,
 Centre for Power Studies,
 H.No.7-1-408 to 413, F 203,
 Sri Sai Darsan Residency,
 Balkampet Road, Ameerpet,
 Hyderabad – 500 016.
 Email : vrmummareddi@gmail.com

Lr.No.CGM/PPA, RA&QC/EPDCL/VSP/RAC/F:True-Up/D.No. 184 /19, dt. 04-10-2019

Sir,

Sub: APEPDCL – RAC – Replies to the Objections received on True-up petition filed by APDISCOMS on Retails Supply Business for 2016-17 - Regarding.

Ref: Your Objection letter dated. 16-08-2019

We are in receipt of your suggestion/objections on True-up petition filed by APDISCOMS on Retails Supply Business for 2016-17 and the same is herewith acknowledged with thanks. Para wise replies of APEPDCL are as follows:

Para No /Brief Issue	EPDCL Response
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.	It is to inform that, in view of the uniform nature of Retail Supply Tariffs across the state independent of the service area of the distribution licensees, the DISCOMs are proposing to impose the burden of per unit True-Up also on uniform basis across the State. Further Power Purchase cost which constitutes around 80% of the entire expenditure of Distribution business is being incurred centrally to optimize the procurement cost and reduce the transaction costs. Even in the True-Up exercise, Power purchase cost variation is major element and so the DISCOMs have proposed for uniform levy of per unit True-up across the State.
2. While the affidavit filed by the Discoms claims that their claims for true-up pertain to the year	Revenue True-up to the extent of Rs 2817 Crs pertaining to FY 2015-16 has been claimed as part

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Para No /Brief Issue	EPDCL Response
<p>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.</p>	<p>of True-up petition for FY 2016-17. Revenue true-up has not been claimed earlier for FY 2015-16.</p> <p>The Honorable Commission approves tariff and non-tariff income for the Retail Supply Business in its Retail Supply Tariff Order for every financial year. However, tariff and non-tariff income approved by the Honourable Commission is different from the actual revenue realized. If the actual revenue realized is lower than the approved revenue, the Petitioners incur losses. Hence, the Petitioners request the Honourable Commission to consider true-up/true-down for the revenue also.</p> <p>Further, the DISCOMs have written to a letter (Lr.No.CGM/Opn/SPDCL/TPT/RAC/F.Reg.4/D.No.12/16 dated 15-01-2017) to the Hon'ble Commission seeking amendment to the Regulation 4 of 2005, to this effect.</p>
<p>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</p>	<p>Whenever there is a short supply of power from the plants which are governed by PPAs & Two part tariff structure (Capacity Charge & Energy Charge), owing to the issues of Plant availability (either due to outage or due to shortage of supply) capacity charges payable to such generators would be reduced proportionately as per the provisions of the PPA.</p> <p>Main reason for deficiency in supply is less availability declaration by the concerned Generator owing to shortage of Coal and the payment of capacity charges are made accordingly.</p> <p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>There is no dichotomy between energy availability & dispatch. The surplus is assessed based on the potential plant availability, subjected to the condition of accessibility of sufficient fuel.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of</p>

Para No /Brief Issue	EPDCL Response
<p>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.</p>	<p>the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue.</p>
<p>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 VidyuthSoudha. 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.</p>	<p>It is to inform that unsold surplus of 10,384 MU as claimed by the objector is not the actual surplus generation. It is only the potential to generate surplus subjected to the availability of required fuel. Most of the thermal generating stations were falling short of expected generation due to shortage of coal.</p> <p>After considering the power available from all the sources, the DISCOMs fell short of energy availability, and in order to ensure reliable & uninterrupted power supply, the DISCOMs have resorted to market purchases and additional purchases.</p>

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Para No /Brief Issue	EPDCL Response
<p>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?</p>	<p>Thermal Generating stations located in Telangana State are older units when compared to the stations located in Andhra Pradesh. This causes, per unit fixed cost of generating stations in TS at lower side when compared to its counterparts in AP. This is the reason behind payment of higher fixed costs by AP DISCOMs when "Regulation" of power came into force between AP & TS.</p> <p>During certain instances, in the grid operations, Thermal Power Stations are backed down to accommodate Renewable Energy sources which have been conferred "Must Run" status. During the period of backing down, the thermal generating stations have to be compensated for fixed cost payment, if they confirm the availability, as per the provisions of the PPAs.</p> <p>As the backing down details sought are pertaining to older period, the same will be furnished shortly.</p>
<p>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?</p>	<p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue. RE power has been purchased in accordance with the provisions of the approved PPAs and regulations governing grid operations. As the backing down details sought are pertaining to older period, the same will be furnished shortly.</p>
<p>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</p>	<p>It is to inform that short payment of fixed cost would take place, if the generator didn't achieve the target availability factor as specified in the relevant PPA.</p>

Para No /Brief Issue	EPDCL Response
<p>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.</p>	<p>The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.</p>
<p>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.</p>	<p>Ownership wise / Source wise variation in respect of the per unit variable cost is given in Table 12 of the petition.</p> <p>The increase in variable cost is due to increase in Basic price, Fuel Cost Adjustment (FCA) levied by the Coal / Gas companies and increased freight charges leveled by Railways and other transportation agencies.</p>
<p>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.</p>	<p>Other Costs include expenditures incurred on account of Additional Interest on pension bonds, incentives paid if any and actual payment of Income Tax. These are the prudent expenditures made by the DISCOMs and submitted for admission in to the True-Up</p>
<p>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</p>	<p>As per Clause 1.2(a) of the MoU, GoAP agreed to take over 75% of working capital term loan of Rs.8461.75 Crs. and 100% FRP bonds of Rs.2546.15 Crs. of the APDISCOMs outstanding as on 30th September, 2015. Accordingly GoAP issued G.O.Ms.No.27, Energy Infrastructure & Investment (Power-I) Department, dt.26-07-2016.</p>

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EASTERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED
CORPORATE OFFICE :: VISAKHAPATNAM

From

The Chief General Manager ;
 PPA, RA & QC,
 APEPDCL, Corporate Office,
 Seethammadhara,
 Visakhapatnam – 530013.

To

Sri. Penumalli Madhu,
 State Secretary,
 H.No.27-28-12, CPI(M),
 State Committee Office,
 Yamalavari Street, Governorpet,
 Vijayawada – 500 002

Lr.No.CGM/PPA, RA&QC/EPDCL/VSP/RAC/F:True-Up/D.No. 182 /19, dt. 17-10-2019

Sir,

Sub: APEPDCL – RAC – Replies to the Objections received on True-up petition filed by APDISCOMS on Retails Supply Business for 2016-17 - Regarding.

Ref: Your Objection letter dated.18-08-2019

We are in receipt of your suggestion/ objections on True-up petition filed by APDISCOMS on Retails Supply Business for 2016-17 and the same is herewith acknowledged with thanks. Para wise replies of APEPDCL are as follows:

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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.	It is to inform that, in view of the uniform nature of Retail Supply Tariffs across the state independent of the service area of the distribution licensees, the DISCOMs are proposing to impose the burden of per unit True-Up also on uniform basis across the State. Further Power Purchase cost which constitutes around 80% of the entire expenditure of Distribution business is being incurred centrally to optimize the procurement cost and reduce the transaction costs. Even in the True-Up exercise, Power purchase cost variation is major element and so the DISCOMs have proposed for uniform levy of per unit True-up across the 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	Revenue True-up to the extent of Rs 2817 Crs pertaining to FY 2015-16 has been claimed as part of True-up petition for FY 2016-17. Revenue true-up

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<p>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.</p>	<p>has not been claimed earlier for FY 2015-16.</p> <p>The Honorable Commission approves tariff and non-tariff income for the Retail Supply Business in its Retail Supply Tariff Order for every financial year. However, tariff and non-tariff income approved by the Honourable Commission is different from the actual revenue realized. If the actual revenue realized is lower than the approved revenue, the Petitioners incur losses. Hence, the Petitioners request the Honourable Commission to consider true-up/true-down for the revenue also.</p> <p>Further, the DISCOMs have written to a letter (Lr.No.CGM/Opn/SPDCL/TPT/RAC/F.Regd.4/D.No.12/16 dated 15-01-2017) to the Hon'ble Commission seeking amendment to the Regulation 4 of 2005, to this effect.</p>
<p>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</p>	<p>Whenever there is a short supply of power from the plants which are governed by PPAs & Two part tariff structure (Capacity Charge & Energy Charge), owing to the issues of Plant availability (either due to outage or due to shortage of supply) capacity charges payable to such generators would be reduced proportionately as per the provisions of the PPA.</p> <p>Main reason for deficiency in supply is less availability declaration by the concerned Generator owing to shortage of Coal and the payment of capacity charges are made accordingly.</p> <p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>There is no dichotomy between energy availability & dispatch. The surplus is assessed based on the potential plant availability, subjected to the condition of accessibility of sufficient fuel.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night</p>

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<p>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.</p>	<p>power etc) is important to fetch reasonable revenue.</p>
<p>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 VidyuthSoudha. 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.</p>	<p>It is to inform that unsold surplus of 10,384 MU as claimed by the objector is not the actual surplus generation. It is only the potential to generate surplus subjected to the availability of required fuel. Most of the thermal generating stations were falling short of expected generation due to shortage of coal.</p> <p>After considering the power available from all the sources, the DISCOMs fell short of energy availability, and in order to ensure reliable & uninterrupted power supply, the DISCOMs have resorted to market purchases and additional purchases.</p>

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<p>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?</p>	<p>Thermal Generating stations located in Telangana State are older units when compared to the stations located in Andhra Pradesh. This causes, per unit fixed cost of generating stations in TS at lower side when compared to its counterparts in AP. This is the reason behind payment of higher fixed costs by AP DISCOMs when "Regulation" of power came into force between AP & TS.</p> <p>During certain instances in the grid operations, Thermal Power Stations are backed down to accommodate Renewable Energy sources which have been conferred "Must Run" status. During the period of backing down, the thermal generating stations have to be compensated for fixed cost payment, if they confirm the availability, as per the provisions of the PPAs.</p> <p>As the backing down details sought are pertaining to older period, the same will be furnished shortly.</p>
<p>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?</p>	<p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours; Day Time Power, Night Power etc) is important to fetch reasonable revenue. RE power has been purchased in accordance with the provisions of the approved PPAs and regulations governing grid operations. As the backing down details sought are pertaining to older period, the same will be furnished shortly.</p>
<p>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</p>	<p>It is to inform that short payment of fixed cost would take place, if the generator didn't achieve the target availability factor as specified in the relevant RPA.</p>

