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

August 16, 2019

Respected Sir,

Sub : Submission of views and suggestions in application filed by AP Discoms – APSPDCL and APEPDCL - seeking approval for true-up for retail supply business for 2017-18 to the tune of Rs.3,257 crore pertaining to the increase in power purchase costs, etc ., in IA No.15 of 2019 in O.P.Nos.28 & 29 of 2016

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

1. APSPDCL and APEPDCL, being independent entities should have submitted their true-up applications separately. However, a common application is filed by both the Discoms for the year 2017-18, claiming revenue true-up of Rs.20 crore and expense true-up of Rs. 2576 crore, with a carrying cost of Rs.660 crore at an interest rate of 12% considering FY 2019-20 as the year of approval. While the revenue true-up of Rs.596 crore for EPDCL is shown as surplus, its total true-up claim is shown as Rs.434 crore, including a carrying cost of Rs.88 crore. Whereas, SPDCL has shown a total true-up claim of Rs.2823 crore, including a carrying cost of Rs.573 crore. 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. The benefit of true down for EPDCL should accrue to its consumers and the same should not be adjusted for true up of SPDCL.

2. While the Hon'ble Commission approved a total power purchase of 56,584 mu for the year 2017-18, the actual purchases claimed by the Discoms are 55,761 mu only, i.e., there is a lesser purchase of power by 822 mu. Despite that, against total power purchase cost of Rs.23,231 crore approved by the Commission, the Discoms incurred an expenditure of Rs.25,806 crore for power purchase, i.e., higher by Rs.2,576 crore. They have shown additional payment of Rs.1,928 crore towards fixed cost and Rs.553 crore towards variable cost. The Discoms have claimed that supply of power is lesser vis a vis energy despatch approved by the Commission for the year 2017-18 by 2114 mu from APPDCL, by 5475 mu from TS Genco, by 499 mu from AP Genco hydel, by 528 mu from NCE, and by 1290 mu from IPPs and others. 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? While there is lesser supply of power to the tune of 712 mu from KSK Mahanadi, under 600 MW DBFOO, there is no

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supply at all against 1090 mu approved by the Commission. The Discoms have not explained the reasons for shortfall in generation and supply of power.

3. While supply of power from TS Genco is lesser by 5475 mu, additional purchase from AP Genco is 3410 mu only. Obviously, it is much lesser than what AP Genco should have supplied to TS Discoms. On earlier occasions, the Discoms claimed that they were purchasing power additionally from AP Genco, i.e., the share of TS Discoms in the power stations of AP Genco. Even while claiming that they have purchased 3040 mu from the market against 196 mu permitted by the Commission, the Discoms have failed to explain as to why they could not purchase the share of TS Discoms from the stations of AP Genco following "regulation of power from TSGENCO stations to AP Discoms from 11th June 2017 onwards." Following that "regulation," supply of power from stations of AP Genco also was "regulated" to TS Discoms, and, as such, additional power to the extent it was regulated must have been available from AP Genco to be purchased by AP Discoms. At the same time, the Discoms have claimed that they have purchased 1889 mu additionally from gas-based IPPs against 346 mu (from Reliance) approved by the Commission. While Reliance failed to supply the approved quantum of power, the Discoms have purchased 1030 mu from GVK, 560 mu from Spectrum and 645 mu from Lanco, without any approval of the Commission. The Discoms have claimed that they have purchased 2820 mu from the market at a total cost of Rs.742 crore. However, the Discoms have failed to give details pertaining to the kind of procedure they followed for purchasing 2820 mu from the market, from which projects, per unit cost and quantum of powerfrom different sources. 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.

4. The Discoms have maintained that they have incurred fixed cost more by Rs.1786 crore against Rs.4026 crre approved by the Commission. While the fixed cost paid to thermal stations of TS Genco was lesser by Rs.668 crore against Rs.845 crore approved by the Commission, the additional fixed cost paid to thermal stations of AP Genco was higher by Rs.822 crore against Rs.965 crore approved by the Commission. In other words, for not purchasing 5475 mu from TS Genco, the Discoms have not paid Rs.668 crore towards fixed cost, whereas for purchasing 3410 mu additionally from AP Genco (including APPDCL), the Discoms have paid

Rs.1786 crore additionally. It confirms that compared to the quantum of power not purchased from TS Genco and the quantum of power purchased additionally from AP Genco, on an average the Discoms have paid higher fixed charges per unit to AP Genco. 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?

