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. Tο

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. 4 -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

has not been claimed earlier for FY 2015-16.

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 While the Hon'ble Commission approved fatotal 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 Genço hydel, by 262 mu from CGSs; by 253 musfrom 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

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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.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.

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

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not explained the reasons for shortfall in generation and supply of power. Despite, the claimed shortfall in generation and supply of power, the Discoms have shown an unsold surplus of 10,384 mu for the year 2016-17. This dichotomy shows how unrealistically energy availability and despatch were proposed by the Discoms and determined and approved by the Hon'ble Commission.

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EPDCL Response¹ «

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.

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.

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.

EPDCL Response

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.880 crore against Rs.729 crore approved 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 hature, it cannot increase for purchase of the ... quantum of power approved 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 guantum of power backed down by the Discoms and fixed charges paid therefor to AP Gengo and other thermal stations, if any?

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.

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.

As the backing down details sought are pertaining to older period, the same will be furnished shortly.

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?

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.

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

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

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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.

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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.

EPDCL Response

The matter of not allowing the fixed cost payments on retrospective basis to SDSTRS is within the purview of the Hon'ble APERC.

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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.

Ownership wise / Source wise variation in respect of the per unit variable cost is given in Table 12 of the petition.

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.

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.

Other Costs include expenditures incurred on

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

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

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.D.Ms.No.27, Energy Infrastructure & Investment (Power-I) Department, dt.26-07-2016.

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Para No /Brief Issue **EPDCL** Response GoAP under UDAY. **Outstanding loans as** 😉 🖟 on 30-09-2015 Capex Loans 3712.49 Working capital Loans 8461.76 FRP Bonds Liability 2546.15

/Total

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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 icrs.) and 100% of FRP bonds (Rs.2546.15 Crs.).

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(Υ, .	EPDCL	SPDCL	Total
Against	100%	1205.95	1340.20	2546.15
FRP Bond	ds	τ		
Against	75%	2094.53	4251.79	6346.32
working	capital			
loan	12			
Total		3300.48	5591.99	8892.47

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

	*,		EPDCL:	SPDCL	Total	
	Against	100%	904.46	1005.23	1909.69	
	FRP Bond	ds 🏋 🔃	*			
	Against	75%	2094.53	4251.79	6346.32	1
•	working	capital	*			
	*loan	; 				
	Total	`# <u>.</u>	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 ျှင့္ 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 lixed 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:

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 lactual 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

It is to inform that, while procuring power on Dayahead 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;

the Commission. We request the Hon'ble Per unit rates in the exchanges during peak hours

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 regulatory requirements of the Commission 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.

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

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.

Within the purview of Hon'ble APERC

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.

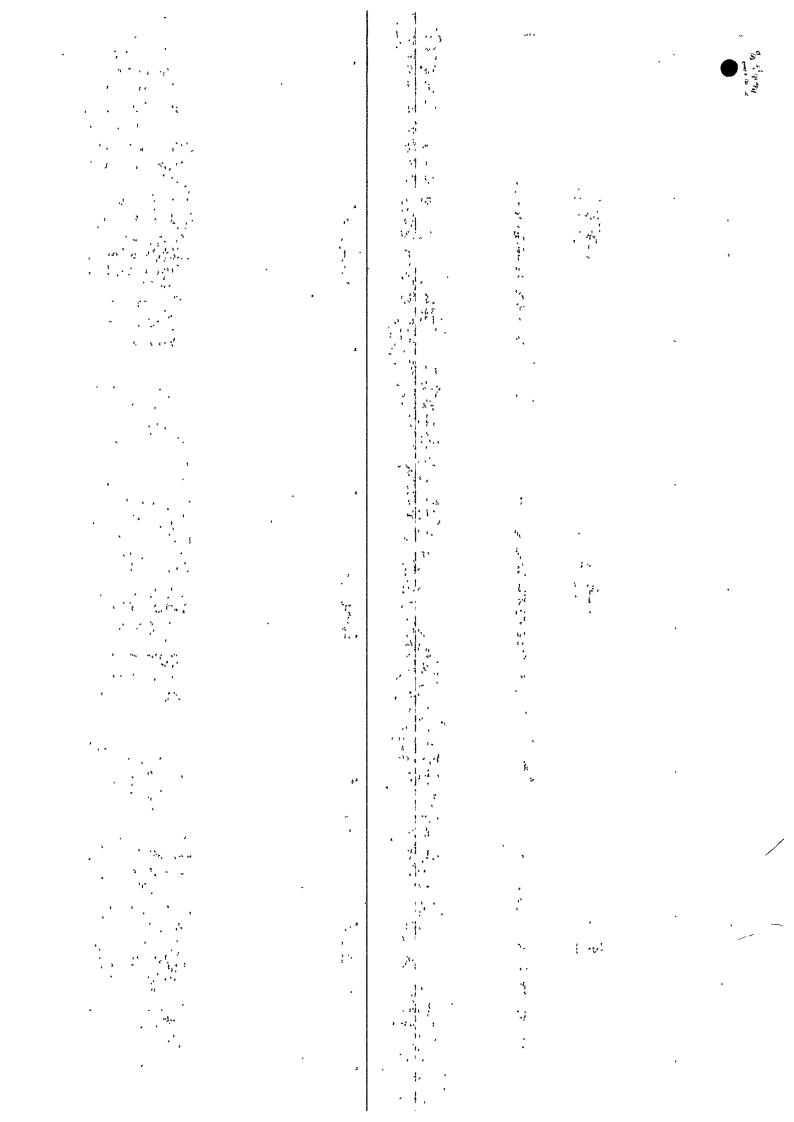
Yours faithfully

Chief General Manager (10 19
PPA, RA & QC

APEPDCL: VISAKHAPATNAM

Copy submitted to

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



EASTERN POWER DISTRIPUTION 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

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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 drder topurchase high cost and must-run nonconventional 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?

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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.

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

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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.

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. 11. 1

EPDCL Response

The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the burylew of the Hon'ble APERC.

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8. The Discoms have claimed that while the Commission approved Rs.2.29 per unit as the average variable cost for the year 2015-17; 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.

Ownership wise / Source wise variation in respect of the per unit variable cost is given in Table 12 of the petition.

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

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.

agencies.

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

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 JDAY 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

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 Go. Ms.No.27, Energy Infrastructure & Investment (Fower-I) Department, dt.26-07-2016.

Para No /Brief Issue **EPDCL** Response · GoAP under UDAY. **Outstanding loans as** on 30-09-2015 Capex Loans 3712.49 Working capital Loans 8461.76 **FRP Bonds Liability** 2546.15

> 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.).

14720.40

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	;	EPDCL	SPDCL	Total	
Against	100%	1205.95	1340.20	2546.15	
FRP Bone	ds 🕠				
Against	75%-	2094.53	4251.79	6346.32	
working	capital	# 20 .			
loan	વે.	444			
Toţal	į,	3300.48	5591.99	8892.47	

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

١	. ,	EPDCL "	SPDCL	Total
Against	100%	904.46	1005.23	1909.69
FRP Bone	ds 🗼		•	
Against	75%	2094.53	4251.79	6346.32
working	capital	¥		
loan	1 ,	, ,	•	
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 ber 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 rates in the exchanges during peak hours

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 Dayahead 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.

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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 approvál of the Commission for purchasing additional quantum, procedure to adopted for real and transparent competitive bidding and cap on tariff! The powers-that-be should be brought round to scrupulously adhere regulatory to requirements of the Commission for purchasing power and additional power.

EPDCL Response: 4.74

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.

or 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

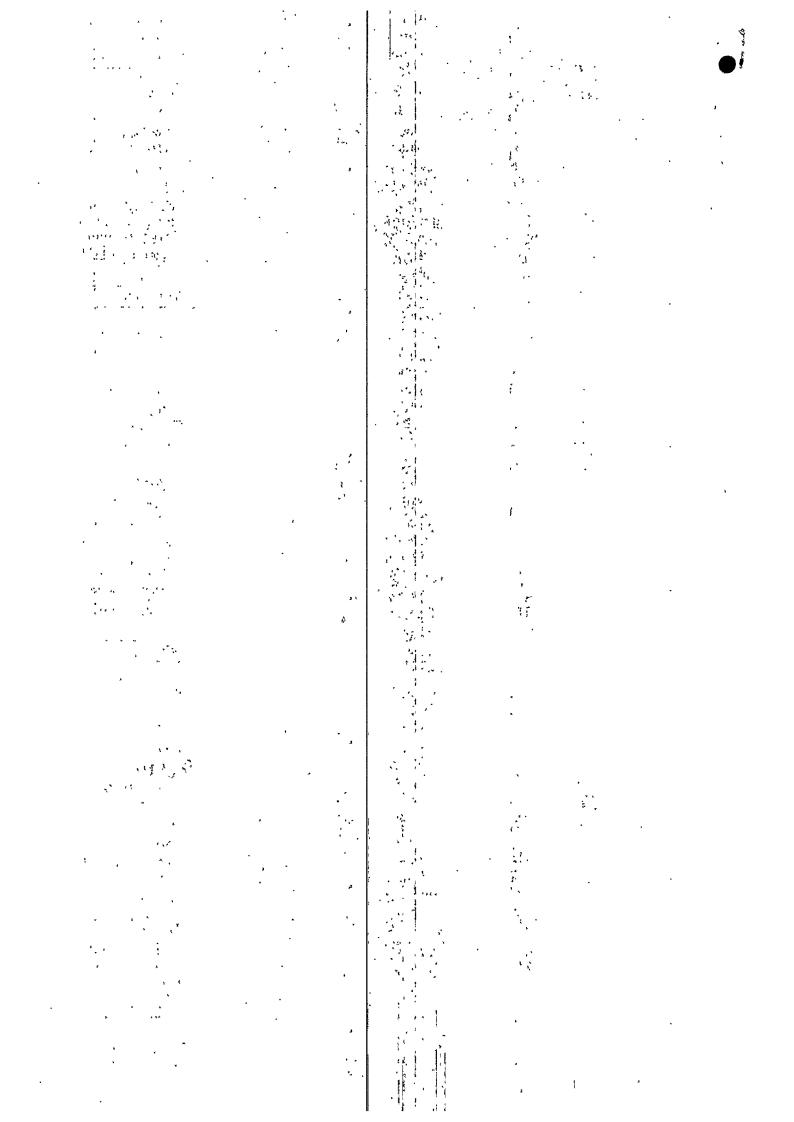
Yours faithfully

Chief General Manager (10 19 PPA, RA & QC

APEPDCL::VISAKHAPATNAM

Copy submitted to

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



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.

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

<u>Lr.No.CGM/PPA, RA&QC/EPDCL/VSP/RAC/F:True-Up/D.No. 기영수</u> /19, dt. 여

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

- 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.
- that their claims for true-up pertain to the year

EPDCL Response

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 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 | Revenue True-up to the extent of Rs 2817 Crs pertaining to FY 2015-16 has been claimed as part by

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 Disdoms 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.

While the Hon'ble Commission, approved a total power purchase of 56,805 mu for the vear 2016-17, the actual purchases claimed by the Discoms are 52,561 mu only, i.e., there is a; esser 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 showing 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 the mal, by 2292 mu from APPDCL, by 1049 mu from AP Genco hydel, by 262 mu, from CGSs, by 253 musfrom 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. DBFQQ: Did the Discoms claim and collect liquidated damages from the power stations the terms and conditions in their respective

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Ar esti Statis 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-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.