Para No /Brief Issue	EPDCL Response
<p>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 crpre 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.</p>	<p>The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.</p>
<p>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.</p>	<p>Ownership wise / Source wise variation in respect of the per unit variable cost is given in Table 12 of the petition.</p> <p>The increase in variable cost is due to increase in Basic price, Fuel Cost Adjustment (FCA) levied by the Coal / Gas companies and increased freight charges leveled by Railways and other transportation agencies.</p>
<p>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.</p>	<p>Other Costs include expenditures incurred on account of Additional Interest on pension bonds, incentives paid if any and actual payment of Income Tax. These are the prudent expenditures made by the DISCOMs and submitted for admission in to the True-Up</p>
<p>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</p>	<p>As per Clause 1.2(a) of the MoU, GoAP agreed to take over 75% of working capital term loan of Rs.8461.75 Crs. and 100% FRP bonds of Rs.2546.15 Crs. of the APDISCOMs outstanding as on 30th September, 2015. Accordingly, GoAP issued G.O.Ms.No.27, Energy Infrastructure & Investment (Power-I) Department, dt.26-07-2016.</p>

Para No /Brief Issue	EPDCL Response																																										
GoAP under UDAY.	<table><tr><th colspan="2">Outstanding loans as on 30-09-2015</th></tr><tr><td>Capex Loans</td><td>3712.49</td></tr><tr><td>Working capital Loans</td><td>8461.76</td></tr><tr><td>FRP Bonds Liability</td><td>2546.15</td></tr><tr><td>Total</td><td>14720.40</td></tr></table> <p>Out of the total outstanding loans of Rs.14720.40 Crs. as on 30-09-2015, GoAP has accorded approval for takeover of 75% of working loans (Rs.6346.32 Crs.) and 100% of FRP bonds (Rs.2546.15 Crs.).</p> <table><tr><th></th><th>EPDCL</th><th>SPDCL</th><th>Total</th></tr><tr><td>Against 100% FRP Bonds</td><td>1205.95</td><td>1340.20</td><td>2546.15</td></tr><tr><td>Against 75% working capital loan</td><td>2094.53</td><td>4251.79</td><td>6346.32</td></tr><tr><td>Total</td><td>3300.48</td><td>5591.99</td><td>8892.47</td></tr></table> <p>As on date GoAP has taken over loans as given below:</p> <table><tr><th></th><th>EPDCL</th><th>SPDCL</th><th>Total</th></tr><tr><td>Against 100% FRP Bonds</td><td>904.46</td><td>1005.23</td><td>1909.69</td></tr><tr><td>Against 75% working capital loan</td><td>2094.53</td><td>4251.79</td><td>6346.32</td></tr><tr><td>Total</td><td>2998.99</td><td>5257.02</td><td>8256.01</td></tr></table>	Outstanding loans as on 30-09-2015		Capex Loans	3712.49	Working capital Loans	8461.76	FRP Bonds Liability	2546.15	Total	14720.40		EPDCL	SPDCL	Total	Against 100% FRP Bonds	1205.95	1340.20	2546.15	Against 75% working capital loan	2094.53	4251.79	6346.32	Total	3300.48	5591.99	8892.47		EPDCL	SPDCL	Total	Against 100% FRP Bonds	904.46	1005.23	1909.69	Against 75% working capital loan	2094.53	4251.79	6346.32	Total	2998.99	5257.02	8256.01
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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	<p>Per Unit Cost of power procurement of Rs 5.17/Unit approved by the Commission is the weighted average cost of procurement. Even though the actual cost of procurement varies from Rs 0.24/Unit to Rs 7.68/Unit, the weighted average cost is contained well below the price approved by the Hon'ble Commission, in the Retail Supply Tariff Order.</p> <p>It is to inform that, while procuring power on Day-ahead basis from the market, in certain instances the time block wise discovered price exceeds the average price approved by the Commission. To ensure reliable 24X7 power supply to the Consumers, the DISCOMs are procuring power from short term sources, after exhausting receivable power from all committed sources, to meet the shortages only.</p> <p>Per unit rates in the exchanges during peak hours</p>																																										

Para No /Brief Issue	EPDCL Response
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.	are usually higher than the ceiling rates approved by Hon'ble APERC. If the procurement rates are restricted to the ceiling rates during peak hours, DISCOMs would not get the required power, leading to load shedding.
12. Any additional supplies made to LT agriculture, with additional costs, the same should be sought as additional subsidy by the Discoms from GoAP.	The Hon'ble Commission has already passed order vide IA No.20 of 2017 in OP No. 1 of 2016 dated 07.10.2017 to provide addl subsidy of Rs. 64.26 Crores to APEPDCL.
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.	For the reasons beyond in the control of the DISCOMs, the True-Up claims have been submitted with a delay and carrying cost also has been claimed. The Hon'ble Commission is requested to condone the delay and approve the True-Up claim including carrying costs. Even if true-ups are filed in time, carrying costs are inevitable as APDISCOMs have to pay interest on working capital availed towards additional power procurement cost.
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.	Within the purview of Hon'ble APERC

Yours faithfully


 Chief General Manager
 PPA, RA & QC
 APEPDCL: VISAKHAPATNAM

Copy submitted to

The Secretary, APERC, 4TH Floor, 11-4-660, Singareni Bhavan, Red Hills, Hyderabad-500004.

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EASTERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED
CORPORATE OFFICE :: VISAKHAPATNAM

From

The Chief General Manager,
 PPA, RA & QC,
 APEPDCL, Corporate Office,
 Seethammadhara,
 Visakhapatnam – 530013.

To

Sri. Ch.Narasingaro,
 State Secretariat Member,
 Communist Party of India (Marxist),
 N.P.R Bhawan, H.No. 28-6-8,
 Yallammathota, Jagadamba Jn.,
 Email: chnrao33@gmail.com

Lr.No.CGM/PPA, RA&QC/EPDCL/VSP/RAC/F:True-Up/D.No. 163 /19, dt. 09-10-2019

Sir,

Sub: APEPDCL – RAC – Replies to the Objections received on True-up petition filed by APDISCOMS on Retails Supply Business for 2016-17 - Regarding.

Ref: Your Objection letter dated. 17-08-2019

We are in receipt of your suggestion/ objections on True-up petition filed by APDISCOMS on Retails Supply Business for 2016-17 and the same is herewith acknowledged with thanks. Para wise replies of APEPDCL are as follows:

Para No /Brief Issue	EPDCL Response
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.	It is to inform that, in view of the uniform nature of Retail Supply Tariffs across the state independent of the service area of the distribution licensees, the DISCOMs are proposing to impose the burden of per unit True-Up also on uniform basis across the State. Further Power Purchase cost which constitutes around 80% of the entire expenditure of Distribution business is being incurred centrally to optimize the procurement cost and reduce the transaction costs. Even in the True-Up exercise, Power purchase cost variation is major element and so the DISCOMs have proposed for uniform levy of per unit True-up across the 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	Revenue True-up to the extent of Rs 2817 Crs pertaining to FY 2015-16 has been claimed as part of True-up petition for FY 2016-17. Revenue true-up

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<p>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?</p>	<p>Thermal Generating stations located in Telangana State are older units when compared to the stations located in Andhra Pradesh. This causes, per unit fixed cost of generating stations in TS at lower side when compared to its counterparts in AP. This is the reason behind payment of higher fixed costs by AP DISCOMs when "Regulation" of power came into force between AP & TS.</p> <p>During certain instances in the grid operations, Thermal Power Stations are backed down to accommodate Renewable Energy sources which have been conferred "Must Run" status. During the period of backing down, the thermal generating stations have to be compensated for fixed cost payment, if they confirm the availability, as per the provisions of the PPAs.</p> <p>As the backing down details sought are pertaining to older period, the same will be furnished shortly.</p>
<p>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?</p>	<p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, it's not commercially prudent to opt for sale of power.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue. RE power has been purchased in accordance with the provisions of the approved PPAs and regulations governing grid operations. As the backing down details sought are pertaining to older period, the same will be furnished shortly.</p>
<p>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</p>	<p>It is to inform that short payment of fixed cost would take place, if the generator didn't achieve the target availability factor as specified in the relevant PPA.</p>

Para No /Brief Issue	EPDCL Response
<p>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.</p>	<p>The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.</p>
<p>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.</p>	<p>Ownership wise / Source wise variation in respect of the per unit variable cost is given in Table 12 of the petition.</p> <p>The increase in variable cost is due to increase in Basic price, Fuel Cost Adjustment (FCA) levied by the Coal / Gas companies and increased freight charges leveled by Railways and other transportation agencies.</p>
<p>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.</p>	<p>Other Costs include expenditures incurred on account of Additional Interest on pension bonds, incentives paid if any and actual payment of Income Tax. These are the prudent expenditures made by the DISCOMs and submitted for admission in to the True-Up</p>
<p>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</p>	<p>As per Clause 1.2(a) of the MoU, GoAP agreed to take over 75% of working capital term loan of Rs.8461.75 Crs. and 100% FRP bonds of Rs.2546.15 Crs. of the APDISCOMs outstanding as on 30th September, 2015. Accordingly GoAP issued G.O.Ms.No.27, Energy Infrastructure & Investment (Power-I) Department, dt.26-07-2016.</p>