5. The Discoms have shown that they could not sell a surplus of 1540 mu. At the same time, they have purchased 2625 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 to the tune of 9788 mu against 10316 mu approved by the Commission, 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?

6. 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.946.66 crore 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 56.72% only, and when the Discoms paid Rs.457.26 crore @ Rs.1.02 per unit for the year 2017-18, the fixed costs determined by the Commission for the station on 2.3.2019 cannot, and should not, be applied with retrospective. Therefore, we request the Hon'ble Commission not to approve payment of additional sum of Rs.946.66 the Discoms have claimed to have paid to the said station under true-up. When fixed cost was approved by the Commission for availability at 80% PLF and when the station could achieve 56.72% PLF only, liquidated damages should be collected from SDSTPS-1 for generation and supply of power below threshold level.

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8. The Discoms have claimed that other costs paid by them increased to Rs.961 crore from Rs.408 crore approved by the Commission. They have not explained what those other costs are and why a sum of Rs.553 crore was paid by them. The justification and permissibility for paying such a huge amount for unexplained other costs need to be examined.

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Thanking you,

Yours sincerely,

M. Venugopala Rao
Senior Journalist &
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APSPDCL, Tirupati

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Thanking you,

Yours sincerely,

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

Copies to :

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

COMMUNIST PARTY OF INDIA (MARXIST)

ANDHRA PRADESH COMMITTEE

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Phone: 0891-2706678, E-mail: cpimvizag@gmail.com, chnrao33@gmail.com

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(CH.NARASINGARAO)
State Secretariat Member
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1. Chief General Manager (RAC)
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COMMUNIST PARTY OF INDIA (MARXIST)
ANDHRA PRADESH COMMITTEE

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Phone: 0866 – 2577202, Fax: 2577203, E-mail: cpimap@gmail.com Web: cpimap.org

Vijayawada,
Date: 18th August, 2019.

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1. APSPDCL and APEPDCL, being independent entities should have submitted their true-up applications separately. However, a common application is filed by both the Discoms for the year 2017-18, claiming revenue true-up of Rs.20 crore and expense true-up of Rs. 2576 crore, with a carrying cost of Rs.660 crore at an interest rate of 12% considering FY 2019-20 as the year of approval. While the revenue true-up of Rs.596 crore for EPDCL is shown as surplus, its total true-up claim is shown as Rs.434 crore, including a carrying cost of Rs.88 crore. Whereas, SPDCL has shown a total true-up claim of Rs.2823 crore, including a carrying cost of Rs.573 crore. 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. The benefit of true down for EPDCL should accrue to its consumers and the same should not be adjusted for true up of SPDCL.

2. While the Hon'ble Commission approved a total power purchase of 56,584 mu for the year 2017-18, the actual purchases claimed by the Discoms are 55,761 mu only, i.e., there is a lesser purchase of power by 822 mu. Despite that, against total power purchase cost of Rs.23,231 crore approved by the Commission, the Discoms incurred an expenditure of Rs.25,806 crore for power purchase, i.e., higher by Rs.2,576 crore. They have shown additional payment of Rs.1,928 crore towards fixed cost and Rs.553 crore

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towards variable cost. The Discoms have claimed that supply of power is lesser vis a vis energy despatch approved by the Commission for the year 2017-18 by 2114 mu from APPDCL, by 5475 mu from TS Genco, by 499 mu from AP Genco hydel, by 528 mu from NCE, and by 1290 mu from IPPs and others. 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? While there is lesser supply of power to the tune of 712 mu from KSK Mahanadi, under 600 MW DBFOO, there is no supply at all against 1090 mu approved by the Commission. The Discoms have not explained the reasons for shortfall in generation and supply of power.