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.

liquidated damages from the power stations. The DISCOMs have taken every possible step to sell concerned for lesser supply of power as per the surplus power available at their disposal. the taken every possible step to sell the surplus power available at their disposal.

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.

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 purchases such 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.

EPDCL Response

the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue.

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.

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.

EPDCL Response

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.880 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 of not. That apart, fixed cost being fixed in nature, it cannot increase for purchase of the quantum of power approved Commission. Therefore, the moot point is whether the Discoms backed down capacities of the stations of AP Genco and paid fixed If so, what were the charges therefor. quantum of power backed down by the Discoms and fixed charges paid therefor to AR Genço and other thermal stations, if any?

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.

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.

As the backing down details sought are pertaining to older period, the same will be furnished shortly.

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 nonconventional 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?

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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

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EPDCL Response

The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.

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.

Ownership wise / Source wise variation in respect of the per unit variable cost is given in Table 12 of the petition.

The increase in variable cost is due to increase in

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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

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

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.

Para No /Brief Issue

GoAP under UDAY.

GoAP under UDAY.

Capex Loans 3712.49

Working capital Loans 8461.76

FRP Bonds Liability 2546.15

Total

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.).

14720.40

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Against	75%	2094.53	4251.79	6346.32
working	capital	•		
loan	<u> </u>	· .		
Total	4	3300.48	5591.99	8892.47

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	working	capital	•		
	, loan	3	**		
,	√Total		2998.99	5257.02	8256.01

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Yayaqiray Vayaqiray Vayaqiray 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 Dayahead 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.

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. Tο

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. 4 -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

has not been claimed earlier for FY 2015-16.

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 While the Hon'ble Commission approved fatotal 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 Genço hydel, by 262 mu from CGSs; by 253 musfrom 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

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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.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.

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

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not explained the reasons for shortfall in generation and supply of power. Despite, the claimed shortfall in generation and supply of power, the Discoms have shown an unsold surplus of 10,384 mu for the year 2016-17. This dichotomy shows how unrealistically energy availability and despatch were proposed by the Discoms and determined and approved by the Hon'ble Commission.

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EPDCL Response¹ «

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.

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.

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.

EPDCL Response

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.880 crore against Rs.729 crore approved 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 hature, it cannot increase for purchase of the ... quantum of power approved 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 guantum of power backed down by the Discoms and fixed charges paid therefor to AP Gengo and other thermal stations, if any?

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.

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.

As the backing down details sought are pertaining to older period, the same will be furnished shortly.

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?

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.

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

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

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EPDCL Response

The matter of not allowing the fixed cost payments on retrospective basis to SDSTRS is within the purview of the Hon'ble APERC.

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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.

Ownership wise / Source wise variation in respect of the per unit variable cost is given in Table 12 of the petition.

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.

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.

Other Costs include expenditures incurred on

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

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

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.D.Ms.No.27, Energy Infrastructure & Investment (Power-I) Department, dt.26-07-2016.

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Para No /Brief Issue **EPDCL** Response GoAP under UDAY. **Outstanding loans as** 😉 🖟 on 30-09-2015 Capex Loans 3712.49 Working capital Loans 8461.76 FRP Bonds Liability 2546.15

/Total

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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 icrs.) and 100% of FRP bonds (Rs.2546.15 Crs.).

14720.40

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	Y, .	EPDCL	SPDCL	Total
.Against 1 FRP Bonds	.00%	1205.95	1340.20	2546.15
Against working ca	75% pital	2094.53	4251.79	6346.32
loan	× 2			
Total		3300.48	5591.99	8892.47

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

Ĺ	5		EPDCL:	SPDCL	Total	j
Γ	Against	100%	904.46	1005.23	1909.69	
	FRP Bond	ds 🏋 🔃	*			
	Against	75%	2094.53	4251.79	6346.32	1
*	working	capital	*			
1	loan					
	Total	' _{75.2}	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 ျှင့္ 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 lixed 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:

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 lactual 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

It is to inform that, while procuring power on Dayahead 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;

the Commission. We request the Hon'ble Per unit rates in the exchanges during peak hours

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 regulatory requirements of the Commission 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.

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

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.

Within the purview of Hon'ble APERC

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.

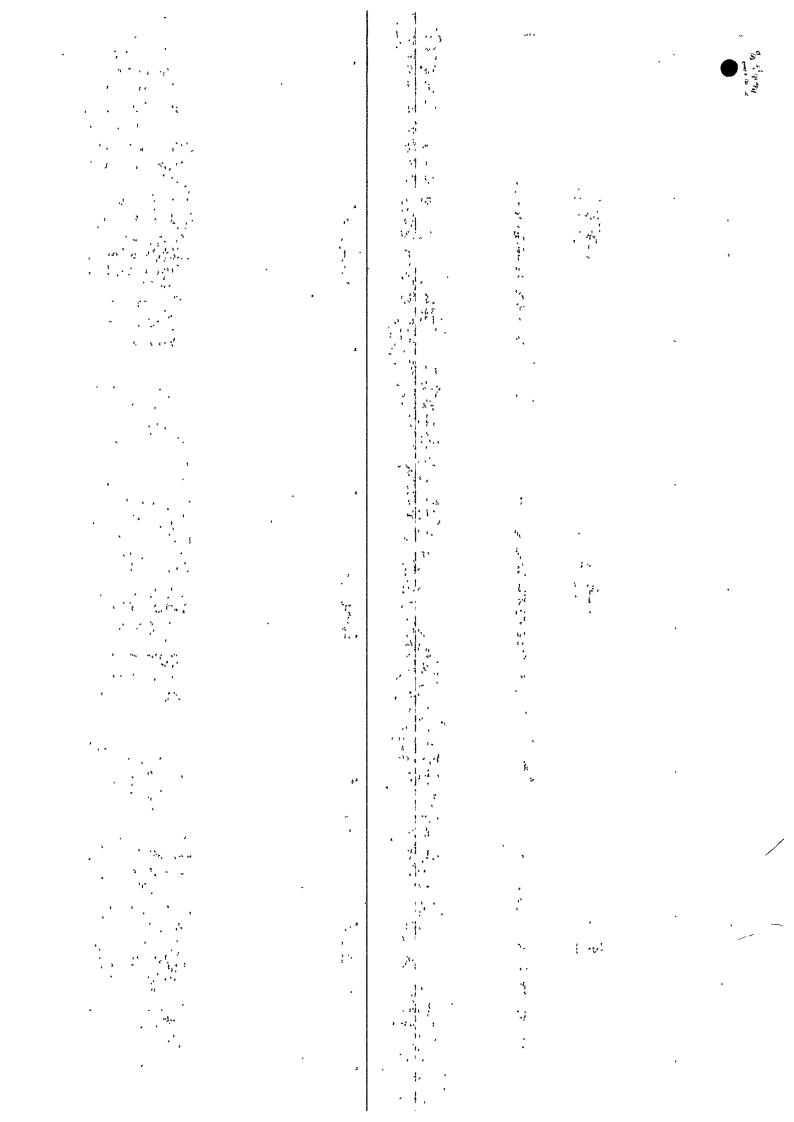
Yours faithfully

Chief General Manager (10 19
PPA, RA & QC

APEPDCL: VISAKHAPATNAM

Copy submitted to

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



EASTERN POWER DISTRIPUTION 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. / 63 /19, dt. 49-10-2019

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 1. APSPDCL and APEPDCL, being independent

- entities should have submitted their true-up applications separately. However, a common application is filed by both the Discoms for the years 2015-16 and 2016-17, claiming revenue true-up of Rs.2817 crore for the year 2015-16, a revenue true-up of Rs.5352 crore for 2015-16 and 2016-17 and expense true up of Rs.2580 crore for the year 2016-17, with a carrying cost of Rs.3212 crore at an interest rate of 12% considering FY 2019-20 as the year of approval. Whatever be the true-up amounts that the Hon'ble Commission is going to permit, its impact on consumers should be confined to the respective true-up amounts of the Discom concerned. It should not be an average for the entire State.
- 2. While the affidavit filed by the Discoms claims that their claims for true-up pertain to the year 2016-17, at page 19, the Discoms have claimed

EPDCL Response

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.

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.

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 R\$.11,144 crore is for retail supply business for the year 2016-17. 3. While the Hon'ble Commission approved a

The Honorable Commission approves tariff and nontariff 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 reven'ue 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 (Ľr.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.

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EPDCL Response:

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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

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 JDAY 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

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 Go. Ms.No.27, Energy Infrastructure & Investment (Fower-I) Department, dt.26-07-2016.

Para No /Brief Issue **EPDCL** Response · GoAP under UDAY. **Outstanding loans as** on 30-09-2015 Capex Loans 3712.49 Working capital Loans 8461.76 **FRP Bonds Liability** 2546.15

> 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.).

14720.40

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	;	EPDCL	SPDCL	Total	
Against	100%	1205.95	1340.20	2546.15	
FRP Bone	ds 🕠				
Against	75%-	2094.53	4251.79	6346.32	
working	capital	# 20 .			
loan	વે.	444			
Toţal	į,	3300.48	5591.99	8892.47	

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

١	. ,	EPDCL "	SPDCL	Total
Against	100%	904.46	1005.23	1909.69
FRP Bone	ds 🗼		•	
Against	75%	2094.53	4251.79	6346.32
working	capital	¥		
loan	1 ,	, ,	•	
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 ber 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 rates in the exchanges during peak hours

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 Dayahead 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.

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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 approvál of the Commission for purchasing additional quantum, procedure to adopted for real and transparent competitive bidding and cap on tariff! The powers-that-be should be brought round to scrupulously adhere regulatory to requirements of the Commission for purchasing power and additional power.