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GoAP under UDAY.	<table><tr><td></td><td colspan="3">Outstanding loans as on 30-09-2015</td></tr><tr><td>Capex Loans</td><td colspan="3">3712.49</td></tr><tr><td>Working capital Loans</td><td colspan="3">8461.76</td></tr><tr><td>FRP Bonds Liability</td><td colspan="3">2546.15</td></tr><tr><td>Total</td><td colspan="3">14720.40</td></tr></table> <p>Out of the total outstanding loans of Rs.14720.40 Crs. as on 30-09-2015, GoAP has accorded approval for takeover of 75% of working loans (Rs.6346.32 Crs.) and 100% of FRP bonds (Rs.2546.15 Crs.).</p> <table><tr><td></td><td>EPDCL</td><td>SPDCL</td><td>Total</td></tr><tr><td>Against 100% FRP Bonds</td><td>1205.95</td><td>1340.20</td><td>2546.15</td></tr><tr><td>Against 75% working capital loan</td><td>2094.53</td><td>4251.79</td><td>6346.32</td></tr><tr><td>Total</td><td>3300.48</td><td>5591.99</td><td>8892.47</td></tr></table> <p>As on date GoAP has taken over loans as given below:</p> <table><tr><td></td><td>EPDCL</td><td>SPDCL</td><td>Total</td></tr><tr><td>Against 100% FRP Bonds</td><td>904.46</td><td>1005.23</td><td>1909.69</td></tr><tr><td>Against 75% working capital loan</td><td>2094.53</td><td>4251.79</td><td>6346.32</td></tr><tr><td>Total</td><td>2998.99</td><td>5257.02</td><td>8256.01</td></tr></table>		Outstanding loans as on 30-09-2015			Capex Loans	3712.49			Working capital Loans	8461.76			FRP Bonds Liability	2546.15			Total	14720.40				EPDCL	SPDCL	Total	Against 100% FRP Bonds	1205.95	1340.20	2546.15	Against 75% working capital loan	2094.53	4251.79	6346.32	Total	3300.48	5591.99	8892.47		EPDCL	SPDCL	Total	Against 100% FRP Bonds	904.46	1005.23	1909.69	Against 75% working capital loan	2094.53	4251.79	6346.32	Total	2998.99	5257.02	8256.01
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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	<p>Per Unit Cost of power procurement of Rs 5.17/Unit approved by the Commission is the weighted average cost of procurement. Even though the actual cost of procurement varies from Rs 0.24/Unit to Rs 7.68/Unit, the weighted average cost is contained well below the price approved by the Hon'ble Commission, in the Retail Supply Tariff Order.</p> <p>It is to inform that, while procuring power on Day-ahead basis from the market, in certain instances the time block wise discovered price exceeds the average price approved by the Commission. To ensure reliable 24X7 power supply to the Consumers, the DISCOMs are procuring power from short term sources, after exhausting receivable power from all committed sources, to meet the shortages only.</p> <p>Per unit rates in the exchanges during peak hours</p>																																																				

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Para No /Brief Issue	EPDCL Response
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.	are usually higher than the ceiling rates approved by Hon'ble APERC. If the procurement rates are restricted to the ceiling rates during peak hours, DISCOMs would not get the required power, leading to load shedding.
12. Any additional supplies made to LT agriculture, with additional costs, the same should be sought as additional subsidy by the Discoms from GoAP.	The Hon'ble Commission has already passed order vide IA No.20 of 2017 in OP No. 1 of 2016 dated 07.10.2017 to provide addl subsidy of Rs. 64.26 Crores to APEPDCL.
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.	For the reasons beyond in the control of the DISCOMs, the True-Up claims have been submitted with a delay and carrying cost also has been claimed. The Hon'ble Commission is requested to condone the delay and approve the True-Up claim including carrying costs. Even if true-ups are filed in time, carrying costs are inevitable as APDISCOMs have to pay interest on working capital availed towards additional power procurement cost.
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.	Within the purview of Hon'ble APERC

Yours faithfully


 Chief General Manager
 PPA, RA & QC
 APEPDCL::VISAKHAPATNAM

Copy submitted to

The Secretary, APERC, 4TH Floor, 11-4-660, Singareni Bhavan, Red Hills, Hyderabad-500004.



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EASTERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED
CORPORATE OFFICE :: VISAKHAPATNAM

From

The Chief General Manager,
 PPA, RA & QC,
 APEPDCL, Corporate Office,
 Seethammadhara,
 Visakhapatnam – 530013.

To

Sri. M. Venugopala Rao,
 Senior Journalist & Convener,
 Centre for Power Studies,
 H.No.7-1-408 to 413, F 203,
 Sri Sai Darsan Residency,
 Balkarnpet Road, Ameerpet,
 Hyderabad – 500 016.
 Email : vrmummareddi@gmail.com

Lr.No.CGM/PPA, RA&QC/EPDCL/VSP/RAC/F:True-Up/D.No. 184 /19, dt. 04-10-2019

Sir,

Sub: APEPDCL – RAC – Replies to the Objections received on True-up petition filed by APDISCOMS on Retails Supply Business for 2016-17 - Regarding.

Ref: Your Objection letter dated. 16-08-2019

We are in receipt of your suggestion/objections on True-up petition filed by APDISCOMS on Retails Supply Business for 2016-17 and the same is herewith acknowledged with thanks. Para wise replies of APEPDCL are as follows:

Para No /Brief Issue	EPDCL Response
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.	It is to inform that, in view of the uniform nature of Retail Supply Tariffs across the state independent of the service area of the distribution licensees, the DISCOMs are proposing to impose the burden of per unit True-Up also on uniform basis across the State. Further Power Purchase cost which constitutes around 80% of the entire expenditure of Distribution business is being incurred centrally to optimize the procurement cost and reduce the transaction costs. Even in the True-Up exercise, Power purchase cost variation is major element and so the DISCOMs have proposed for uniform levy of per unit True-up across the State.
2. While the affidavit filed by the Discoms claims that their claims for true-up pertain to the year	Revenue True-up to the extent of Rs 2817 Crs pertaining to FY 2015-16 has been claimed as part

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Para No /Brief Issue	EPDCL Response
<p>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.</p>	<p>of True-up petition for FY 2016-17. Revenue true-up has not been claimed earlier for FY 2015-16.</p> <p>The Honorable Commission approves tariff and non-tariff income for the Retail Supply Business in its Retail Supply Tariff Order for every financial year. However, tariff and non-tariff income approved by the Honourable Commission is different from the actual revenue realized. If the actual revenue realized is lower than the approved revenue, the Petitioners incur losses. Hence, the Petitioners request the Honourable Commission to consider true-up/true-down for the revenue also.</p> <p>Further, the DISCOMs have written to a letter (Lr.No.CGM/Opn/SPDCL/TPT/RAC/F.Reg.4/D.No.12/16 dated 15-01-2017) to the Hon'ble Commission seeking amendment to the Regulation 4 of 2005, to this effect.</p>
<p>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</p>	<p>Whenever there is a short supply of power from the plants which are governed by PPAs & Two part tariff structure (Capacity Charge & Energy Charge), owing to the issues of Plant availability (either due to outage or due to shortage of supply) capacity charges payable to such generators would be reduced proportionately as per the provisions of the PPA.</p> <p>Main reason for deficiency in supply is less availability declaration by the concerned Generator owing to shortage of Coal and the payment of capacity charges are made accordingly.</p> <p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>There is no dichotomy between energy availability & dispatch. The surplus is assessed based on the potential plant availability, subjected to the condition of accessibility of sufficient fuel.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of</p>

Para No /Brief Issue	EPDCL Response
<p>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.</p>	<p>the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue.</p>
<p>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 VidyuthSoudha. 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.</p>	<p>It is to inform that unsold surplus of 10,384 MU as claimed by the objector is not the actual surplus generation. It is only the potential to generate surplus subjected to the availability of required fuel. Most of the thermal generating stations were falling short of expected generation due to shortage of coal.</p> <p>After considering the power available from all the sources, the DISCOMs fell short of energy availability, and in order to ensure reliable & uninterrupted power supply, the DISCOMs have resorted to market purchases and additional purchases.</p>

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Para No /Brief Issue	EPDCL Response
<p>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?</p>	<p>Thermal Generating stations located in Telangana State are older units when compared to the stations located in Andhra Pradesh. This causes, per unit fixed cost of generating stations in TS at lower side when compared to its counterparts in AP. This is the reason behind payment of higher fixed costs by AP DISCOMs when "Regulation" of power came into force between AP & TS.</p> <p>During certain instances, in the grid operations, Thermal Power Stations are backed down to accommodate Renewable Energy sources which have been conferred "Must Run" status. During the period of backing down, the thermal generating stations have to be compensated for fixed cost payment, if they confirm the availability, as per the provisions of the PPAs.</p> <p>As the backing down details sought are pertaining to older period, the same will be furnished shortly.</p>
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<table><tr><td></td><td>EPDCL</td><td>SPDCL</td><td>Total</td></tr><tr><td>Against 100% FRP Bonds</td><td>904.46</td><td>1005.23</td><td>1909.69</td></tr><tr><td>Against 75% working capital loan</td><td>2094.53</td><td>4251.79</td><td>6346.32</td></tr><tr><td>Total</td><td>2998.99</td><td>5257.02</td><td>8256.01</td></tr></table>					EPDCL	SPDCL	Total	Against 100% FRP Bonds	904.46	1005.23	1909.69	Against 75% working capital loan	2094.53	4251.79	6346.32	Total	2998.99	5257.02	8256.01		
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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	Per Unit Cost of power procurement of Rs 5.17/Unit approved by the Commission is the weighted average cost of procurement. Even though the actual cost of procurement varies from Rs 0.24/Unit to Rs 7.68/Unit, the weighted average cost is contained well below the price approved by the Hon'ble Commission, in the Retail Supply Tariff Order.																				
	It is to inform that, while procuring power on Day-ahead basis from the market, in certain instances the time block wise discovered price exceeds the average price approved by the Commission. To ensure reliable 24X7 power supply to the Consumers, the DISCOMs are procuring power from short term sources, after exhausting receivable power from all committed sources, to meet the shortages only..																				