3. While supply of power from TS Genco is lesser by 5475 mu, additional purchase from AP Genco is 3410 mu only. Obviously, it is much lesser than what AP Genco should have supplied to TS Discoms. On earlier occasions, the Discoms claimed that they were purchasing power additionally from AP Genco, i.e., the share of TS Discoms in the power stations of AP Genco. Even while claiming that they have purchased 3040 mu from the market against 196 mu permitted by the Commission, the Discoms have failed to explain as to why they could not purchase the share of TS Discoms from the stations of AP Genco following "regulation of power from TSGENCO stations to AP Discoms from 11th June 2017 onwards." Following that "regulation," supply of power from stations of AP Genco also was "regulated" to TS Discoms, and, as such, additional power to the extent it was regulated must have been available from AP Genco to be purchased by AP Discoms. At the same time, the Discoms have claimed that they have purchased 1889 mu additionally from gas-based IPPs against 346 mu (from Reliance) approved by the Commission. While Reliance failed to supply the approved quantum of power, the Discoms have purchased 1030 mu from GVK, 560 mu from Spectrum and 645 mu from Lanco, without any approval of the Commission. The Discoms have claimed that they have purchased 2820 mu from the market at a total cost of Rs.742 crore. However, the Discoms have failed to give details pertaining to the kind of procedure they followed for purchasing 2820 mu from the market, from which projects, per unit cost and quantum of power from different sources. 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.

4. The Discoms have maintained that they have incurred fixed cost more by Rs.1786 crore against Rs.4026 crre approved by the Commission. While the fixed cost paid to thermal stations of TS Genco was lesser by Rs.668 crore against Rs.845 crore approved by the Commission, the additional fixed cost paid to thermal stations of AP Genco was higher by Rs.822 crore against Rs.965 crore approved by the Commission. In other words, for not purchasing 5475 mu from TS Genco, the Discoms have not paid Rs.668 crore

towards fixed cost, whereas for purchasing 3410 mu additionally from AP Genco (including APPDCL), the Discoms have paid Rs.1786 crore additionally. It confirms that compared to the quantum of power not purchased from TS Genco and the quantum of power purchased additionally from AP Genco, on an average the Discoms have paid higher fixed charges per unit to AP Genco. 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?

5. The Discoms have shown that they could not sell a surplus of 1540 mu. At the same time, they have purchased 2625 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 to the tune of 9788 mu against 10316 mu approved by the Commission, 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?

6. 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.946.66 crore 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 56.72% only, and when the Discoms paid Rs.457.26 crore @ Rs.1.02 per unit for the year 2017-18, the fixed costs determined by the Commission for the station on 2.3.2019 cannot, and should not, be applied with retrospective. Therefore, we request the Hon'ble Commission not to approve payment of additional sum of Rs.946.66 the Discoms have claimed to have paid to the said station under true-up. When fixed cost was approved by the Commission for availability at 80% PLF and when the station could achieve 56.72% PLF only, liquidated damages should be collected from SDSTPS-1 for generation and supply of power below threshold level.

7. The Discoms have claimed that while the Commission approved Rs.3.01 per unit as the average variable cost for the year 2017-18, they have paid @ Rs.3.08 per unit. They have not explained the reasons for paying higher variable costs. The justification or otherwise for paying higher variable costs needs to be examined.

8. The Discoms have claimed that other costs paid by them increased to Rs.961 crore from Rs.408 crore approved by the Commission. They have not explained what those other costs are and why a sum of Rs.553 crore was paid by them. The justification and permissibility for paying such a huge amount for unexplained other costs need to be examined.

9. 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 2017-18 under UDAY and deduct the same from their true-up claims. In the subject petition, the Discoms have not given the details of taking over of their debt by GoAP under UDAY.

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10. We request the Hon'ble Commission to direct the Discoms to seek additional subsidy required for purchases made in market far exceeding the quantum permitted by the Commission and from other sources from GoAP, since they did not seek prior approval of the Commission for purchasing additional quantum, procedure to be adopted for real and transparent competitive bidding and cap on tariff. The powers-that-be should be brought round to scrupulously adhere to regulatory requirements of the Commission for purchasing power and additional power.

11. Carrying cost claimed by the Discoms to the tune of Rs.660 crore under true-up 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.

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

Thanking you,

Yours sincerely,

(PENUMALLI MADHU)
State Secretary

Copy to

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

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

August 19, 2019

Respected Sir,

Sub : Submission of views and suggestions in application filed by AP Discoms – APSPDCL and APEPDCL - seeking approval for true-up for retail supply business for 2017-18 to the tune of Rs.3,257 crore pertaining to the increase in power purchase costs, etc ., in IA No.15 of 2019 in O.P.Nos.28 & 29 of 2016- reg.