EPDCL Response: 4.74

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.

or 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

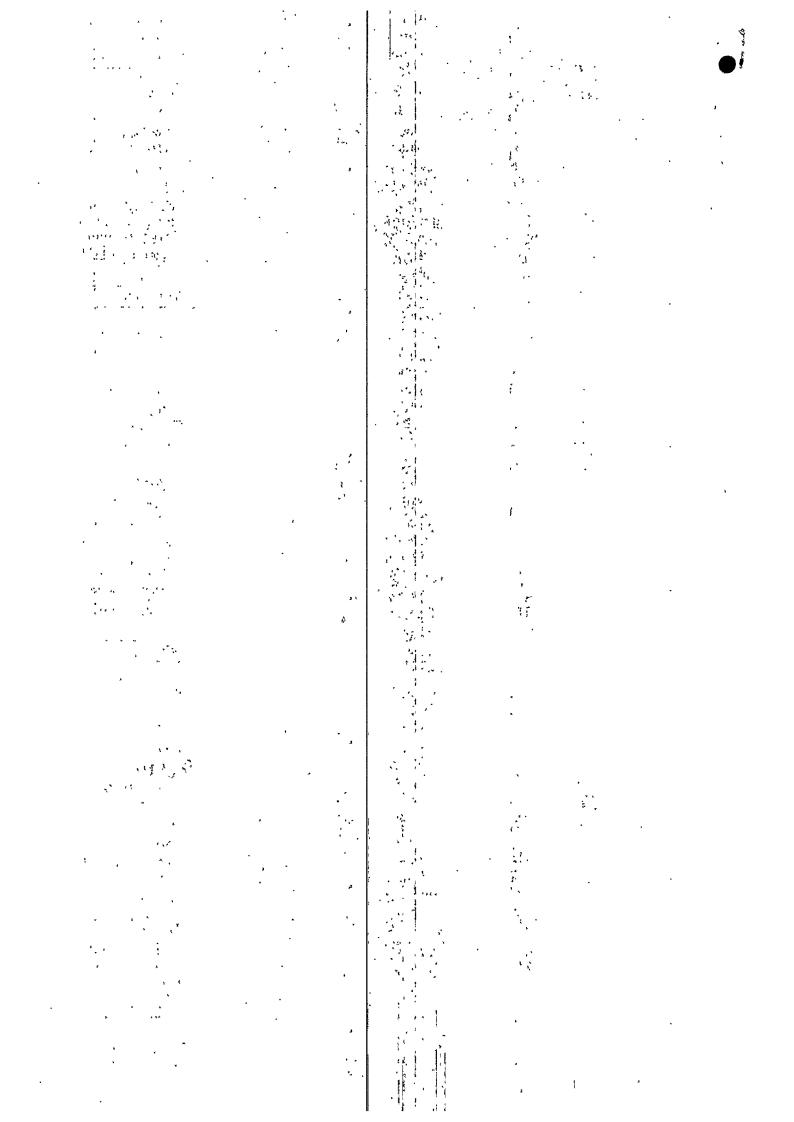
Yours faithfully

Chief General Manager (10 19 PPA, RA & QC

APEPDCL::VISAKHAPATNAM

Copy submitted to

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



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.

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. 기영수 /19, dt. 여

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

- 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.
- that their claims for true-up pertain to the year

EPDCL Response

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 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 | Revenue True-up to the extent of Rs 2817 Crs pertaining to FY 2015-16 has been claimed as part by

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 Disdoms 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.

While the Hon'ble Commission, approved a total power purchase of 56,805 mu for the vear 2016-17, the actual purchases claimed by the Discoms are 52,561 mu only, i.e., there is a; esser 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 showing 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 the mal, by 2292 mu from APPDCL, by 1049 mu from AP Genco hydel, by 262 mu, from CGSs, by 253 musfrom 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. DBFQQ: Did the Discoms claim and collect liquidated damages from the power stations the terms and conditions in their respective

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Ar esti Statis 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-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.

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.

liquidated damages from the power stations. The DISCOMs have taken every possible step to sell concerned for lesser supply of power as per the surplus power available at their disposal. the taken every possible step to sell the surplus power available at their disposal.

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.

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 purchases such 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.

EPDCL Response

the Day (Peak Load Hours, Day Time Power, Night Power etc) is important to fetch reasonable revenue.

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.

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.

EPDCL Response

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.880 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 of not. That apart, fixed cost being fixed in nature, it cannot increase for purchase of the quantum of power approved Commission. Therefore, the moot point is whether the Discoms backed down capacities of the stations of AP Genco and paid fixed If so, what were the charges therefor. quantum of power backed down by the Discoms and fixed charges paid therefor to AR Genço and other thermal stations, if any?

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.

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.

As the backing down details sought are pertaining to older period, the same will be furnished shortly.

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 nonconventional 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?

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.

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.

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

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

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.

EPDCL Response

The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.

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.

Ownership wise / Source wise variation in respect of the per unit variable cost is given in Table 12 of the petition.

The increase in variable cost is due to increase in

for paying higher variable costs. The justification or otherwise for paying higher variable costs need to be examined.

The Discoms have claimed that other costs paid by them increased to Rs.830 crore from a lastic price, Fuel Cost Adjustment (FCA) levied by the Cost Adjustment (FC

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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

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

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.

Para No /Brief Issue

GoAP under UDAY.

GoAP under UDAY.

Capex Loans 3712.49

Working capital Loans 8461.76

FRP Bonds Liability 2546.15

Total

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.).

14720.40

Ē.		EPDCL	SPDCL	Total
.Against	100%	1205.95	1340.20	2546.15
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Against	75%	2094.53	4251.79	6346.32
working	capital	•		
loan	•	· .		
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	, loan	3	**		
,	√Total		2998.99	5257.02	8256.01

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It is to inform that, while procuring power on Dayahead 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.

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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 Cores 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 1019
PPA, RA & QC

APEPDCL::VISAKHAPATNAM

Copy submitted to

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

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

From

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

To

Sri. A. Punnarao 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. 64 -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 Mo /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, th. 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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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.

"While the Hon'ble Commission approved a total power purchase of 56,805 mul 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 €00 MW DBFOO: Did the Discoms claim and collect liquidated damages from the power stations. concerned for lesser supply of power as perthe terms and conditions in their respective. PPAs, wherever applicable? The Discoms have not explained the reasons for shortfall in

The Honorable Commission approves tariff and nontariff income for the Retail Supply Business in its the subject petition; without Retail Supply Tariff Order for every financial year. Discoms to file equired However, tariff and non-tariff income approved by ting to their true up claims for 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 petition for the year 2015-16. 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.

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 reasons 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

generation and supply of power. Despite the claimed shortfall in generation and supply of power, the Discoms have shown any 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.

1. Despite having an unsold surplus of 10,384 mu, it is to inform that unsold surplus of 10,384 mu, it is to info

4. Despite having an unsold surplus of 10,384 mu, the Discoms have purchased 1707 mu from 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 purchases handled such 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.

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 short of expected generation due to shortage of 3054 mu approved by the Commission. The

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.

5. The Discoms have maintained that they have Thermal Generating stations located in Telangana incurred fixed cost of Rs.8551 crore against State are older units when compared to the stations

'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 on not. That apart, fixed cost being fixed in nature, it cannot increase for purchase of the quantum power approved of Commission. Therefore, the most 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?

flocated 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.

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.

'As the backing down details sought are pertaining to older period, the same will be furnished shortly.

1.5

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 brder to purchase high cost and must-ruh nonconventional 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?

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.

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.

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

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.

interim tariff of Rs.3.63 per unit, with a fixed cost of Rs.1.02 per tenit, 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 surf 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.

EPDÇL Response

The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.

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.

Ownership wise / Source wise variation in respect of the per unit variable cost is given in Table 12 of the petition.

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.

9. The Discoms have claimed that other 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.

Other Costs include expenditures incurred on account of Additional Interest on pension bonds, ncentives 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

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.

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.



Capex Loans 3712.49
Working capital Loans 8461.76
WFRP 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 capit	· 1	4251.79	6346.32
loan ,	3300.48	5591.99	8892.47

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

٠,	ř	EPDCL ³	SPĎCĽ	Total
Against	100%	904.46	1005.23	1909.69
FRP Bond	ds			
- Against	75%	2094.53	4251.79	6346.32
working	capital	. •		
loan .	• • •			
Total	1,32	2998.99	5257.02	8256.01

11. The Discoms have claimed that they were able to procure power from short-term spurces 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

Para No /Brief Issue

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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 Dayahead 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

🗾 EPDCL Response 🦯

Commission to direct the Discoms to seek additional subsidy required for purchases made in market far exceeding the qualitying permitted by the Commission and from other sources from GoAP, since they did not seek prior approval of the Commission for purchasing additional quantum, procedule 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 . regulátory the Commission² requirements of 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, is SCOMs 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

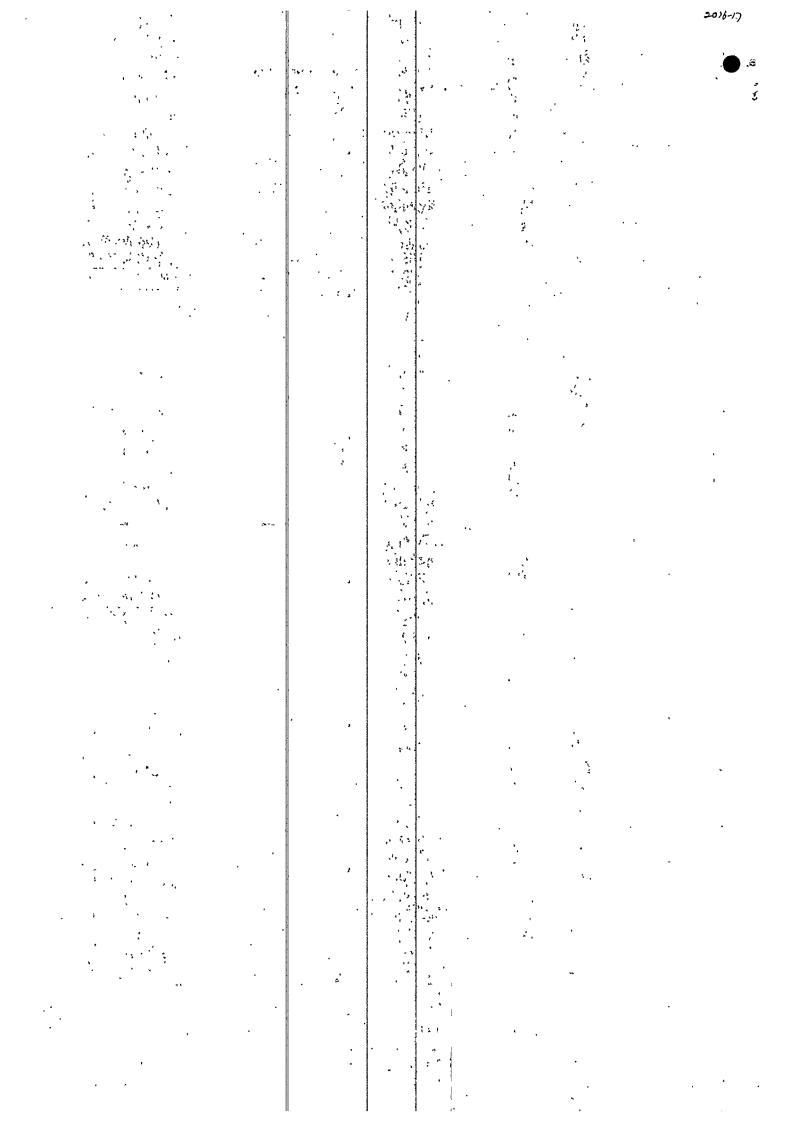
Chief General Manager 410 19

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. LIMITE D 19-13-65/A, Vidyut Nilayam, Srinivasapuram, Tirupati (<u>www.apspdcl.im</u>)

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 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 Discorn 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.

Response

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 issued public notice, inviting objections and suggestions in the subject

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 201 5-16.

The Honorable Commission approves tariff and non-tariff income for the Retail Supply Business in its Retail Supply Tariff Order for every financial year.

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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'b le 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.

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 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.

Response

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/truedown for the revenue also.

Further, the DISCOMs have written to a letter (Lr.No.CGM/Opn/SPDCL/TPT/RAC/F.Regn.4/D.N o.12/16 dated 15-01-2017) to the Hon'ble Commission seeking amendment to the Regualtion 4 of 2005, to this effect.

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.

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 gasbased 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 price 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.

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.

Response

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.

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

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

by Rs.3086 crore, i.e., Rs.16074 crore against Rs.12,989 crore approved 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?