Para No /Brief Issue	EPDCL Response
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.	Per unit rates in the exchanges during peak hours are usually higher than the ceiling rates approved by Hon'ble APERC. If the procurement rates are restricted to the ceiling rates during peak hours, DISCOMs would not get the required power, leading to load shedding.
12. Any additional supplies made to LT agriculture, with additional costs, the same should be sought as additional subsidy by the Discoms from GoAP.	The Hon'ble Commission has already passed order vide IA No.20 of 2017 in OP No. 1 of 2016 dated 07.10.2017 to provide addl subsidy of Rs. 64.26 Crores to APEPDCL.
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.	For the reasons beyond in the control of the DISCOMs, the True-Up claims have been submitted with a delay and carrying cost also has been claimed. The Hon'ble Commission is requested to condone the delay and approve the True-Up claim including carrying costs. Even if true-ups are filed in time, carrying costs are inevitable as APDISCOMs have to pay interest on working capital availed towards additional power procurement cost.
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.	Within the purview of Hon'ble APERC

Yours faithfully


 Chief General Manager
 PPA, RA & QC
 APEPDCL::VISAKHAPATNAM

Copy submitted to

The Secretary, APERC, 4TH Floor, 11-4-660, Singareni Bhavan, Red Hills, Hyderabad-500004.

68.

EASTERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED
CORPORATE OFFICE :: VISAKHAPATNAM

From

The Chief General Manager ,
 PPA, RA & QC,
 APEPDCL, Corporate Office,
 Seethammadhara,
 Visakhapatnam – 530013.

To

Sri. A. Punna Rao
 D.No.59-2-1, 1st Lane,
 Ashoknagar,
 Vijayawada – 520 010

Lr.No.CGM/PPA, RA&QC/EPDCL/VSP/RAC/F:True-Up/D.No. 185 /19, dt. 04 -10-2019

Sir,

Sub: APEPDCL – RAC – Replies to the Objections received on True-up petition filed by APDISCOMS on Retails Supply Business for 2016-17 - Regarding.

Ref: Your Objection letter dated.17-08-2019

We are in receipt of your suggestion/ objections on True-up petition filed by APDISCOMS on Retails Supply Business for 2016-17 and the same is herewith acknowledged with thanks. Para wise replies of APEPDCL are as follows:

Para No /Brief Issue	EPDCL Response
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.	It is to inform that, in view of the uniform nature of Retail Supply Tariffs across the state independent of the service area of the distribution licensee, the DISCOMs are proposing to impose the burden of per unit True-Up also on uniform basis across the State. Further Power Purchase cost which constitutes around 80% of the entire expenditure of Distribution business is being incurred centrally to optimize the procurement cost and reduce the transaction costs. Even in the True-Up exercise, Power purchase cost variation is major element and so the DISCOMs have proposed for uniform levy of per unit True-up across the 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	Revenue True-up to the extent of Rs 2817 Crs pertaining to FY 2015-16 has been claimed as part of True-up petition for FY 2016-17. Revenue true-up has not been claimed earlier for FY 2015-16.

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Para No /Brief Issue	EPDCL Response
<p>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.</p>	<p>The Honorable Commission approves tariff and non-tariff income for the Retail Supply Business in its Retail Supply Tariff Order for every financial year. However, tariff and non-tariff income approved by the Honourable Commission is different from the actual revenue realized. If the actual revenue realized is lower than the approved revenue, the Petitioners incur losses. Hence, the Petitioners request the Honourable Commission to consider true-up/true-down for the revenue also. Further, the DISCOMs have written to a letter (Lr.No.CGM/Opn/SPDCL/TPT/RAC/F.Regd.4/D.No.12/16 dated 15-01-2017) to the Hon'ble Commission seeking amendment to the Regulation 4 of 2005, to this effect.</p>
<p>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 PPs 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</p>	<p>Whenever there is a short supply of power from the plants which are governed by PPAs & Two part tariff structure (Capacity Charge & Energy Charge), owing to the issues of Plant availability (either due to outage or due to shortage of supply) capacity charges payable to such generators would be reduced proportionately as per the provisions of the PPA.</p> <p>Main reason for deficiency in supply is less availability declaration by the concerned Generator owing to shortage of Coal and the payment of capacity charges are made accordingly.</p> <p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>There is no dichotomy between energy availability & dispatch. The surplus is assessed based on the potential plant availability, subjected to the condition of accessibility of sufficient fuel.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable</p>

Para No /Brief Issue	EPDCL Response
<p>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.</p>	<p>revenue.</p>
<p>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 VidyuthSoudha. 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.</p>	<p>It is to inform that unsold surplus of 10,384 MU as claimed by the objector is not the actual surplus generation. It is only the potential to generate surplus subjected to the availability of required fuel. Most of the thermal generating stations were falling short of expected generation due to shortage of coal.</p> <p>After considering the power available from all the sources, the DISCOMs fell short of energy availability, and in order to ensure reliable & uninterrupted power supply, the DISCOMs have resorted to market purchases and additional purchases.</p>
<p>5. The Discoms have maintained that they have incurred fixed cost of Rs.8551 crore against</p>	<p>Thermal Generating stations located in Telangana State are older units when compared to the stations</p>

Para No /Brief Issue	EPDCL Response
<p>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?</p>	<p>located in Andhra Pradesh. This causes, per unit, fixed cost of generating stations in TS at lower side when compared to its counterparts in AP. This is the reason behind payment of higher fixed costs by AP DISCOMs when "Regulation" of power came into force between AP & TS.</p> <p>During certain instances in the grid operations, Thermal Power Stations are backed down to accommodate Renewable Energy sources which have been conferred "Must Run" status. During the period of backing down, the thermal generating stations have to be compensated for fixed cost payment, if they confirm the availability, as per the provisions of the PPAs.</p> <p>As the backing down details sought are pertaining to older period, the same will be furnished shortly.</p>
<p>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?</p>	<p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue. RE power has been purchased, in accordance with the provisions of the approved PPAs and regulations governing grid operations.</p> <p>As the backing down details sought are pertaining to older period, the same will be furnished shortly.</p>
<p>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</p>	<p>It is to inform that short payment of fixed cost would take place, if the generator didn't achieve the target availability factor as specified in the relevant PPA.</p>

Para No /Brief Issue	EPDCL Response
<p>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.</p>	<p>The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.</p>
<p>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.</p>	<p>Ownership wise / Source wise variation in respect of the per unit variable cost is given in Table 12 of the petition.</p> <p>The increase in variable cost is due to increase in Basic price, Fuel Cost Adjustment (FCA) levied by the Coal / Gas companies and increased freight charges levied by Railways and other transportation agencies.</p>
<p>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.</p>	<p>Other Costs include expenditures incurred on account of Additional Interest on pension bonds, incentives paid if any and actual payment of Income Tax. These are the prudent expenditures made by the DISCOMs and submitted for admission in to the True-Up</p>
<p>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.</p>	<p>As per Clause 1.2(a) of the MoU, GoAP agreed to take over 75% of working capital term loan of Rs.8461.75 Crs. and 100% FRP bonds of Rs.2546.15 Crs. of the APDISCOMs outstanding as on 30th September, 2015. Accordingly GoAP issued G.O.Ms.No.27, Energy Infrastructure & Investment (Power-I) Department, dt.26-07-2016.</p>

Para No /Brief Issue

EPDCL Response

Outstanding loans as on 30-09-2015

Capex Loans 3712.49

Working capital Loans 8461.76

FRP Bonds Liability 2546.15

Total 14720.40

Out of the total outstanding loans of Rs.14720.40 Crs. as on 30-09-2015, GoAP has accorded approval for takeover of 75% of working loans (Rs.6346.32 Crs.) and 100% of FRP bonds (Rs.2546.15 Crs.).

	EPDCL	SPDCL	Total
Against 100% FRP Bonds	1205.95	1340.20	2546.15
Against 75% working capital loan	2094.53	4251.79	6346.32
Total	3300.48	5591.99	8892.47

As on date GoAP has taken over loans as given below:

	EPDCL	SPDCL	Total
Against 100% FRP Bonds	904.46	1005.23	1909.69
Against 75% working capital loan	2094.53	4251.79	6346.32
Total	2998.99	5257.02	8256.01

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


Per Unit Cost of power procurement of Rs 5.17/Unit approved by the Commission is the weighted average cost of procurement. Even though the actual cost of procurement varies from Rs 0.24/Unit to Rs 7.68/Unit, the weighted average cost is contained well below the price approved by the Hon'ble Commission, in the Retail Supply Tariff Order.

It is to inform that, while procuring power on Day-ahead basis from the market, in certain instances the time block wise discovered price exceeds the average price approved by the Commission. To ensure reliable 24X7 power supply to the Consumers, the DISCOMs are procuring power from short term sources, after exhausting receivable power from all committed sources, to meet the shortages only:

Per unit rates in the exchanges during peak hours

Para No /Brief Issue	EPDCL Response
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.	are usually higher than the ceiling rates approved by Hon'ble APERC. If the procurement rates are restricted to the ceiling rates during peak hours, DISCOMs would not get the required power, leading to load shedding.
12. Any additional supplies made to LT agriculture, with additional costs, the same should be sought as additional subsidy by the Discoms from GoAP.	The Hon'ble Commission has already passed order vide IA No.20 of 2017 in OP No. 1 of 2016 dated 07.10.2017 to provide addl subsidy of Rs. 64.26 Crores to APEPDCL.
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.	For the reasons beyond in the control of the DISCOMs, the True-Up claims have been submitted with a delay and carrying cost also has been claimed. The Hon'ble Commission is requested to condone the delay and approve the True-Up claim including carrying costs. Even if true-ups are filed in time, carrying costs are inevitable as APDISCOMs have to pay interest on working capital availed towards additional power procurement cost.
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.	Within the purview of Hon'ble APERC

Yours faithfully


 Chief General Manager 4/10/19
 PPA, RA & QC
 APEPDCL::VISAKHAPATNAM

Copy submitted to

The Secretary, APERC, 4TH Floor, 11-4-660, Singareni Bhavan, Red Hills, Hyderabad-500004.





SOUTHERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED
19-13-65/A, Vidyut Nilayam, Srinivasapuram, Tirupati (www.apspdcl.in)

From

The Chief General Manager,
RAC, APSPDCL, 19-13-65/A,
Vidyut Nilayam, Srinivasapuram,
Tirupati – 517501.

To

Sri M.Venugopala Rao,
Senior Journalist and
Convener of Centre for Power Studies,
H.No.7-1-408 to 413, F 203,
Sri Sai Darsan Residency,
Balkampet Road, Ameerpet,
Hyderabad-16

Lr No. CGM/RAC/SPDCL/TPT/RAC/F.True-up /D.No. 460 /19 dt. 04-10-2019

Sir,

Sub:- APSPDCL/TPT – RAC – Replies to the objections on True-up filings for FY 2016-17 - Furnished - Regarding.