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

1. APSPDCL and APEPDCL, being independent entities should have submitted their true-up applications separately. However, a common application is filed by both the Discoms for the year 2017-18, claiming revenue true-up of Rs.20 crore and expense true-up of Rs. 2,576 crore, with a carrying cost of Rs.660 crore at an interest rate of 12% considering FY 2019-20 as the year of approval. While the revenue true-up of Rs.596 crore for EPDCL is shown as surplus, its total true-up claim is shown as Rs.434 crore, including a carrying cost of Rs.88 crore. Whereas, SPDCL has shown a total true-up claim of Rs.2,823 crore, including a carrying cost of Rs.573 crore. 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. The benefit of true down for EPDCL should accrue to its consumers and the same should not be adjusted for true up of SPDCL.

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supply of power from stations of AP Genco also was "regulated" to TS Discoms, and, as such, additional power to the extent it was regulated must have been available from AP Genco to be purchased by AP Discoms. At the same time, the Discoms have claimed that they have purchased 1889 mu additionally from gas-based IPPs against 346 mu (from Reliance) approved by the Commission. While Reliance failed to supply the approved quantum of power, the Discoms have purchased 1030 mu from GVK, 560 mu from Spectrum and 645 mu from Lanco, without any approval of the Commission. The Discoms have claimed that they have purchased 2820 mu from the market at a total cost of Rs.742 crore. However, the Discoms have failed to give details pertaining to the kind of procedure they followed for purchasing 2820 mu from the market, from which projects, per unit cost and quantum of power from different sources. 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.

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6. 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.946.66 crore 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 56.72% only, and when

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the Discoms paid Rs.457.26 crore @ Rs.1.02 per unit for the year 2017-18, the fixed costs determined by the Commission for the station on 2.3.2019 cannot, and should not, be applied with retrospective. Therefore, we request the Hon'ble Commission not to approve payment of additional sum of Rs.946.66 the Discoms have claimed to have paid to the said station under true-up. When fixed cost was approved by the Commission for availability at 80% PLF and when the station could achieve 56.72% PLF only, liquidated damages should be collected from SDSTPS-1 for generation and supply of power below threshold level.

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

Thanking you,

Yours sincerely,

B Tulasi das
S4- Devi Towers,
Sambamurty road
Vijayawada – 520 003

Copies to :

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

Admn.	For Perusal
Engg.	Secretary 21/8/19
Law	Member / PRM
	Member / PR
~~Tariff~~	~~Chairman~~

From: madduri thimma reddy thimmanna_m@rediffmail.com
Subject: True up for FY 2017 18
Date: August 21, 2019 at 10:42 AM
To: commnsecy commn-secy@aperc.gov.in

The Secretary, A.P. Electricity Regulatory Commission, 4th Floor, Singareni Bhavan, Red Hills, Lakdikapool, Hyderabad – 500 004	M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation, 139, Kakatiya Nagar, Hyderabad – 500 008

Date: 21-08-2019

Dear Sir;

Sub:- Comments on APDISCOMs' petition seeking approval of the Commission for the true up for FY 2017-18 pertaining to the increase in power purchase costs

Ref:- Public Notice dated 27-07-2019 in I.A. No 15 of 2019 in O.P. No. 28 & 29 of 2016

1. APDISCOMs have filed a joint petition for determination of the True up for the Retail Supply Business for FY 2017-18. Below we submit our comments on the same for the consideration of the Commission.

2. While the quantum of power procured decreased from 56,584 MU as allowed in the Commission's Tariff Order for FY 2017-18 to 56,024 MU. the power purchase cost increased from Rs. 21,490.80 crore as allowed in the said Tariff Order to Rs. 25,917 Crore. That is, while power procured declined by 560 MU power purchase cost increased by Rs. 4, 427 Crore. In other words, power procured declined by one percent and power purchase cost increased by 20.60 percent. Average power purchase cost increased from Rs. 3.80 per unit as allowed in the Tariff Order to Rs. 4.62 per unit as claimed by the DISCOMs in their filings, signifying an increase of 21.58% in average power purchase cost.