Response

fixed costs by AP DISCOMs when "Regulation" of power came into force between AP & TS.

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.

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.

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?

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.

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 Per Unit Cost of the Thermal Power Backed down sought for pertain to older years, the same will be submitted shortly.

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

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.

The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.

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Para No /Brief Issue			Res	sponse
a PLF of 78.99% for the year 2016-17, an	d .			·
when the Discoms paid Rs.430.05 crore for	r			
2015-16 and Rs.824.27 crore for 2016-17	7,			
the fixed costs determined by the	e			
Commission for the station on 2.3.201	9			
cannot, and should not, be applied wit	h			
retrospective effect. Therefore, we reques				
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payment of additional sum of Rs.1767.1				
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Commission approved Rs.2.29 per unit as th			11 -	cost is given in Table 12 of
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they have paid @ Rs,2.94 per unit on an				
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for paying higher variable costs. The		l .	H .	ljustment (FCA) levied by
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	1	sportation	11	_
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paid by them increased to Rs.830 crore from	1	l	11	iterest on pension bonds,
Rs.729 crore approved by the Commission			II.	and actual payment of
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determine the amounts taken over or to be		over 75%	of work	ring capital term loan of
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-				on 30-09-2015
	Car	ex Loans		3712.49
		rking capita		8461.76
	FR	Bonds Liab	ility	2546.15
į.	Tot	al		14720.40
			í 	

Response

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.).

	1	EPDCL.	SPDCL	Total
Against FRP Bond	,100% s	1205.95	1340.20	2546.15
Against working	75% capital	2094.53	4251.79	6346.32
loan Total	-	3300.48	5591.99	8892.47

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

	EPDCL	SPDCL	Total
Against 100	% 904.46	1005.23	1909.69
FRP Bonds			
Against 75 working capit		4251.79	6346.32
loan			
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 The Discoms have upper limit only. 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 Discom's cannot justify purchasing power from the market at costs higher than the upper limit determined by the Commission, under the fadile 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

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 control of the Commission.

It is to inform that, while procuring power on Dayal ead 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.

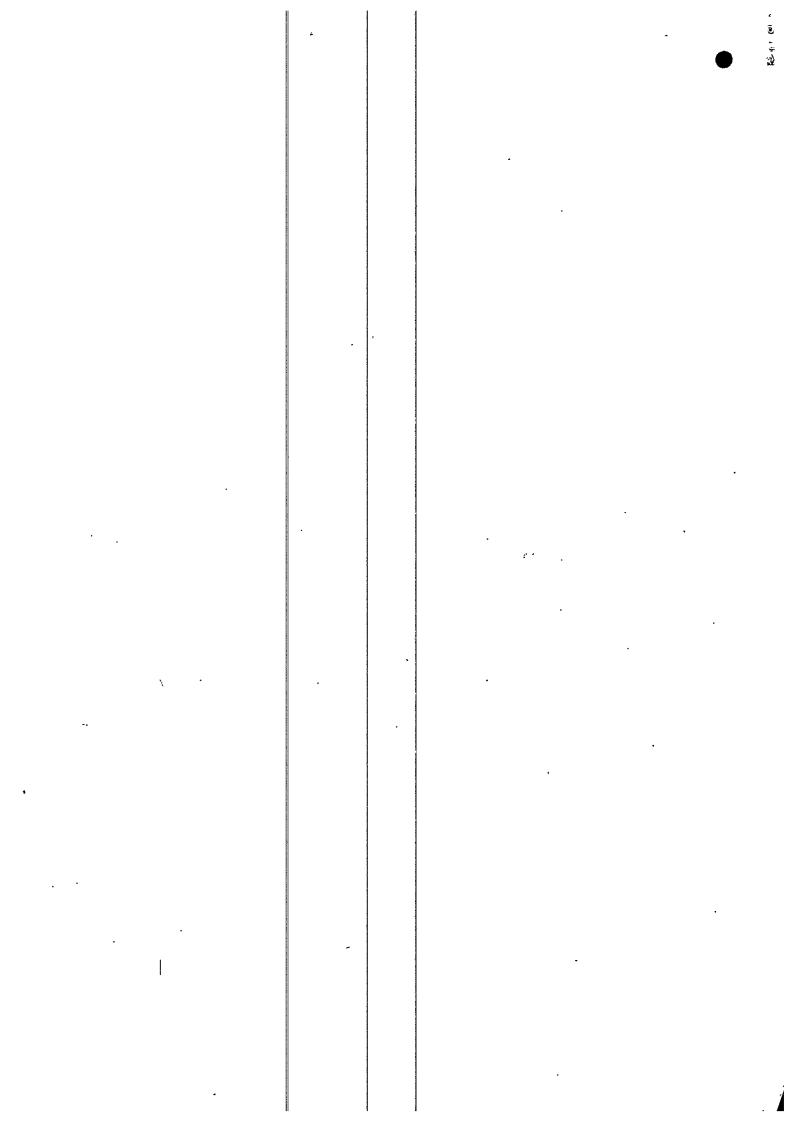
Per unit rates in the exchanges during peak hours are usually higher than the ceiling rates approved by Hon'ble APERC. If the procurement rates are restricted to the ceiling rates during peak hours, DISCOMs would not get the required power, leading to load shedding.

Para No /Brief Issue				Response
purchasing additional quantum, procedure	to			
be adopted for real and transpare				
competitive bidding and cap on tariff. T		ĺ		
powers-that-be should be brought round				
scrupulously adhere to regulato				
1	or			
purchasing power and additional power.				
	Т	The	e same is be	ng done and for the FY 2016-17, the
agriculture, with additional costs, the sar	ne	Co	nmission h	is already issued order.
should be sought as additional subsidy by t				
Discoms from GoAP.				
13. Carrying cost claimed by the Discoms to t	ne	For	the reas	ons beyond the control of the
tune of Rs.3212 crore under true-up for t	ne	DIS	COMs, the T	rue-Up claims have been submitted
years 2015-16 and 2016-17 is n		wit	h a delay	and carrying cost also has been
permissible. We request the Hon't		cla	imed. The H	on'ble Commission is requested to
Commission to reject the claim for carryi		cor	done the d	elay and approve the True-Up claim
cost. The Discoms have to submit their tru	e-	inc	luding carry	ring costs.
up claims in time and the consumers shou	ld			
not be penalised for delay caused by t		İ		
Discoms in submitting the same.				
14. We request the Hon'ble Commission	to	Wi	thin the pu	view of Hon'ble APERC .
provide us an opportunity to make furth	er			
submissions in person during the pub	ic			
hearing after receiving responses of t	ne		ı	
Discoms to our above-mention	ed			
submissions and studying and analysing t	ne			
same.				

Yours faithfully,

Chief General Manager RAC :: APSPDCL

Copy submitted to the Secretary, APERC, 1 -4-660, 4th Floor, Singareni Bhavan, Red Hills, Lakdikapul, Hyderbad-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.(6-09-2019

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 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 croile 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 amounts that the 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.

Response

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 DIS COMs 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 issued public notice, inviting objections and suggestions in the subject petition, without directing the Discoms to file required information relating to their true up

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-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

claims for 2015-16 also and without incorporating the same in the subject petition. We request the Hon'ble Commission to direct the Discoms to file their true-up petition for the year 2015-16 separately with all the required information. At page 20, the Discoms have dishonestly claimed that the claimed true-up amount of Rs. 11,144 crore is for retail supply business for the year 2016-17.

3. While the Hon'ble Commission approved a total power purchase of 56,805 mu for the year 2016-17, the actual purchases claimed by the Discoms are 52,561 mu only, i.e., there is a lesser purchase of power by 4244 mu. Despite that, against total power purchase cost of Rs.22,538 crore approved by the Commission, the Discoms incurred an expenditure of Rs.25,455 crore for power purchase, i.e., higher by Rs.2,917 crore. They have shown lesser payment of Rs.270 crore towards fixed cost, higher payment of Rs.3086 crore towards variable cost and higher payment of Rs.101 crore towards other costs for the year 2016-17. The Discoms have claimed that supply of power is lesser vis a vis energy despatch approved by the Commission for the year 2016-17 by 3032 mu by AP Genco thermal, by 2292 mu from APPDCL, by 1049 mu from AP Genco hydel, by 262 mu from CGSs, by 253 mu from NCE, by 10,124 mu from IPPs and others and by 28 mu from APGPCL. The short supply includes 661 mu from KSK Mahanadi, 2828 mu from Hinduja, 75 mu from Thermal Power Tech and 6566 mu from 600 MW DBFOO. Did the Discoms claim and collect liquidated damages from the power stations concerned for lesser supply of power as per the terms and conditions in their respective PPAs, wherever applicable? The Discoms have not explained the reasons for shortfall in generation and supply of power. Despite the claimed shortfall in generation and supply of power, the Discoms have shown an unsold surplus of 10,384 mu for the year 2016-17. This dichotomy shows how unrealistically energy availability and despatch were

Response

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 (L::No.CGM/Opn/SPDCL/TPT/RAC/F.Regn.4/D.N o.12/16 dated 15-01-2017) to the Hon'ble Commission seeking amendment to the Regualtion 4 of 2005, to this effect.

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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	Para No /Brief Issue	Response
	proposed by the Discoms and determined and approved by the Hon'ble Commission.	
	mu, the Discoms have purchased 1707 mu	It is to inform that unsold surplus of 10, 384 MU as claimed by the objector is not the actual surplus
ĺ	from the market against 294 mu permitted by	generation. It is only the potential to generate

At the same time, the the Commission. Discoms have claimed that they have purchased 901 mu additionally from gasbased 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.

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.

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 su pply, the DISCOMs have resorted to market purc hases and additional purchases.

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

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.

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?

Response

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.

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.

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?

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.

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 Per Unit Cost of the Thermal Power Backed down sought for pertain to older years, the same will be submitted shortly.

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

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.

The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.