Ref:- Party's Objection received dt.06-09-2019

In response to the objection received vide reference cited, the replies to the objections on True-up filings for FY 2016-17 are as follows :

Para No /Brief Issue	Response
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.	<p>It is to inform that, in view of the uniform nature of Retail Supply Tariffs across the state independent of the service area of the distribution licensees, the DISCOMs are proposing to impose the burden of per unit True-Up also on uniform basis across the State.</p> <p>Further Power Purchase cost which constitutes around 80% of the entire expenditure of Distribution business is being incurred centrally to optimize the procurement cost and reduce the transaction costs. Even in the True-Up exercise, Power purchase cost variation is major element and so the DISCOMs have proposed for uniform levy of per unit True-up across the State.</p>
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	<p>Revenue True-up to the extent of Rs 2817 Crs pertaining to FY 2015-16 has been claimed as part of True-up petition for FY 2016-17. Revenue true-up has not been claimed earlier for FY 2015-16.</p> <p>The Honorable Commission approves tariff and non-tariff income for the Retail Supply Business in its Retail Supply Tariff Order for every financial year.</p>

Para No /Brief Issue	Response
<p>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.</p>	<p>However, tariff and non-tariff income approved by the Honourable Commission is different from the actual revenue realized. If the actual revenue realized is lower than the approved revenue, the Petitioners incur losses. Hence, the Petitioners request the Honourable Commission to consider true-up/true-down for the revenue also.</p> <p>Further, the DISCOMs have written to a letter (Dr.No.CGM/Opn/SPDCL/TPT/RAC/F.Regd.4/D.N o.12/16 dated 15-01-2017) to the Hon'ble Commission seeking amendment to the Regulation 4 of 2005, to this effect.</p>
<p>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 APGPC. 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.</p>	<p>Whenever there is a short supply of power from the plants which are governed by PPAs & Two part tariff structure (Capacity Charge & Energy Charge), owing to the issues of Plant availability (either due to outage or due to shortage of supply) capacity charges payable to such generators would be reduced proportionately as per the provisions of the PPA.</p> <p>Main reason for deficiency in supply is less availability declaration by the concerned Generator owing to shortage of Coal and the payment of capacity charges are made accordingly.</p> <p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>There is no dichotomy between energy availability & dispatch. The surplus is assessed based on the potential plant availability, subjected to the condition of accessibility of sufficient fuel.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue.</p>

Para No /Brief Issue	Response
<p>This dichotomy shows how unrealistically energy availability and despatch were proposed by the Discoms and determined and approved by the Hon'ble Commission.</p>	
<p>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.</p>	<p>It is to inform that unsold surplus of 10,384 MU as claimed by the objector is not the actual surplus generation. It is only the potential to generate surplus subjected to the availability of required fuel. Most of the thermal generating stations were falling short of expected generation due to shortage of coal.</p> <p>After considering the power available from all the sources, the DISCOMs fell short of energy availability at that instance, and in order to ensure reliable & uninterrupted power supply, the DISCOMs have resorted to market purchases and additional purchases.</p>
<p>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</p>	<p>Thermal Generating stations located in Telangana State are older units when compared to the stations located in Andhra Pradesh. This causes, per unit fixed cost of generating stations in TS at lower side when compared to its counterparts in AP. This is the reason behind payment of higher</p>

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<p>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?</p>	<p>fixed costs by AP DISCOMs when "Regulation" of power came into force between AP & TS.</p> <p>During certain instances in the grid operations, Thermal Power Stations are backed down to accommodate Renewable Energy sources which have been conferred "Must Run" status. During the period of backing down, the thermal generating stations have to be compensated for fixed cost payment, if they confirm the availability, as per the provisions of the PPAs.</p> <p>As the quantum of backing down & fixed charges paid to AP Genco stations sought for pertain to older years, the same will be submitted shortly.</p>
<p>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 RPP0, 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?</p>	<p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue. RE power has been purchased in accordance with the provisions of the approved PPAs and regulations governing grid operations.</p> <p>As the Per Unit Cost of the Thermal Power Backed down sought for pertain to older years, the same will be submitted shortly.</p>
<p>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</p>	<p>It is to inform that short payment of fixed cost would take place, if the generator didn't achieve the target availability factor as specified in the relevant PPA.</p> <p>The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.</p>

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<p>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.</p>											
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	<p>Out of the total outstanding loans of Rs.14720.40 Crs. as on 30-09-2015, GoAP has accorded approval for takeover of 75% of working loans (Rs.6346.32 Crs.) and 100% of FRP bonds (Rs.2546.15 Crs.).</p> <table><tr><td></td><td>EPDCL</td><td>SPDCL</td><td>Total</td></tr><tr><td>Against 100% FRP Bonds</td><td>1205.95</td><td>1340.20</td><td>2546.15</td></tr><tr><td>Against 75% working capital loan</td><td>2094.53</td><td>4251.79</td><td>6346.32</td></tr><tr><td>Total</td><td>3300.48</td><td>5591.99</td><td>8892.47</td></tr></table> <p>As on date GoAP has taken over loans as given below:</p> <table><tr><td></td><td>EPDCL</td><td>SPDCL</td><td>Total</td></tr><tr><td>Against 100% FRP Bonds</td><td>904.46</td><td>1005.23</td><td>1909.69</td></tr><tr><td>Against 75% working capital loan</td><td>2094.53</td><td>4251.79</td><td>6346.32</td></tr><tr><td>Total</td><td>2998.99</td><td>5257.02</td><td>8256.01</td></tr></table>		EPDCL	SPDCL	Total	Against 100% FRP Bonds	1205.95	1340.20	2546.15	Against 75% working capital loan	2094.53	4251.79	6346.32	Total	3300.48	5591.99	8892.47		EPDCL	SPDCL	Total	Against 100% FRP Bonds	904.46	1005.23	1909.69	Against 75% working capital loan	2094.53	4251.79	6346.32	Total	2998.99	5257.02	8256.01
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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	<p>Per Unit Cost of power procurement of Rs 5.17/Unit approved by the Commission is the weighted average cost of procurement. Even though the actual cost of procurement varies from Rs 0.24/Unit to Rs 7.68/Unit, the weighted average cost is contained well below the price approved by the Hon'ble Commission, in the Retail Supply Tariff Order.</p> <p>It is to inform that, while procuring power on Day-ahead basis from the market, in certain instances the time block wise discovered price exceeds the average price approved by the Commission. To ensure reliable 24X7 power supply to the Consumers, the DISCOMs are procuring power from short term sources, after exhausting receivable power from all committed sources, to meet the shortages only.</p> <p>Per unit rates in the exchanges during peak hours are usually higher than the ceiling rates approved by Hon'ble APERC. If the procurement rates are restricted to the ceiling rates during peak hours, DISCOMs would not get the required power, leading to load shedding.</p>																																

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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.	The same is being done and for the FY 2016-17, the Commission has already issued order.
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.	For the reasons beyond the control of the DISCOMs, the True-Up claims have been submitted with a delay and carrying cost also has been claimed. The Hon'ble Commission is requested to condone the delay and approve the True-Up claim including carrying costs.
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.	Within the purview of Hon'ble APERC

Yours faithfully,


Chief General Manager
RAC :: APSPDCL

Copy submitted to the Secretary, APERC, 11-4-660, 4th Floor, Singareni Bhavan, Red Hills, Lakdikapul, Hyderabad-04





SOUTHERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED
19-13-65/A, Vidyut Nilayam, Srinivasapuram, Tirupati (www.apspdcl.in)

From

The Chief General Manager,
RAC, APSPDCL, 19-13-65/A,
Vidyut Nilayam, Srinivasapuram,
Tirupati – 517501.

To

Sri P.Madhu,
State Secretary, H.No.27-28-12, CPI (M),
State Committee office,
Yamalavari Street,
Governorpet, Vijayawada-2

Lr No. CGM/RAC/SPDCL/TPT/RAC/F.True-up /D.No. 463 /19 dt. 4 -10-2019

Sir,

Sub:- APSPDCL/TPT – RAC – Replies to the objections on True-up filings for FY 2016-17 - Furnished - Regarding.

Ref:- Party's Objection received dt.06-09-2019

In response to the objection received vide reference cited, the replies to the objections on True-up filings for FY 2016-17 are as follows :

Para No /Brief Issue	Response
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.	<p>It is to inform that, in view of the uniform nature of Retail Supply Tariffs across the state independent of the service area of the distribution licensees, the DISCOMs are proposing to impose the burden of per unit True-Up also on uniform basis across the State.</p> <p>Further Power Purchase cost which constitutes around 80% of the entire expenditure of Distribution business is being incurred centrally to optimize the procurement cost and reduce the transaction costs. Even in the True-Up exercise, Power purchase cost variation is major element and so the DISCOMs have proposed for uniform levy of per unit True-up across the State.</p>
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	<p>Revenue True-up to the extent of Rs 2817 Crs pertaining to FY 2015-16 has been claimed as part of True-up petition for FY 2016-17. Revenue true-up has not been claimed earlier for FY 2015-16.</p> <p>The Honorable Commission approves tariff and non-tariff income for the Retail Supply Business in its Retail Supply Tariff Order for every financial year. However, tariff and non-tariff income approved by the Honourable Commission is different from the</p>

Para No /Brief Issue	Response
<p>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.</p>	<p>actual revenue realized. If the actual revenue realized is lower than the approved revenue, the Petitioners incur losses. Hence, the Petitioners request the Honourable Commission to consider true-up/true-down for the revenue also.</p> <p>Further, the DISCOMs have written to a letter (L.No.CGM/Opn/SPDCL/TPT/RAC/F.Reg.4/D.N o.12/16 dated 15-01-2017) to the Hon'ble Commission seeking amendment to the Regulation 4 of 2005, to this effect.</p>
<p>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 APGPC. 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</p>	<p>Whenever there is a short supply of power from the plants which are governed by PPAs & Two part tariff structure (Capacity Charge & Energy Charge), owing to the issues of Plant availability (either due to outage or due to shortage of supply) capacity charges payable to such generators would be reduced proportionately as per the provisions of the PPA.</p> <p>Main reason for deficiency in supply is less availability declaration by the concerned Generator owing to shortage of Coal and the payment of capacity charges are made accordingly.</p> <p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>There is no dichotomy between energy availability & dispatch. The surplus is assessed based on the potential plant availability, subjected to the condition of accessibility of sufficient fuel.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue.</p>