3. APDISCOMs in their filings (Table 17) claimed that the Commission approved power purchase cost of Rs. 23, 231 Crore for FY 2017-18 while in the Tariff Order the Commission allowed Rs. 21,490.79 Crore towards the same (p.215). Similarly, while the Commission allowed Rs. 29.66 Crore towards incentives/other costs APDISCOMs claimed that the Commission approved Rs. 408 Crore towards the same. This needs to be clarified/verified.

4. While the Commission allowed APDISCOMs to procure 56,584 MU during FY 2017-18 APDISCOMs in fact procured 57, 565 MU. It was nearly 1,000 MU higher than the quantum allowed by the Commission. APDSICOMs disposed of 1,540 MU in the open market as power consumption in the state during the year was only 56,025 MU. This raises doubts over procurement of power over and above the limit set by the Commission. Any additional expenditure incurred in procuring surplus power shall not be allowed.

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21/8/19
SD/law
21/8/19

5 While the Commission allowed procurement of 195.67 MU through market at an

5. While the Commission allowed procurement of 195.67 MU through market at an average cost of Rs. 4.08 per unit APDISCOMs procured 3,040 MU from the market (Table 1). Table 11 of APDISCOMs' submission provides details regarding 2,820 MU only. There is no explanation about the remaining 220 MU.

6. APDISCOMs' submission in Table 15 shows that while surplus power was sold at Rs. 4.20 per unit power from market was procured at Rs. 2.76 per unit which was much less than Rs. 4.08 per unit allowed by the Commission. This gives the impression that they have procured power from the market at a very low price and sold it in the open market at higher price leading to profit for the DISCOMs on this count. But a closer examination of the submission shows that the DISCOMs in fact procured power from market at higher price. Details regarding market procurement are provided in Table 11 of the filings. Out of 2,820 MU 1,208 MU were through swapping. Actual market purchases were 1,611 MU and their details are provided in the following table:

Source	**MU**	**Cost (Rs in Cr)**	**Per Unit cost (Rs)**
Indian Energy Exchange (Including STOA charges)	1,581	647	4.09
Steel exchange	7	3	4.26
Sarda Metal	15	6	4.00
Manikaran Power Limited (Including STOA charges)	3	11	36.67
Knowledge Infrastructure	5	1	2.00
Total	**1,611**	**668**	**4.15**

From the above table it is clear that APDISCOMs procured power from open market at higher price than that allowed by the Commission. Additional expenditure resulting from this high cost power purchases shall not be allowed.

7. According to APDISCOMs' filings power purchase cost from market sources includes short-term open access (STOA) charges to the extent of Rs. 152 Crore. STOA shall not be paid as TRANSCO is already paid for the quantum of energy to be transmitted during the financial year and the actual power transmitted according to the DISCOMs' present filing is less than that allowed by the Commission in the Tariff Order. In the past the Commission disallowed STOA from FSA. In the Order dated 20-09-2012 in the matter of determination of Fuel Surcharge Adjustment (FSA) for Fourth Quarter of FY 2011-12 the Commission held as follows, "Regarding the contention that the levy of short-term open access (STOA) charges by APTRANSCO on DISCOMs for the use of network, amounts to double charging for the same network and results in unjust enrichment of APTRANSCO at the cost of consumers, the Commission has examined this issue and proposes to disallow the cost of STOA while computing the FSA since the charges of STOA is not part of power purchase cost as per Tariff Order."(Para 25, page 19). Following the above we request the Commission not to allow STOA as claimed by the APDSCOMs.

8.1 In the Tariff Order the Commission allowed Rs. 2,663.88 Crore towards procurement of 6,597 MU of power from SDSTPS/APPDCL at the rate of Rs. 4.04 per unit. In the true-up filings DISCOMs claimed Rs. 2,574 Crore (Rs. 1,170 Crore towards variable capital and Rs. 1,404 Crore towards fixed capital) towards power procurement from SDSTPS/APPDCL. As the quantum of power procured from this plant declined to 4,483 MU per unit cost increased to Rs. 5.74 signifying an increase of 43 per cent in

4,485 MU per unit cost increased to Rs. 3.74 signifying an increase of 45 per cent in power purchase cost from this unit.

8.2 As SDSTPS achieved only 56.72% of PLF compared to normative threshold PLF of 80% penalty/disincentive shall be collected from it for its underperformance.