	Para No /Brief Issue			Res	sponse
	2015-16 and Rs.824.27 crore for 2016-1	7,			
	the fixed costs determined by the	e			
	Commission for the station on 2.3.201	9.			
1	cannot, and should not, be applied wit	1 ' r			
	retrospective effect. Therefore, we reques	- 1			
1.	the Hon'ble Commission not to approve				•
	payment of additional sum of Rs.1767.1	1			
	crpre the Discoms have claimed to be paid t				
	the said station under true-up. When fixe				
	cost was approved by the Commission for				
	threshold level PLF and when the static				
	could achieved PLFs less than that, liquidate	d			
j	damages should be collected from SDSTPS				
1	for generation and supply of power below				
	threshold level.				
8.	The Discoms have claimed that while the	e Ow	nership wis	e / Sourc	e wise variation in respect
	Commission approved Rs.2.29 per unit as th				cost is given in Table 12 of
	average variable cost for the year 2016-17		petition.		3
	they have paid @ Rs,2.94 per unit on a	- 1			
	average. They have not explained the reason		increase in	variable	cost is due to increase in
	for paying higher variable costs. The		1	1	ljustment (FCA) levied by
	justification or otherwise for paying higher				ies and increased freight
	variable costs need to be examined.				Railways and other
1			sportation	•	_
9.	The Discoms have claimed that other cost	_			spenditures incurred on
	paid by them increased to Rs.830 crore from				terest on pension bonds,
	Rs.729 crore approved by the Commission				and actual payment of
	They have not explained what those other				the prudent expenditures
ļ	costs are and why a sum of Rs.101 crore was		de by the		
	paid by them additionally. The justification	ı adn	ission in to	the True	-Uр
	and permissibility for paying such a huge	:			_
	amount for unexplained other costs need to)			
	be examined.				
10.	We request the Hon'ble Commission t	As	per Clause 1	.2(a) of t	he MoU, GoAP agreed to
	determine the amounts taken over or to be		i i	1	ing capital term loan of
	taken over by GoAP from the debts of the		i i	1	FRP bornds of Rs.2546.15
ŀ	Discoms for the year 2016-17 under UDAY	1	t I	1	s outstanding as on 30 th
	and deduct the same from their true-up		1	1	ordingly GoAP issued
	claims. In the subject petition, the Discom				frastructure & Investment
,	have not given the details of taking over co	(Por	ver-I) Depart	ment, dt.	····
	their debt by GoAP under UDAY.				Outstanding loans as
]			on 30-09-2015
		 	ex Loans		3712.49
			rking capital		8461.76
		1	Bonds Liabi	lity	2546.15
		Tot	al		14720.40
					loans of Rs.14720.40 Cis.
		as o	n 30-09-201.	, GoAP	has accorded approval for
			1		

Response Para No /Brief Issue and 100% of FRP bonds (Rs.2546.15 Crs.).

takeover of 75% of working loans (Rs.6346.32 Crs.)

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

As on date GoAP has taken over loans as given

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

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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.

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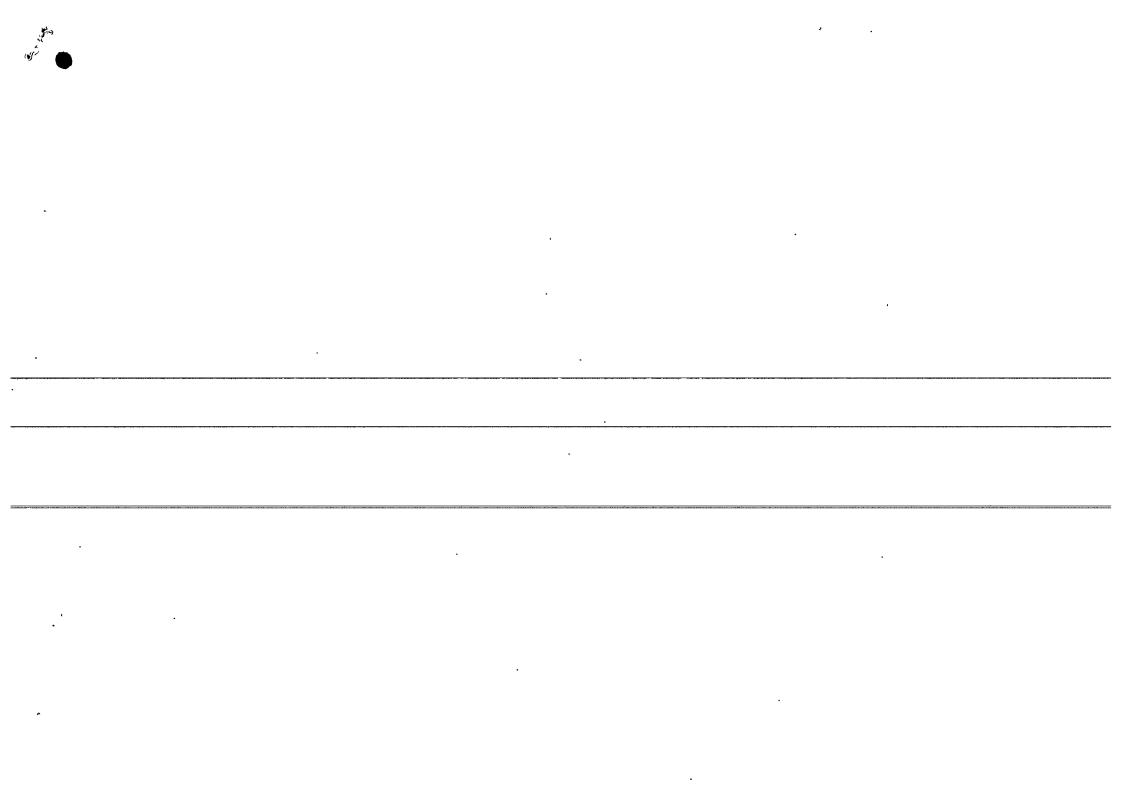
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Para No /Brief Issue				Response
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powers-that-be should be brought round				•
scrupulously adhere to regulato	ry			
requirements of the Commission f	or"			
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tune of Rs.3212 crore under true-up for t				rue-Up claims have been submitted
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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, Hyderbad-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 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. 966 /19 dt. 04-10-2019

Sir,

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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 _a	ra No /Brief Issue	-	1		Dogwongo
	········	<u> </u>			Response
, , ,	the Discoms and determi	l l			
	and approved by the Hon'ble Commission.				
	4. Despite having an unsold surplus of 10,384				that unsold surplus of 10,384 MU as
	oms have purchased 1707			- 1	e objector is not the actual surplus
	from the market against 294 mu permitted by				is only the potential to generate
1	the Commission, At the same time, the		1 1	- ,	cted to the availability of required
1	ve claimed that they h				he thermal generating stations were
1 -	01 mu additionally from (-,	fal	ling short	of expected generation due to
_	ainst 3054 mu approved by		sh	ortage of co	al.
	The Discoms have claimed t				
they have pur	chased mu from the marke	t at	Af	ter consider	ing the power available from all the
a total cost o	f Rs.797 crore, with addition	onal	so	urces, the	DISCOMs fell short of energy
amount of Rs	.645 crore paid for addition	phal	av	ailability at	that instance, and in order to ensure
purchase of 1	413 mu. It needs to be clari	fied	re	iable & u	ninterrupted power supply, the
by the Discom	s whether additional purcha	ases	DI	SCOMs have	resorted to market purchases and
on such a hig	her scale were made by th	ıem	ad	ditional pur	chases.
without seeki	ng prior consent of the Hon	'ble		_	
Commission,	both in terms of quantum	and			
cap for tariffs	to be paid, and the procedur	e to			
be adopted f	or such purchases to ens	ure			
competitive ta	riffs. Since the Discoms had	not	ļ		
sought and g	ot permission of the Hon	'ble	l		
Commission f	or purchasing additional pov	wer			
from the mar	ket, maximum cap of tariff	and			
the procedure	to be adopted for competit	tive			
bidding for	such purchases, it refle	ects			
"executive arr	ogance" of the powers-that	:-be	ĺ		
who handled	who handled such purchases from Vidyuth		1		
Soudha. It is a	negation of the directions gi	ven			
periodically b	y the Hon'ble Commission	on	1		
additional po	wer purchases to be made	by			
the Discoms a	nd reflects recklessness of	the	İ		
powers-that-b	e that they need not seek pr	rior			
permission o	f the Commission for s	վ ch			
purchases and	l their contempt for regulat	dry			
requirements	and questionable approa	ach			
that the Comn	iission would or should give	its			
consent to suc	h purchases as and when tl	hey			
seek.					
	ave maintained that they h		Th	ermal Gene	cating stations located in Telangana
	cost of Rs.8551 crore agai			11	er units when compared to the
	approved by the Commissi			Į.j.	d in Andhra Pradesh. This causes,
	lue to failures of the pov		- 1	N .	cost of generating stations in TS at
	erned to supply approv			li .	en compared to its counterparts in
-	ower. At the same time,		,	11	reason behind payment of higher
	paid additional variable co			- 11	AP DISCOMs when "Regulation" of
by Rs.3086 cro			1	• ii	
	ore, i.e., Rs.16074 crore agai rore approved by	nst the	por	wer came in	to force between AP & TS.

Para No /Brief Issue

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

6. The Discoms have shown that they could not sell a surplus of 1765 mu, with a variation of Rs.4463 crore. At the same time, they have purchased 1241 mu more than what was approved by the Commission from the market. What are the reasons for the same? Did the Discoms back down thermal power in order to purchase high cost and must-run non-conventional energy, exceeding their obligations under RPPO, and pay fixed charges therefor? If so, what are the costs per unit of NCE purchased and per unit cost of power from the thermal stations backed down, station-wise and unit-wise?

7. The Discoms have claimed that following fixed costs determined by the Commission for SDSTPS stage I (2x800 MW) on 2.3.2019, they have to pay Rs.621.19 crore for 2015-16 and Rs.1145.94 crore for 2016-17 additionally to the project. When the Commission fixed an interim tariff of Rs.3.63 per unit, with a fixed cost of Rs.1.02 per unit, and when actual energy availed from SDSTPS-1 was with a PLF of 41.96% only for the year 2015-16 and with a PLF of 78.99% for the year 2016-17, and when the Discoms paid Rs.430.05 crore for

Response

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.

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.

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.

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 Per Unit Cost of the Thermal Power Backed down sought for pertain to older years, the same will be submitted shortly.

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.

The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.

Para No /Brief Issue				Res	ponse
2015-16 and Rs.824.27 crore for 2016	-17,				<u></u>
the fixed costs determined by	the				
Commission for the station on 2.3.2	019				
cannot, and should not, be applied	with				
retrospective effect. Therefore, we req					
the Hon'ble Commission not to appr	L				
payment of additional sum of Rs.176	- 1				
crpre the Discoms have claimed to be pai	- 1				
the said station under true-up. When f					
cost was approved by the Commission	for				
threshold level PLF and when the sta	ı				
could achieved PLFs less than that, liquid	ated				
damages should be collected from SDSTI					
for generation and supply of power be					
threshold level.					
8. The Discoms have claimed that while	the	Ov	vnership wi	se / Source	e wise variation in respect
Commission approved Rs.2.29 per unit as	the				ost is given in Table 12 of
average variable cost for the year 2016	l.		e petition.		J
they have paid @ Rs,2.94 per unit on			-		
average. They have not explained the reas	ons	Th	e increase i	n variable	cost is due to increase in
for paying higher variable costs.		Ва	sic price, Fu	iel Cost Ad	ljustment (FCA) levied by
justification or otherwise for paying his	her	1 1	_	1	ies and increased freight
variable costs need to be examined.		ch	arges leve	led by	Railways and other
		tra	nsportation	agencies.	
9. The Discoms have claimed that other co	osts	Ot	her Costs	nclude ex	penditures incurred on
paid by them increased to Rs.830 crore fi	opm	ac	count of Ad	ditional In	terest on pension bonds,
Rs.729 crore approved by the Commiss	ion.	ind	entives pa	d if any	and actual payment of
They have not explained what those of	Her	Ind	ome Tax. T	hese are t	he prudent expenditures
costs are and why a sum of Rs.101 crore	was	ma	ide by th	e DISCON	Ms and submitted for
paid by them additionally. The justification	ion	ad	mission in t	o the True	-Up
and permissibility for paying such a h	10 1				
amount for unexplained other costs need	l to				
be examined.					
10. We request the Hon'ble Commission			-		he MoU, GoAP agreed to
determine the amounts taken over or to	1 1				ing capital term loan of
taken over by GoAP from the debts of		}	l:	ſ	FRP bonds of Rs.2546.15
Discoms for the year 2016-17 under UI			1	l .	s outstanding as on 30 th
and deduct the same from their true	1 - 1				ordingly GoAP issued
claims. In the subject petition, the Disco	, ,		· 1		frastructure & Investment
have not given the details of taking over	or	(10	wer-I) Depa	runciii, at	
their debt by GoAP under UDAY.					Outstanding loans as
				<u> </u>	on 30-09-2015
			pex Loans	-11	3712.49
			orking capit		8461.76
		→	RP Bonds Lial	DIIITY	2546.15
		استسا	otal	1.1.1.1.	14720.40
					g loans of Rs.14720.40 Crs.
	11	as	on 30-09-20	15, GoAP	has accorded approval for

Para No /Brief Issue Response

takeover of 75% of working loans (Rs.6346.32 Crs.)
and 100% of FRP bonds (Rs.2546.15 Crs.).