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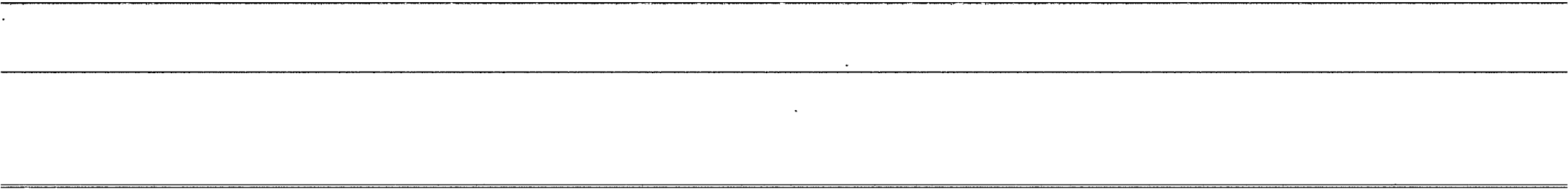
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13. Carrying cost claimed by the Discoms to the tune of Rs.3212 crore under true-up for the years 2015-16 and 2016-17 is not permissible. We request the Hon'ble Commission to reject the claim for carrying cost. The Discoms have to submit their true-up claims in time and the consumers should not be penalised for delay caused by the Discoms in submitting the same.	For the reasons beyond the control of the DISCOMs, the True-Up claims have been submitted with a delay and carrying cost also has been claimed. The Hon'ble Commission is requested to condone the delay and approve the True-Up claim including carrying costs.
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.	Within the purview of Hon'ble APERC

Yours faithfully,


Chief General Manager
RAC :: APSPDCL

Copy submitted to the Secretary, APERC, 11-4-660, 4th Floor, Singareni Bhavan, Red Hills, Lakdikapul, Hyderabad-04

10/10/10





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SOUTHERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED
19-13-65/A, Vidyut Nilayam, Srinivasapuram, Tirupati (www.apspdcl.in)

From

The Chief General Manager,
RAC, APSPDCL, 19-13-65/A,
Vidyut Nilayam, Srinivasapuram,
Tirupati – 517501.

To

Sri CH. Narasinga Rao,
State Secretary Member,
NPR Bhavan, H.No.28-6-8,,
Yallammathota, Jagadamba Jn.,
Visakhapatnam-20

Lr No. CGM/RAC/SPDCL/TPT/RAC/F.True-up /D.No. 466 /19 dt. 04-10-2019

Sir,

Sub:- APSPDCL/TPT – RAC – Replies to the objections on True-up filings for FY 2016-17 - Furnished - Regarding.

Ref:- Party's Objection received dt.06-09-2019

In response to the objection received vide reference cited, the replies to the objections on True-up filings for FY 2016-17 are as follows :

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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.	<p>It is to inform that, in view of the uniform nature of Retail Supply Tariffs across the state independent of the service area of the distribution licensees, the DISCOMs are proposing to impose the burden of per unit True-Up also on uniform basis across the State.</p> <p>Further Power Purchase cost which constitutes around 80% of the entire expenditure of Distribution business is being incurred centrally to optimize the procurement cost and reduce the transaction costs. Even in the True-Up exercise, Power purchase cost variation is major element and so the DISCOMs have proposed for uniform levy of per unit True-up across the State.</p>
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	<p>Revenue True-up to the extent of Rs 2817 Crs pertaining to FY 2015-16 has been claimed as part of True-up petition for FY 2016-17. Revenue true-up has not been claimed earlier for FY 2015-16.</p> <p>The Honorable Commission approves tariff and non-tariff income for the Retail Supply Business in its Retail Supply Tariff Order for every financial year. However, tariff and non-tariff income approved by the Honourable Commission is different from the</p>

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<p>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.</p>	<p>actual revenue realized. If the actual revenue realized is lower than the approved revenue, the Petitioners incur losses. Hence, the Petitioners request the Honourable Commission to consider true-up/true-down for the revenue also.</p> <p>Further, the DISCOMs have written to a letter (Lt.No.CGM/Opn/SPDCL/TPT/RAC/F.Reg.4/D.N o.12/16 dated 15-01-2017) to the Hon'ble Commission seeking amendment to the Regulation 4 of 2005, to this effect.</p>
<p>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</p>	<p>Whenever there is a short supply of power from the plants which are governed by PPAs & Two part tariff structure (Capacity Charge & Energy Charge), owing to the issues of Plant availability (either due to outage or due to shortage of supply) capacity charges payable to such generators would be reduced proportionately as per the provisions of the PPA.</p> <p>Main reason for deficiency in supply is less availability declaration by the concerned Generator owing to shortage of Coal and the payment of capacity charges are made accordingly.</p> <p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>There is no dichotomy between energy availability & dispatch. The surplus is assessed based on the potential plant availability, subjected to the condition of accessibility of sufficient fuel.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue.</p>

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proposed by the Discoms and determined and approved by the Hon'ble Commission.	
<p>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.</p>	<p>It is to inform that unsold surplus of 10,384 MU as claimed by the objector is not the actual surplus generation. It is only the potential to generate surplus subjected to the availability of required fuel. Most of the thermal generating stations were falling short of expected generation due to shortage of coal.</p> <p>After considering the power available from all the sources, the DISCOMs fell short of energy availability at that instance, and in order to ensure reliable & uninterrupted power supply, the DISCOMs have resorted to market purchases and additional purchases.</p>
<p>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</p>	<p>Thermal Generating stations located in Telangana State are older units when compared to the stations located in Andhra Pradesh. This causes, per unit fixed cost of generating stations in TS at lower side when compared to its counterparts in AP. This is the reason behind payment of higher fixed costs by AP DISCOMs when "Regulation" of power came into force between AP & TS.</p>

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Para No /Brief Issue	Response
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?	<p>During certain instances in the grid operations, Thermal Power Stations are backed down to accommodate Renewable Energy sources which have been conferred "Must Run" status. During the period of backing down, the thermal generating stations have to be compensated for fixed cost payment, if they confirm the availability, as per the provisions of the PPAs.</p> <p>As the quantum of backing down & fixed charges paid to AP Genco stations sought for pertain to older years, the same will be submitted shortly.</p>
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 RPP0, 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?	<p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue. RE power has been purchased in accordance with the provisions of the approved PPAs and regulations governing grid operations.</p> <p>As the Per Unit Cost of the Thermal Power Backed down sought for pertain to older years, the same will be submitted shortly.</p>
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	<p>It is to inform that short payment of fixed cost would take place, if the generator didn't achieve the target availability factor as specified in the relevant PPA.</p> <p>The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.</p>

Para No /Brief Issue	Response										
<p>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.</p>											
<p>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.</p>	<p>Ownership wise / Source wise variation in respect of the per unit variable cost is given in Table 12 of the petition.</p> <p>The increase in variable cost is due to increase in Basic price, Fuel Cost Adjustment (FCA) levied by the Coal / Gas companies and increased freight charges leveled by Railways and other transportation agencies.</p>										
<p>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.</p>	<p>Other Costs include expenditures incurred on account of Additional Interest on pension bonds, incentives paid if any and actual payment of Income Tax. These are the prudent expenditures made by the DISCOMs and submitted for admission in to the True-Up</p>										
<p>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.</p>	<p>As per Clause 1.2(a) of the MoU, GoAP agreed to take over 75% of working capital term loan of Rs.8461.75 Crs. and 100% FRP bonds of Rs.2546.15 Crs. of the APDISCOMs outstanding as on 30th September, 2015. Accordingly GoAP issued G.O.Ms.No.27, Energy Infrastructure & Investment (Power-I) Department, dt.26-07-2016.</p> <table border="1" data-bbox="817 1666 1506 1908"> <thead> <tr> <th></th><th>Outstanding loans as on 30-09-2015</th></tr> </thead> <tbody> <tr> <td>Capex Loans</td><td>3712.49</td></tr> <tr> <td>Working capital Loans</td><td>8461.76</td></tr> <tr> <td>FRP Bonds Liability</td><td>2546.15</td></tr> <tr> <td>Total</td><td>14720.40</td></tr> </tbody> </table> <p>Out of the total outstanding loans of Rs.14720.40 Crs. as on 30-09-2015, GoAP has accorded approval for</p>		Outstanding loans as on 30-09-2015	Capex Loans	3712.49	Working capital Loans	8461.76	FRP Bonds Liability	2546.15	Total	14720.40
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Yours faithfully,


Chief General Manager
RAC :: APSPDCL

Copy submitted to the Secretary, APERC, 11-4-660, 4th Floor, Singareni Bhavan, Red Hills, Lakdikapul, Hyderabad-04





SOUTHERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED
19-13-65/A, Vidyut Nilayam, Srinivasapuram, Tirupati (www.apspdcl.in)

From
The Chief General Manager,
RAC, APSPDCL, 19-13-65/A,
Vidyut Nilayam, Srinivasapuram,
Tirupati – 517501.

To
Sri A.Punna Rao,
59-2-1, 1st Lane,
Ashok Nagar,
Governorpet, Vijayawada-10

Lr No. CGM/RAC/SPDCL/TPT/RAC/F.True-up /D.No. 469 /19 dt. 4 -10-2019

Sir,
Sub:- APSPDCL/TPT – RAC – Replies to the objections on True-up filings for FY 2016-17 – Furnished - Regarding.
Ref:- Party's Objection received dt.06-09-2019

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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.	is lower than the approved revenue, the Petitioners incur losses. Hence, the Petitioners request the Honourable Commission to consider true-up/true-down for the revenue also. Further, the DISCOMs have written to a letter (Lr.No.CGM/Opn/SPDCL/TPT/RAC/F.Reg.4/D.N o.12/16 dated 15-01-2017) to the Hon'ble Commission seeking amendment to the Regulation 4 of 2005, to this effect.
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	Whenever there is a short supply of power from the plants which are governed by PPAs & Two part tariff structure (Capacity Charge & Energy Charge), owing to the issues of Plant availability (either due to outage or due to shortage of supply) capacity charges payable to such generators would be reduced proportionately as per the provisions of the PPA. Main reason for deficiency in supply is less availability declaration by the concerned Generator owing to shortage of Coal and the payment of capacity charges are made accordingly. Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power. There is no dichotomy between energy availability & dispatch. The surplus is assessed based on the potential plant availability, subjected to the condition of accessibility of sufficient fuel. The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue.