8.3 Unit variable cost of SDSTPS (Rs. 2.61) is less than that of APGENCO units (Rs.3.27). But while power procured from SDSTPS is much lower than the projected quantity in the case of APGENCO units it is much higher. Generation of power above threshold PLF at SDSTPS would also have helped to bring down unit fixed cost. Reasons for lower power generation at SDSTPS need to be explained.

9.1 APDISCOMs did not provide any explanation for variance in fixed and variable cost of different power plants compared to the Commission's Tariff Order. While in the Tariff Order the Commission allowed Rs. 6,412.88 Crore towards fixed costs DISCOMs in their filings mentioned approved fixed cost as Rs. 5,766 Core and within this Rs. 1,740 Crore were towards transmission charges. But in the Commission's Order transmission charges are not mentioned as a part of fixed cost. These deviations in DISCOMs' filings make comparison of power purchase cost difficult. Similarly, in the case of variable cost while the Commission allowed Rs. 15,048.26 Crore DISCOMs mentioned approved variable cost as Rs. 17,057 Crore. APDISCOMS in their filings mentioned actual variable cost as Rs. 17,262 Crore. If we go by APDISCOMs' claim about approved variable cost increase in variable cost is only Rs. 205 Crore. But if we go by the approved variable cost as mentioned in the Commission's Tariff Order increase in variable cost is Rs. 2,214 Crore. These variations in approved capital cost figures points to the need to closely scrutinise APDISCOMs' claims regarding capital costs incurred.

9.2 Information provided by DISCOMs on fixed costs is utterly confusing. The figures used by DISCOMs do not correspond to the once mentioned in the Tariff Order. For example, fixed costs of IPP-Others as mentioned in the Tariff Order comes to Rs. 1,170.49 Crore and DISCOMs in their filings mentioned the approved fixed cost of these units to be Rs. 664 Crore. Similar is the case with GENCO units. Some other examples are given in the preceding paragraph. This demands resubmission of information in correspondence with the Tariff Order for meaningful analysis.

9.3 While the Commission allowed Rs. 29.66 Crore towards incentives APDISCOMs are claiming Rs. 961 Crore towards the same. Even when TSGENCO units provided less than one third of the projected quantity Rs. 60 Crore are mentioned as incentives to it. Similarly, in the case of NCE units Rs. 217 Crore are mentioned as incentives even when power supplied from these units was below the projected quantity by more than 500 MU. These demand close scrutiny of DISCOMs' claims related to incentives/other costs.

Source	**Approved variable cost (Rs/Unit)**	**Actual variable cost (Rs/Unit)**	**Variance in variable cost (Rs/Unit)**	**% of variance**
APGENCO	2.70	3.27	0.57	21.11
TSGENCO	2.27	2.90	0.63	27.75
CGS	2.41	2.88	0.47	19.50
APGPCL	2.14	2.45	0.31	14.49
IPP – Gas	2.10	2.57	0.47	22.38
IPP - Others	2.17	3.00	0.83	38.25

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9.4 The above table shows significant increase in variable cost. While in the case of gas based APGPCL unit variable cost increased by 14.49% in the case of gas based IPP plants it increased by 22.38%. As the source of natural gas for all these plants is the same higher increase in variable cost of gas based IPP plants is puzzling. In the case of coal based power plants while unit variable cost of CGS units registered an increase of 19.5% coal based IPP plants have registered an increase of 38.25%. From APDISCOMs' filings it is not clear whether this increase in variable cost was because of less than efficient operations of these power plants or because of increased fuel (coal/natural gas) prices. It is also not known whether proportion of imported coal has increased. In the past the Commission had given clear directions on procurement of imported coal. In the background these gaps in information we request the Commission to direct the utilities to provide complete information (source, quantity and price; and calorific value of fuels procured and actual heat rate achieved) related to fuels.

10.1 As the third control period has ended final information related to T&D costs should have been available. The same shall also be used to decide the true up figures.

10.2 It seems by accident APDISCOMs provided some information on transmission related costs. They included it as a part of fixed costs of power generation units. While the Commission allowed Rs. 399.74 Crore towards PGCIL charges during FY 2017-18 DISCOMs' filings show that it had increased to Rs. 903.97 Crore even when all other transmission related costs declined significantly. The claim related to this needs to be examined.

We request the Commission to take our submission on record.

Thanking you.

Truly yours,
M. Thimma Reddy