	EPDCL	SPDCL	Total							
100% ds	1205.95	1340.20	2546.15							
75% capital	2094.53	4251.79	6346.32							
	3300.48	5591.99	8892.47							
	ds	100% 1205.95 ds 75% 2094.53 capital	100% 1205.95 1340.20 ds 75% 2094.53 4251.79 capital							

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

		EPDCL	SPDCL	Total
Against FRP Bond	100% ls	904.46	1005.23	1909.69
Against working loan	75% capital	2094.53	4251.79	6346.32
Гotal		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 The upper limit only. Discoms 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 purchasing additional quantum, procedure to be adopted for real and transparent

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 Dayahead 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.

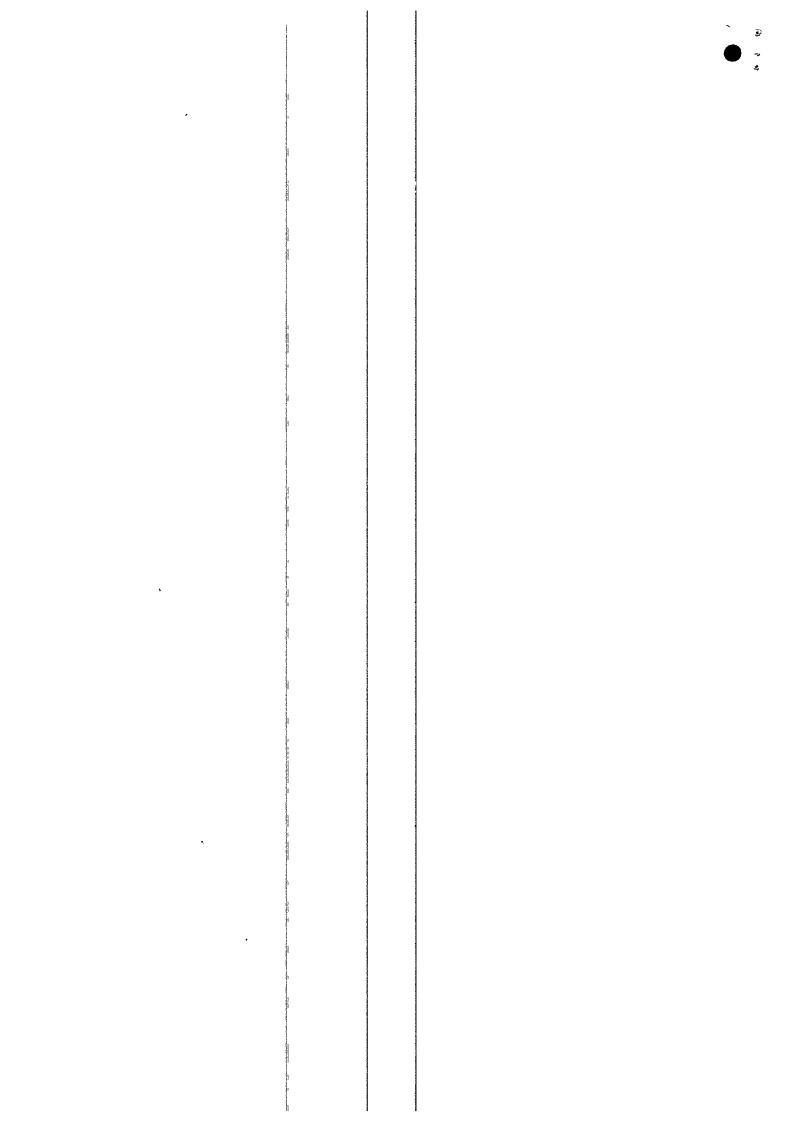
Per unit rates in the exchanges during peak hours are usually higher than the ceiling rates approved by Hon'ble APERC. If the procurement rates are restricted to the ceiling rates during peak hours, DISCOMs would not get the required power, leading to load shedding.

Para No /Brief Issue		Response
competitive bidding and cap on tariff.		
powers-that-be should be brought roun-	d to	
scrupulously adhere to regular	, ,	
requirements of the Commission	for	
purchasing power and additional power.		
12. Any additional supplies made to		The same is being done and for the FY 2016-17, the
agriculture, with additional costs, the sa	1 1	Commission has already issued order.
should be sought as additional subsidy by	the	
Discoms from GoAP.		
13. Carrying cost claimed by the Discoms to	t I	For the reasons beyond the control of the
tune of Rs.3212 crore under true-up for		DISCOMs, the True-Up claims have been submitted
1 5		with a delay and carrying cost also has been
permissible. We request the Hon	, ,	claimed. The Hon'ble Commission is requested to
Commission to reject the claim for carry	1 - 1	condone the delay and approve the True-Up claim
cost. The Discoms have to submit their tr		including carrying costs.
up claims in time and the consumers sho		
not be penalised for delay caused by	the	
Discoms in submitting the same.		
14. We request the Hon'ble Commission		Within the purview of Hon'ble APERC
provide us an opportunity to make furt	1 1	
submissions in person during the pu	1 I	
hearing after receiving responses of		
Discoms to our above-mention	1	
submissions and studying and analysing	the	
same.		

Yours faithfully,

Chief General Manager RAC :: APSPDCL

Copy submitted to the Secretary, APERC, 11-4-660, 4th Floor, Singareni Bhavan, Red Hills, Lakdikapul, Hyderbad-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. Գեց /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 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

Response

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 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

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-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

incorporating the same in the subject petition. We request the Hon'ble Commission to direct the Discoms to file their true-up petition for the year 2015-16 separately with all the required information. At page 20, the Discoms have dishonestly claimed that the claimed true-up amount of Rs.11,144 crore is for retail supply business for the year 2016-17.

3. While the Hon'ble Commission approved a total power purchase of 56,805 mu for the year 2016-17, the actual purchases claimed by the Discoms are 52,561 mu only, i.e., there is a lesser purchase of power by 4244 mu. Despite that, against total power purchase cost of Rs.22,538 crore approved by the Commission, the Discoms incurred an expenditure of Rs.25,455 crore for power purchase, i.e., higher by Rs.2,917 crore. They have shown lesser payment of Rs.270 crore towards fixed cost, higher payment of Rs.3086 crore towards variable cost and higher payment of Rs.101 crore towards other costs for the year 2016-17. 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 DBF00. 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

Response

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.N o.12/16 dated 15-01-2017) to the Hon'ble Commission seeking amendment to the Regualtion 4 of 2005, to this effect.

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.

•	Para No /Brief Issue			Response
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4.	1 0 1 1			at unsold surplus of 10,384 MU as
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	they have purchased mu from the market at			g the power available from all the
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Para No /Brief Issue

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Response

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	<u> </u>	ı	
Para No /Brief Issue .		Res	sponse ·
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crpre the Discoms have claimed to be paid to	: 1		
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10. We request the Hon'ble Commission to			he MoU, GoAP agreed to
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taken over by GoAP from the debts of the	1	1	FRP bonds of Rs.2546.15
Discoms for the year 2016-17 under UDAY		- 4	s outstanding as on 30 th
and deduct the same from their true-up	Septen		cordingly GoAP issued
claims. In the subject petition, the Discoms		s.No.27, Energy in: -I) Department, dt.2	frastructure & Investment
have not given the details of taking over of	(1 OWC)	-1) Deparament, dt.	Outstanding loans as
their debt by GoAP under UDAY.			on 30-09-2015
	Capex	Loans	3712.49
·		ng capital Loans	8461.76
		onds Liability	2546.15
	Tabal		Z 4730 40

Total

Out of the total outstanding loans of Rs.14720.40 Crs.
as on 30-09-2015, GoAP has accorded approval for

Para No /Brief Issue		Response						
		takeover of 75% of and 100% of FRP	_	•				
			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 GoA below:	P has tak	en over lo	ans as given			
			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 y		Per Unit Cost	-£					

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 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 dosts 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

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 P.S. 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 Dayahead 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.

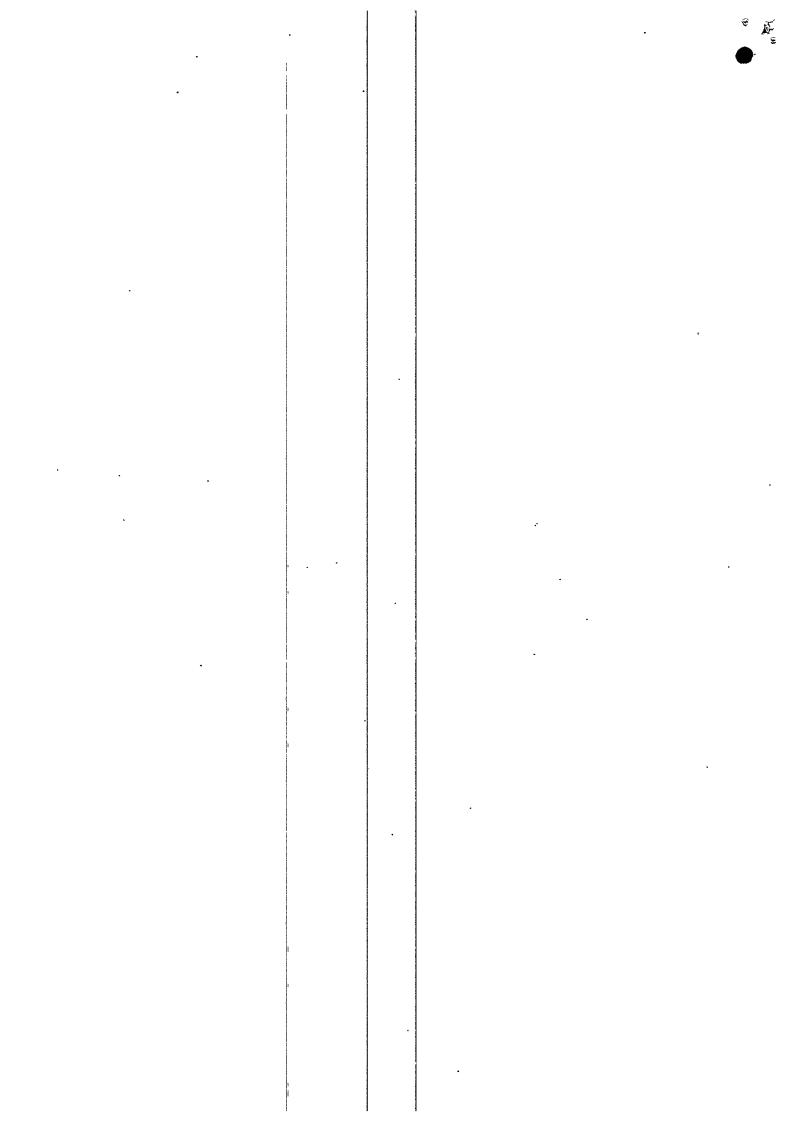
Fer unit rates in the exchanges during peak hours are usually higher than the ceiling rates approved by Hon'ble APERC. If the procurement rates are restricted to the ceiling rates during peak hours, DISCOMs would not get the required power, leading to load shedding.