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<p>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.</p>	<p>It is to inform that unsold surplus of 10,384 MU as claimed by the objector is not the actual surplus generation. It is only the potential to generate surplus subjected to the availability of required fuel. Most of the thermal generating stations were falling short of expected generation due to shortage of coal.</p> <p>After considering the power available from all the sources, the DISCOMs fell short of energy availability at that instance, and in order to ensure reliable & uninterrupted power supply, the DISCOMs have resorted to market purchases and additional purchases.</p>
<p>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</p>	<p>Thermal Generating stations located in Telangana State are older units when compared to the stations located in Andhra Pradesh. This causes, per unit fixed cost of generating stations in TS at lower side when compared to its counterparts in AP. This is the reason behind payment of higher fixed costs by AP DISCOMs when "Regulation" of power came into force between AP & TS.</p>

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<p>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?</p>	<p>During certain instances in the grid operations, Thermal Power Stations are backed down to accommodate Renewable Energy sources which have been conferred "Must Run" status. During the period of backing down, the thermal generating stations have to be compensated for fixed cost payment, if they confirm the availability, as per the provisions of the PPAs.</p> <p>As the quantum of backing down & fixed charges paid to AP Genco stations sought for pertain to older years, the same will be submitted shortly.</p>
<p>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?</p>	<p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue. RE power has been purchased in accordance with the provisions of the approved PPAs and regulations governing grid operations.</p> <p>As the Per Unit Cost of the Thermal Power Backed down sought for pertain to older years, the same will be submitted shortly.</p>
<p>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</p>	<p>It is to inform that short payment of fixed cost would take place, if the generator didn't achieve the target availability factor as specified in the relevant PPA.</p> <p>The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.</p>

Para No /Brief Issue	Response										
<p>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 crpre 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.</p>											
<p>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.</p>	<p>Ownership wise / Source wise variation in respect of the per unit variable cost is given in Table 12 of the petition.</p> <p>The increase in variable cost is due to increase in Basic price, Fuel Cost Adjustment (FCA) levied by the Coal / Gas companies and increased freight charges leveled by Railways and other transportation agencies.</p>										
<p>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.</p>	<p>Other Costs include expenditures incurred on account of Additional Interest on pension bonds, incentives paid if any and actual payment of Income Tax. These are the prudent expenditures made by the DISCOMs and submitted for admission in to the True-Up</p>										
<p>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.</p>	<p>As per Clause 1.2(a) of the MoU, GoAP agreed to take over 75% of working capital term loan of Rs.8461.75 Crs. and 100% FRP bonds of Rs.2546.15 Crs. of the APDISCOMs outstanding as on 30th September, 2015. Accordingly GoAP issued G.o.Ms.No.27, Energy Infrastructure & Investment (Power-I) Department, dt.26-07-2016.</p> <table border="1" data-bbox="774 1657 1476 1904"> <thead> <tr> <th colspan="2">Outstanding loans as on 30-09-2015</th></tr> </thead> <tbody> <tr> <td>Capex Loans</td><td>3712.49</td></tr> <tr> <td>Working capital Loans</td><td>8461.76</td></tr> <tr> <td>FRP Bonds Liability</td><td>2546.15</td></tr> <tr> <td>Total</td><td>14720.40</td></tr> </tbody> </table> <p>Out of the total outstanding loans of Rs.14720.40 Crs. as on 30-09-2015, GoAP has accorded approval for</p>	Outstanding loans as on 30-09-2015		Capex Loans	3712.49	Working capital Loans	8461.76	FRP Bonds Liability	2546.15	Total	14720.40
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	<p>takeover of 75% of working loans (Rs.6346.32 Crs.) and 100% of FRP bonds (Rs.2546.15 Crs.).</p> <table><tr><td></td><td>EPDCL</td><td>SPDCL</td><td>Total</td></tr><tr><td>Against 100% FRP Bonds</td><td>1205.95</td><td>1340.20</td><td>2546.15</td></tr><tr><td>Against 75% working capital loan</td><td>2094.53</td><td>4251.79</td><td>6346.32</td></tr><tr><td>Total</td><td>3300.48</td><td>5591.99</td><td>8892.47</td></tr></table> <p>As on date GoAP has taken over loans as given below:</p> <table><tr><td></td><td>EPDCL</td><td>SPDCL</td><td>Total</td></tr><tr><td>Against 100% FRP Bonds</td><td>904.46</td><td>1005.23</td><td>1909.69</td></tr><tr><td>Against 75% working capital loan</td><td>2094.53</td><td>4251.79</td><td>6346.32</td></tr><tr><td>Total</td><td>2998.99</td><td>5257.02</td><td>8256.01</td></tr></table>		EPDCL	SPDCL	Total	Against 100% FRP Bonds	1205.95	1340.20	2546.15	Against 75% working capital loan	2094.53	4251.79	6346.32	Total	3300.48	5591.99	8892.47		EPDCL	SPDCL	Total	Against 100% FRP Bonds	904.46	1005.23	1909.69	Against 75% working capital loan	2094.53	4251.79	6346.32	Total	2998.99	5257.02	8256.01
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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	<p>Per Unit Cost of power procurement of Rs 5.17/Unit approved by the Commission is the weighted average cost of procurement. Even though the actual cost of procurement varies from Rs 0.24/Unit to Rs 7.68/Unit, the weighted average cost is contained well below the price approved by the Hon'ble Commission, in the Retail Supply Tariff Order.</p> <p>It is to inform that, while procuring power on Day-ahead basis from the market, in certain instances the time block wise discovered price exceeds the average price approved by the Commission. To ensure reliable 24X7 power supply to the Consumers, the DISCOMs are procuring power from short term sources, after exhausting receivable power from all committed sources, to meet the shortages only.</p> <p>Per unit rates in the exchanges during peak hours are usually higher than the ceiling rates approved by Hon'ble APERC. If the procurement rates are restricted to the ceiling rates during peak hours, DISCOMs would not get the required power, leading to load shedding.</p>																																

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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.	The same is being done and for the FY 2016-17, the Commission has already issued order.
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.	For the reasons beyond the control of the DISCOMs, the True-Up claims have been submitted with a delay and carrying cost also has been claimed. The Hon'ble Commission is requested to condone the delay and approve the True-Up claim including carrying costs.
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.	Within the purview of Hon'ble APERC

Yours faithfully,


Chief General Manager
RAC :: APSPDCL

Copy submitted to the Secretary, APERC, 11-4-660, 4th Floor, Singareni Bhavan, Red Hills, Lakdikapul, Hyderabad-04





SOUTHERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED
19-13-65/A, Vidyut Nilayam, Srinivasapuram, Tirupati (www.apspdcl.in)

From

The Chief General Manager,
RAC, APSPDCL, 19-13-65/A,
Vidyut Nilayam, Srinivasapuram,
Tirupati – 517501.

To

Sri B.Tulasidas,
S4- Devi Towers,
Sambamurthy Road,
Vijayawada-03.

Lr No. CGM/RAC/SPDCL/TPT/RAC/IF.True-up /D.No. 473/19 dt. 07-10-2019

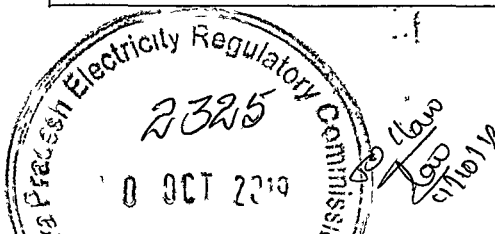
Sir,

Sub:- APSPDCL/TPT – RAC – Replies to the objections on True-up filings for FY 2016-17 - Furnished - Regarding.

Ref:- Party's Objection received dt.06-09-2019

In response to the objection received vide reference cited, the replies to the objections on True-up filings for FY 2016-17 are as follows

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<p>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?</p>	<p>During certain instances in the grid operations, Thermal Power Stations are backed down to accommodate Renewable Energy sources which have been conferred "Must Run" status. During the period of backing down, the thermal generating stations have to be compensated for fixed cost payment, if they confirm the availability, as per the provisions of the PPAs.</p> <p>As the quantum of backing down & fixed charges paid to AP Genco stations sought for pertain to older years, the same will be submitted shortly.</p>
<p>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?</p>	<p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue. RE power has been purchased in accordance with the provisions of the approved PPAs and regulations governing grid operations.</p> <p>As the Per Unit Cost of the Thermal Power Backed down sought for pertain to older years, the same will be submitted shortly.</p>
<p>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</p>	<p>It is to inform that short payment of fixed cost would take place, if the generator didn't achieve the target availability factor as specified in the relevant PPA.</p> <p>The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.</p>

Para No /Brief Issue	Response										
<p>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.</p>											
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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	<p>Per Unit Cost of power procurement of Rs 5.17/Unit approved by the Commission is the weighted average cost of procurement. Even though the actual cost of procurement varies from Rs 0.24/Unit to Rs 7.68/Unit, the weighted average cost is contained well below the price approved by the Hon'ble Commission, in the Retail Supply Tariff Order.</p> <p>It is to inform that, while procuring power on Day-ahead basis from the market, in certain instances the time block wise discovered price exceeds the average price approved by the Commission. To ensure reliable 24X7 power supply to the Consumers, the DISCOMs are procuring power from short term sources, after exhausting receivable power from all committed sources, to meet the shortages only.</p> <p>Per unit rates in the exchanges during peak hours are usually higher than the ceiling rates approved by Hon'ble APERC. If the procurement rates are restricted to the ceiling rates during peak hours, DISCOMs would not get the required power, leading to load shedding.</p>																																

Para No /Brief Issue	Response
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.	The same is being done and for the FY 2016-17, the Commission has already issued order.
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.	For the reasons beyond the control of the DISCOMs, the True-Up claims have been submitted with a delay and carrying cost also has been claimed. The Hon'ble Commission is requested to condone the delay and approve the True-Up claim including carrying costs.
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.	Within the purview of Hon'ble APERC

Yours faithfully,


Chief General Manager
RAC :: APSPDCL

Copy submitted to the Secretary, APERC, 11-4-660, 4th Floor, Singareni Bhavan, Red Hills, Lakdikapul, Hyderabad-04



EASTERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED
CORPORATE OFFICE :: VISAKHAPATNAM

From

The Chief General Manager,
PPA, RA & QC,
APEPDCL, Corporate Office,
Seethammadhara,
Visakhapatnam – 530013.