Para No /Brief Issue		Response
competitive bidding and cap on tariff. The		_
powers-that-be should be brought round to		
scrupulously adhere to regulatory	ŧ	
requirements of the Commission for		
purchasing power and additional power.		
12. Any additional supplies made to LT	The	same is being done and for the FY 2016-17, the
agriculture, with additional costs, the same	1	mission has already issued order.
should be sought as additional subsidy by the		
Discoms from GoAP.		
13. Carrying cost claimed by the Discoms to the		the reasons beyond the control of the
tune of Rs.3212 crore under true-up for the		COMs, the True-Up claims have been submitted
years 2015-16 and 2016-17 is not		a delay and carrying cost also has been
permissible. We request the Hon'ble		med. The Hon'ble Commission is requested to
Commission to reject the claim for carrying	•	done the delay and approve the True-Up claim
cost. The Discoms have to submit their true-	1	uding carrying costs.
up claims in time and the consumers should		
not be penalised for delay caused by the		
Discoms in submitting the same.	ļ	
14. We request the Hon'ble Commission to	Wit	hin the purview of Hon'ble APERC
provide us an opportunity to make further	ŀ	
submissions in person during the public		
hearing after receiving responses of the		
Discoms to our above-mentioned		·
submissions and studying and analysing the		
same.		

Yours faithfully,

Chief General-Manager RAC :: APSPDCL

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





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

From

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

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

Lr No. CGM/RAC/SPDCL/TPT/RAC/F.True-up /D.No. 475/19 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

Para No /Brief Issue 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 ah 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.

Response

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 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

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-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

claims for 2015-16 also Regulators 1 32/5 2015-16 also Regulators 2015-16 also

Para No /Brief Issue

incorporating the same in the subject petition. We request the Hon'ble Commission to direct the Discoms to file their true up petition for the year 2015-16 separately with all the required information. At page 20, the Discoms have dishonestly claimed that the claimed true-up amount of Rs. 11,144 crore is for retail supply business for the year 2016-17.

3. While the Hon'ble Commission approved a total power purchase of 56,805 mu for the year 2016-17, the actual purchases claimed by the Discoms are 52,561 mu only, i.e., there is a lesser purchase of power by 4244 mu. Despite that, against total power purchase cost of Rs.22,538 crore approved by the Commission, the Discoms incurred 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

Response

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 (L::No.CGM/Opn/SPDCL/TPT/RAC/F.Regn.4/D.N o.12/16 dated 15-01-2017) to the Hon'ble Commission seeking amendment to the Regualtion 4 of 2005, to this effect.

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.

	105
Para No /Brief Issue	Response
proposed by the Discoms and determined	
and approved by the Hon'ble Commission.	
4. Despite having an unsold surplus of 10,384	It is to inform that unsold surplus of 10,384 MU as
mu, the Discoms have purchased 1707 mu	claimed by the objector is not the actual surplus
from the market against 294 mu permitted by	generation. It is only the potential to generate
the Commission, At the same time, the	surplus subjected to the availability of required
Discoms have claimed that they have	fuel. Most of the thermal generating stations were
purchased 901 mu additionally from gas-	falling short of expected generation due to
based IPPs against 3054 mu approved by the	shortage of coal.
Commission. The Discoms have claimed that	•
they have purchased mu from the market at	After considering the power available from all the
a total cost of Rs.797 crore, with additional	spurces, the DISCOMs fell short of energy
amount of Rs.645 crore paid for additional	availability at that instance, and in order to ensure
purchase of 1413 mu. It needs to be clarified	reliable & uninterrupted power supply, the
by the Discoms whether additional purchases	DISCOMs have resorted to market purchases and
on such a higher scale were made by them	additional-purchases.
- 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	ą.
consent to such purchases as and when they	
seek.	The use of Consensition at a time of the state of the sta
5. The Discoms have maintained that they have	Thermal Generating stations located in Telangana

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

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.

Para No /Brief Issue

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

- 6. The Discoms have shown that they could not sell a surplus of 1765 mu, with a variation of Rs.4463 crore. At the same time, they have purchased 1241 mu more than what was approved by the Commission from the market. What are the reasons for the same? Did the Discoms back down thermal power in order to purchase high cost and must-run non-conventional energy, exceeding their obligations under RPPO, and pay fixed charges therefor? If so, what are the costs per unit of NCE purchased and per unit cost of power from the thermal stations backed down, station-wise and unit-wise?
- 7. The Discoms have claimed that following fixed costs determined by the Commission for SDSTPS stage I (2x800 MW) on 2.3.2019, they have to pay Rs.621.19 crore for 2015-16 and Rs.1145.94 crore for 2016-17 additionally to the project. When the Commission fixed an interim tariff of Rs.3.63 per unit, with a fixed cost of Rs.1.02 per unit, and when actual energy availed from SDSTPS-1 was with a PLF of 41.96% only for the year 2015-16 and with a PLF of 78.99% for the year 2016-17, and when the Discoms paid Rs.430.05 crore for

Response

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.

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.

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.

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 Per Unit Cost of the Thermal Power Backed down sought for pertain to older years, the same will be submitted shortly.

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.

The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.

CONTRACTOR OF THE

1		Para No /Brief Issue				Re	sponse
		2015-16 and Rs.824.27 crore for 2016-1	7,				
		the fixed costs determined by the	ie				
		Commission for the station on 2.3.203	9				
		cannot, and should not, be applied wi	th		474		
		retrospective effect. Therefore, we reque	st				
		the Hon'ble Commission not to approv	е				
		payment of additional sum of Rs.1767.1	2				
- (crpre the Discoms have claimed to be paid	to				
ŀ		the said station under true-up. When fixe	d				
		cost was approved by the Commission for	br		•		
1		threshold level PLF and when the static	n				
		could achieved PLFs less than that; liquidate					
-		damages should be collected from SDSTPS-					
		for generation and supply of power belo	W				
L		threshold level.)	
-	8.	The Discoms have claimed that while th					e wise variation in respect
		Commission approved Rs.2.29 per unit as the			-	variable (cost is given in Table 12 of
		average variable cost for the year 2016-1		the	petition.		
		they have paid @ Rs,2.94 per unit on a	,	_			_
		average. They have not explained the reason				1	cost is due to increase in
		for paying higher variable costs. Th		,	1)	djustment (FCA) levied by
		justification or otherwise for paying high	- 1		•	-	nies and increased freight
		variable costs need to be examined.	- 1	chai			Railways and other
-		mi pi			sportation		
- []		The Discoms have claimed that other cost			'1		xpenditures incurred on
		paid by them increased to Rs.830 crore from	- 1				iterest on pension bonds,
		Rs.729 crore approved by the Commission They have not explained what those other					and actual payment of the prudent expenditures
		costs are and why a sum of Rs.101 crore wa					Ms and submitted for
		paid by them additionally. The justification			ission in to		·
		and permissibility for paying such a huge		auii	1331011 111 10,	the Huc	Ор
		amount for unexplained other costs need to			'		
		be examined.					
		We request the Hon'ble Commission to	,	As c	er Clause 1	.2(a) of t	the MoU, GoAP agreed to
		determine the amounts taken over or to be		-		` '	ing capital term loan of
		taken over by GoAP from the debts of the					6 FRP bonds of Rs.2546.15
		Discoms for the year 2016-17 under UDA		Crs.	of the AP	DISCOM	s outstanding as on 30 th
		and deduct the same from their true-u	1		- 1		cordingly GoAP issued
		claims. In the subject petition, the Discoms			- 1		frastructure & Investment
1		have not given the details of taking over c	f (Pow	er-I) Depart	ment, dt.2	
		their debt by GoAP under UDAY.					Outstanding loans as
							on 30-09-2015
			-		ex Loans		3712.49
			-		king capital		8461.76
			1		Bonds Liabi	lity	2546.15
				Tota			14720.40
							gloans of Rs.14720.40 Crs.
L			a	is on	30-09-2015	, GOAP	has accorded approval for

	_						
Para No /Brief Issue				Respon	ise		
	1 1 1			_	•	6346.32 Crs	.)
	and	1.100%	of FRP	bonds (Rs.	.254 <u>6.15 C</u> ı	rs.).	
			_	EPDCL	SPDCL	Total	
	A	gainst	100%	1205.95	1340.20	2546.15	
	F	₹P Bond	ds				
	A	gainst	75%	2094.53	4251.79	6346.32	
	w	orking	capital				
	lo	an					
	T	otal		3300.48	5591.99	8892.47	
	As	on da	ite GoA	P has take	en over lo	ans as give	n
	bel	ow:					
ļ				EPDCL	SPDCI.	Total	
	A	gainst	100%	904.46	1005.23	1909.69	
	FR	P Bond	ls_				
	Ag	gainst	75%	2094.53	4251.79	6346.32	
	wo	orking	capital				
	lqa	an					
	To	tal		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 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

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.

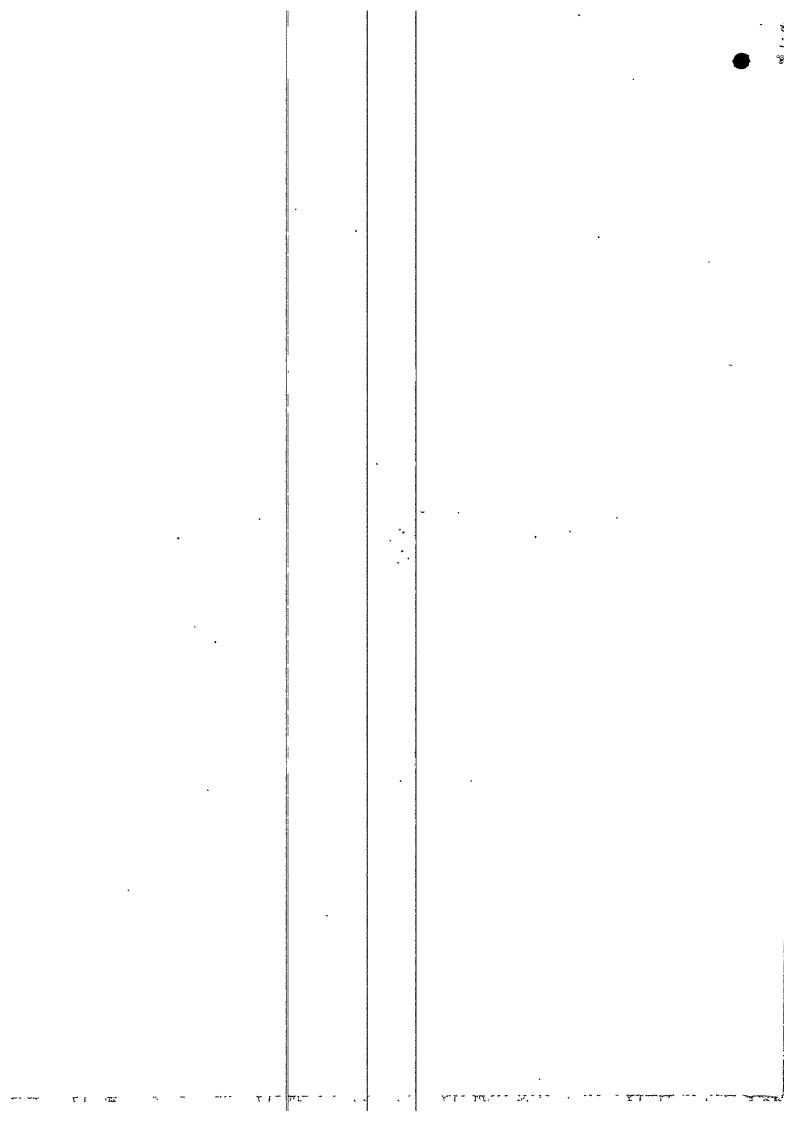
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Per unit rates in the exchanges during peak hours are usually higher than the ceiling rates approved by Hon'ble APERC. If the procurement rates are restricted to the ceiling rates during peak hours, DISCOMs would not get the required power, leading to load shedding.

Yours faithfully,

Chief General Manager RAC :: APSPDCL

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



For Perusal Admn. EASTERN POWER DISTRIBUTION COMPANY OF A.P. EMITED Secretary ' U CORPORATE OFFICE :: VISAKHAPATNAM Member / PRN Law Member / PR To Tariff Chairman The Chief General Manager, Sri. B. Tulasi Da PPA, RA & QC, S4 – Devi Towers, APEPDCL, Corporate Office, Sambamurty Road, Seethammadhara, Vijayawada – 520 003.

Lr.No.CGM/PPA, RA&QC/EPDCL/VSP/RAC/F:True-Up/D.No. 210 /19, dt. 2-10-2019

Sir,

Visakhapatnam – 530013.

From

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 It is to inform that, in view of the uniform nature of applications separately. However, a common Retail Supply Tariffs across the state independent of application is filed by both the Discoms for the the service area of the distribution licensees, the years 2015-16 and 2016-17, claiming revenue DISCOMs are proposing to impose the burden of per true-up of Rs. 2817 crore for the year 2015-16, unit True-Up also on uniform basis across the State. a revenue true-up of Rs.5352 crore for 2015-16 Further Power Purchase cost which constitutes around 80% of the entire expenditure of and 2016-17 and expense true up of Rs.2580 crore for the year 2016-17, with a carrying cost Distribution business is being incurred centrally to of Rs.3212 crore at an interest rate of 12% optimize the procurement cost and reduce the transaction costs. Even in the True-Up exercise, considering FY 2019-20 as the year of approval. Whatever be the true-up amounts Power purchase cost variation is major element and that the Hon'ble Commission is going to so the DISCOMs have proposed for uniform levy of permit, its impact on consumers should be per-unit-True-up-aeross-the State._ confined to the respective true-up amounts of the Discom concerned. It should not be an average for the entire State. 2. While the affidavit filed by the Discoms claims Revenue True-up to the extent of Rs 2817 Crs that their claims for true-up pertain to the year pertaining to FY 2015-16 has been claimed as part 2016-17, at page 19, the Discoms have claimed of True-up petition for FY 2016-17. Revenue true-up true-up for the year 2015-16 also, without has not been claimed earlier for FY 2015-16. giving details pertaining to the same. It is Strange that the Hon'ble Commission has The Honorable Commission approves tariff and non-

EPDCL Response

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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.

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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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power, the Discoms have shown an u		
surplus of 10,384 mu for the year 201	f 1	
This dichotomy shows how unrealist	ically	
energy availability and despatch	were	
proposed by the Discoms and determined	and	
approved by the Hon'ble Commission.		. ~
4. Despite having an unsold surplus of 10,384	l mu.	It is to inform that unsold surplus of 10,384 MU as
the Discoms have purchased 1707 mu from		claimed by the objector is not the actual surplus
market against 294 mu permitted by		generation. It is only the potential to generate
Commission, At the same time, the Dis		surplus subjected to the availability of required fuel.
have claimed that they have purchased		Most of the thermal generating stations were falling
mu additionally from gas-based IPPs ag	. !	short of expected generation due to shortage of
3054 mu approved by the Commission	I	coal.
, , , ,	have	voai.
, · ·	· I	
purchased mu from the market at a total		After considering the power available from all the
of Rs.797 crore, with additional amoun		sources, the DISCOMs fell short of energy
Rs.645 crore paid for additional purcha	I	availability, and in order to ensure reliable &
1413 mu. It needs to be clarified by		uninterrupted power supply, the DISCOMs have
Discoms whether additional purchases on		resorted to market purchases and additional
a higher scale were made by them with		purchases
seeking prior consent of the Ho		
Commission, both in terms of quantum	and	
cap for tariffs to be paid, and the procedu	re to	
be adopted for such purchases to er	nsure	h h
competitive tariffs. Since the Discoms had	d not	
sought and got permission of the Ho	n'ble	
Commission for purchasing additional p	ower	
from the market, maximum cap of tariff	and	
the procedure to be adopted for compe	titive	
bidding for such purchases, it re		
"executive arrogance" of the powers-the		·
1 - 1	from	
VidyuthSoudha. It is a negation of		
directions given periodically by the Ho	1 1	
Commission on additional power purchas	1 1	
be made by the Discoms and re	1 1	
recklessness of the powers-that-be that		
_need not seek_prior_permission_of		
Commission for such purchases and	11	
contempt for regulatory requirements		
	1 1	
questionable approach that the Commi		·
would or should give its consent to	such	·
purchases as and when they seek.	la a · · ·	The second Consequence state and leasted in Tales are
5. The Discoms have maintained that they	11	Thermal Generating stations located in Telangana
incurred fixed cost of Rs.8551 crore ag	11	State are older units when compared to the stations
Rs.8821 crore approved by the Commis	11	located in Andhra Pradesh. This causes, per unit
This mainly due to failures of the p	ower	fixed cost of generating stations in TS at lower side
,,		agging an area and a great and an age of the forest and a great and a specific server
د مرد د ماه د د د د د د د د د د د د د د د د د د د		ه ۱۶ باده موکار پاره چار در در در در در در در در در در در در در

stations concerned to supply approved quantum of power. At the same time, the Discoms have paid additional variable dosts 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 .guantum of power approved Commission. Therefore, the moot point is whether the Discoms backed down capacities of the stations of AP Genco and paid fixed If so, what were the charges therefor. quantum of power backed down by the Discoms and fixed charges paid therefor to AP Genco and other thermal stations, if any?

- 6. The Discoms have shown that they could not sell a surplus of 1765 mu with a variation of Rs.4463 crore. At the same time, they have purchased 1241 mu more than what was approved by the Commission from the market. What are the reasons for the same? Did the Discoms back down thermal power in order to purchase high cost and must-run nonconventional energy, exceeding their obligations under RPPO, and pay fixed charges therefor? If so, what are the costs per unit of NCE purchased and per unit cost of power from the thermal stations backed down. station-wise and unit-wise?
- 7. The Discoms have claimed that following fixed costs determined by the Commission for SDSTPS stage I (2x800 MW) on 2.3.2019, they have to pay Rs.621.19 crore for 2015-16 and Rs.1145.94 crore for 2016-17 additionally to the project. When the Commission fixed an interim tariff of Rs.3.63 per unit, with a fixed cost of Rs.1.02 per unit, and when actual energy availed from SDSTPS-1 was with a PLF

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.

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.

As the backing down details sought are pertaining to older period, the same will be furnished shortly.

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.

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.

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.

The matter of not allowing the fixed cost payments on retrospective basis to SDSTPS is within the purview of the Hon'ble APERC.

4

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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 cr pre 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,	272	
liquidated damages should be collected from		
SDSTPS-1 for generation and supply of power		
below threshold level.		
8. The Discoms have claimed that while the	Ownership wise / Source v	vise variation in respect of
Commission approved Rs.2.29 per unit as the	the per unit variable cost	is given in Table 12 of the
average variable cost for the year 2016-17,	petition.	
they have paid @ Rs,2.94 per unit on an	The increase in variable of	cost is due to increase in
average. They have not explained the reasons	Basic price, Fuel Cost Adju	stment (FCA) levied by the
for paying higher variable costs. The	Coal / Gas companies and	increased freight charges
justification or otherwise for paying higher	eveled by Railways at	nd other transportation
variable costs need to be examined.	agencies.	
9. The Discoms have claimed that other costs	Other Costs include ex	penditures incurred on
paid by them increased to Rs.830 crore from	account of Additional Int	erest on pension bonds,
Rs.729 crore approved by the Commission.	incentives paid if any and	actual payment of Income
They have not explained what those other	Tax. These are the prude	nt expenditures made by
costs are and why a sum of Rs.101 crore was	1 1	ed for admission in to the
paid by them additionally. The justification and	True-Up	
permissibility for paying such a huge amount		
for unexplained other costs need to be		
examined.		
10. We request the Hon'ble Commission to	As per Clause 1.2(a) of the	
determine the amounts taken over or to be	1 .	ng capital term loan of
taken over by GoAP from the debts of the	Rs.8461.75 Crs. and 100%	-1
Discoms for the year 2016-17 under UDAY and	Crs. of the APDISCOMs	_
deduct the same from their true-up claims. In	September, 2015. Acc	.
the subject petition, the Discoms have not	G.o.Ms.No.27, Energy Inf	
given the details of taking over of their debt by	(Power-I) Department, dt.:	
GoAP under UDAY.		Outstanding loans as
	Communication	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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EPDCL Response

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

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

		EPDCL	SPDCL	Total
Against	100%	904.46	1005.23	1909:69
FRP Bone	ds		J	
Against	75%	2094.53	4251.79	6346.32
working	capital			1
loan	-			
Total	<u> </u>	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 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 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 Dayahead 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 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.

6

Para No /Brief Issue		EPDCL Response
be adopted for real and transpace competitive bidding and cap on tariff. powers-that-be should be brought round scrupulously adhere to regular requirements of the Commission purchasing power and additional power. 12. Any additional supplies made to LT agricult with additional costs, the same should	The d to tory for ture,	The Hon'ble Commission has already passed order vide IA No.20 of 2017 in OP No. 1 of 2016 dated
sought as additional subsidy by the Disc from GoAP.	oms	07.10.2017 to provide addl subsidy of Rs. 64.26 Crores to APEPDCL.
13. Carrying cost claimed by the Discoms to tune of Rs.3212 crore under true-up for years 2015-16 and 2016-17 is not permiss. We request the Hon'ble Commission to rethe claim for carrying cost. The Discoms to submit their true-up claims in time and consumers should not be penalised for caused by the Discoms in submitting the sa	the ible. eject have the lelay me.	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 provide us an opportunity to make fur submissions in person during the person during after receiving responses of Discoms to our above-mentioned submission and studying and analysing the same.	ther ublic the	Within the purview of Hon'ble APERC

Yours faithfully

PPA, RA & QC

APEPDCL::VISAKHAPATNAM

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