To

Sri. B. Tulasi Das
S4 – Devi Towers,
Sambamurthy Road,
Vijayawada – 520 003.

Admn.	For Perusal
Engg.	Secretary
Law	Member / PRM
Tariff	Member / PR
	Chairman

DD / Encls

Lr.No.CGM/PPA, RA&QC/EPDCL/VSP/RAC/F:True-Up/D.No. 210 /19, dt. 12-10-2019

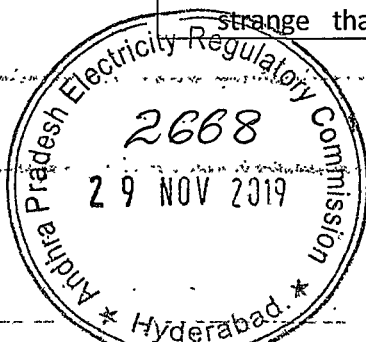
Sir,

Sub: APEPDCL – RAC – Replies to the Objections received on True-up petition filed by APDISCOMS on Retails Supply Business for 2016-17 – Regarding.

Ref: Your Objection letter dated. 16-08-2019

We are in receipt of your suggestion/ objections on True-up petition filed by APDISCOMS on Retails Supply Business for 2016-17 and the same is herewith acknowledged with thanks. Para wise replies of APEPDCL are as follows:

Para No /Brief Issue	EPDCL Response
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.	It is to inform that, in view of the uniform nature of Retail Supply Tariffs across the state independent of the service area of the distribution licensees, the DISCOMs are proposing to impose the burden of per unit True-Up also on uniform basis across the State. Further Power Purchase cost which constitutes around 80% of the entire expenditure of Distribution business is being incurred centrally to optimize the procurement cost and reduce the transaction costs. Even in the True-Up exercise, Power purchase cost variation is major element and so the DISCOMs have proposed for uniform levy of per-unit True-up across the 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	Revenue True-up to the extent of Rs 2817 Crs pertaining to FY 2015-16 has been claimed as part of True-up petition for FY 2016-17. Revenue true-up has not been claimed earlier for FY 2015-16. The Honorable Commission approves tariff and non-



Para No /Brief Issue	EPDCL Response
<p>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.</p>	<p>tariff income for the Retail Supply Business in its Retail Supply Tariff Order for every financial year. However, tariff and non-tariff income approved by the Honourable Commission is different from the actual revenue realized. If the actual revenue realized is lower than the approved revenue, the Petitioners incur losses. Hence, the Petitioners request the Honourable Commission to consider true-up/true-down for the revenue also. Further, the DISCOMs have written to a letter (Lr.No.CGM/Opn/SPDCL/TPT/RAC/F.Regn.4/D.No.12 /16 dated 15-01-2017) to the Hon'ble Commission seeking amendment to the Regulation 4 of 2005, to this effect.</p>
<p>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, <u>2828 mu from Hinduja</u>, <u>75 mu from Thermal Power Tech</u> 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</p>	<p>Whenever there is a short supply of power from the <u>plants which are governed by PPAs & Two part tariff structure (Capacity Charge & Energy Charge)</u>, owing to the issues of Plant availability (either due to outage or due to shortage of supply) capacity charges payable to such generators would be reduced proportionately as per the provisions of the PPA.</p> <p>Main reason for deficiency in supply is less availability declaration by the concerned Generator owing to shortage of Coal and the payment of capacity charges are made accordingly.</p> <p>Prevailing price in the Short-Term market at the time of surplus availability with us is the criteria for selling power outside. If the prevailing price is lesser than the marginal variable cost of the generating station at that instant, its not commercially prudent to opt for sale of power.</p> <p>There is no dichotomy between energy availability & dispatch. The surplus is assessed based on the <u>potential plant availability</u>, subjected to the condition of accessibility of sufficient fuel.</p> <p>The DISCOMs have taken every possible step to sell the surplus power available at their disposal. Availability of surplus power on the basis of Time of the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue.</p>

Para No /Brief Issue	EPDCL Response
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.	
<p>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 VidyuthSoudha. 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.</p>	<p>It is to inform that unsold surplus of 10,384 MU as claimed by the objector is not the actual surplus generation. It is only the potential to generate surplus subjected to the availability of required fuel. Most of the thermal generating stations were falling short of expected generation due to shortage of coal.</p> <p>After considering the power available from all the sources, the DISCOMs fell short of energy availability, and in order to ensure reliable & uninterrupted power supply, the DISCOMs have resorted to market purchases and additional purchases.</p>
<p>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</p>	<p>Thermal Generating stations located in Telangana State are older units when compared to the stations located in Andhra Pradesh. This causes, per unit fixed cost of generating stations in TS at lower side</p>

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<p>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?</p>	<p>when compared to its counterparts in AP. This is the reason behind payment of higher fixed costs by AP DISCOMs when "Regulation" of power came into force between AP & TS.</p> <p>During certain instances in the grid operations, Thermal Power Stations are backed down to accommodate Renewable Energy sources which have been conferred "Must Run" status. During the period of backing down, the thermal generating stations have to be compensated for fixed cost payment, if they confirm the availability, as per the provisions of the PPAs.</p> <p>As the backing down details sought are pertaining to older period, the same will be furnished shortly.</p>
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	<p>Out of the total outstanding loans of Rs.14720.40 Crs. as on 30-09-2015, GoAP has accorded approval for takeover of 75% of working loans (Rs.6346.32 Crs.) and 100% of FRP bonds (Rs.2546.15 Crs.).</p> <table><tr><th></th><th>EPDCL</th><th>SPDCL</th><th>Total</th></tr><tr><td>Against 100% FRP Bonds</td><td>1205.95</td><td>1340.20</td><td>2546.15</td></tr><tr><td>Against 75% working capital loan</td><td>2094.53</td><td>4251.79</td><td>6346.32</td></tr><tr><td>Total</td><td>3300.48</td><td>5591.99</td><td>8892.47</td></tr></table> <p>As on date GoAP has taken over loans as given below:</p> <table><tr><th></th><th>EPDCL</th><th>SPDCL</th><th>Total</th></tr><tr><td>Against 100% FRP Bonds</td><td>904.46</td><td>1005.23</td><td>1909.69</td></tr><tr><td>Against 75% working capital loan</td><td>2094.53</td><td>4251.79</td><td>6346.32</td></tr><tr><td>Total</td><td>2998.99</td><td>5257.02</td><td>8256.01</td></tr></table>		EPDCL	SPDCL	Total	Against 100% FRP Bonds	1205.95	1340.20	2546.15	Against 75% working capital loan	2094.53	4251.79	6346.32	Total	3300.48	5591.99	8892.47		EPDCL	SPDCL	Total	Against 100% FRP Bonds	904.46	1005.23	1909.69	Against 75% working capital loan	2094.53	4251.79	6346.32	Total	2998.99	5257.02	8256.01
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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	<p>Per Unit Cost of power procurement of Rs 5.17/Unit approved by the Commission is the weighted average cost of procurement. Even though the actual cost of procurement varies from Rs 0.24/Unit to Rs 7.68/Unit, the weighted average cost is contained well below the price approved by the Hon'ble Commission, in the Retail Supply Tariff Order.</p> <p>It is to inform that, while procuring power on Day-ahead basis from the market, in certain instances the time block wise discovered price exceeds the average price approved by the Commission. To ensure reliable 24X7 power supply to the Consumers, the DISCOMs are procuring power from short term sources, after exhausting receivable power from all committed sources, to meet the shortages only.</p> <p>Per unit rates in the exchanges during peak hours are usually higher than the ceiling rates approved by Hon'ble APERC. If the procurement rates are restricted to the ceiling rates during peak hours, DISCOMs would not get the required power, leading to load shedding.</p>																																

Para No /Brief Issue	EPDCL Response
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.	The Hon'ble Commission has already passed order vide IA No.20 of 2017 in OP No. 1 of 2016 dated 07.10.2017 to provide addl. subsidy of Rs. 64.26 Crores to APEPDCL.
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.	For the reasons beyond in the control of the DISCOMs, the True-Up claims have been submitted with a delay and carrying cost also has been claimed. The Hon'ble Commission is requested to condone the delay and approve the True-Up claim including carrying costs. Even if true-ups are filed in time, carrying costs are inevitable as APDISCOMs have to pay interest on working capital availed towards additional power procurement cost.
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.	Within the purview of Hon'ble APERC

Yours faithfully


 Chief General Manager
 PPA, RA & QC
 APEPDCL::VISAKHAPATNAM

Copy submitted to

The Secretary, APERC, 4TH Floor, 11-4-660, Singareni Bhavan, Red Hills, Hyderabad-500004..

Category	Item	Quantity	Unit	Value
A	1	10	kg	100
	2	20	kg	200
	3	30	kg	300
	4	40	kg	400
	5	50	kg	500
	6	60	kg	600
	7	70	kg	700
	8	80	kg	800
	9	90	kg	900
	10	100	kg	1000
B	1	10	kg	100
	2	20	kg	200
	3	30	kg	300
	4	40	kg	400
	5	50	kg	500
	6	60	kg	600
	7	70	kg	700
	8	80	kg	800
	9	90	kg	900
	10	100	kg	1000
C	1	10	kg	100
	2	20	kg	200
	3	30	kg	300
	4	40	kg	400
	5	50	kg	500
	6	60	kg	600
	7	70	kg	700
	8	80	kg	800
	9	90	kg	900
	10	100	kg	1000