

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

April 23, 2021

Respected Sir,

Sub : Submission of objections and suggestions on the true-up claims of APEPDCL for its retail supply business for the year 2019-20 in OP No.15 of 2021

With reference to your public notice dated 8.4.2021, am submitting the following points on the subject issue for the consideration of the Hon'ble Commission:

1. In the subject petition, APEPDCL has claimed a true-up for Rs.701.12 crore. The Discom has claimed Rs.272.12 crore towards variation in power purchase cost (expense true-up), Rs.354.02 crore towards revenue true-up and Rs.75.14 crore towards carrying cost with an interest rate of 12%. The abstract data and generalised reasons given by the Discom are inadequate for justifying its claims for true-up. While energy dispatch for the year 2019-20 is lesser by 1299.95 MU against 24154.22 MU approved by the Commission, sales for true-up are claimed to be 20444.31 MU against sales approved by the Hon'ble Commission to the tune of 21995.59 MU, after deducting additional sales to agriculture exceeding the sales approved by the Commission. In view of reduction in power purchase and sales vis a vis approvals given by the Commission for the year 2019-20, the Discom's claim for true-up of a hefty sum of Rs.701.28 crore is questionable. In fact, the Hon'ble Commission had determined a probable surplus energy of 5564.87 MU for the year 2019-20 in the retail supply tariff order. The Commission did not approve the proposals of the Discoms to purchase 4045 MU under short-term arrangement.
2. APEPDCL has claimed that there was a shortfall in energy dispatch to the tune of 1316.23 MU from APPDCL due to shortage of coal, 529.40 MU lesser from AP Genco, 756.58 MU lesser from CGS, 400.03 MU lesser from gas-based units and 4732.42 MU lesser from NCE. The Discom has also claimed that additional energy was drawn by it under Discom to Discom transfer to the tune of 4854.88 MU against 616.34 MU approved by the Commission. As a result, the Discom was constrained to purchase 1084.11 MU from market and other sources against 203.56 MU approved by the Commission. While there is increase in purchases from the remaining sources, overall reduction in purchases is 1299.95 MU, EPDCL has shown. The Discom has claimed that "to meet shortfall in energy from the committed sources and in view of operation of merit order dispatch (MOD) principles for optimization of power purchase cost, an additional quantum of almost 1084.11 MU has been procured from market sources & others." The Discom has not given details pertaining to the quantum of thermal and other power backed down from generating capacities of committed sources and the fixed charges, and variable charges, if applicable as per terms and conditions of agreements, paid therefor.

Going by the claims of the Discom, backing down of generating capacities of committed sources and additional purchases from the market sources and others had taken place during the said year. In order to know whether the principles of merit order dispatch were strictly followed or not, this information is very much required and needs to be examined. Merit order dispatch applies to the purchases being made by the Discoms under power purchase agreements in force only, not for purchases from the market and other sources. I request the Hon'ble Commission to direct the Discom to provide this information relating to backing down and fixed charges, etc., paid for the same, as also source-wise purchases in the market and other sources and cost per kwh, to enable us to study the same and make further submissions.

3. The veracity of the claim of APEPDCL that there was a shortfall of 1316.23 MU in dispatch from APPDCL due to shortage of coal needs to be examined, especially in view the claim made earlier by the Discoms that “to reduce the power cost with transportation cost, RTPP stage 1 & 3 of APGENCO is being diverted to SDSTPS (of APPDCL) under flexi coal mechanism issued by CEA.”
4. The Discom has claimed a decrease of Rs.7.24 crore towards fixed cost, pointing out that the fixed cost paid by it decreased to Rs.2153.82 crore from Rs.2161.06 crore approved by the Commission. In fact, as a result of lesser purchase of power by 1299.95 MU, the fixed cost should have come down substantially. APEPDCL has claimed that “the fixed costs are paid to various sources of generation based on their availabilities” and that additional fixed cost of Rs.57.62 crore was paid to AP Genco due to “more availability.” If more capacities for generation, exceeding the threshold levels of PLF, were available, and if additional power was purchased from such sources, including AP Genco and IPPs, fixed costs should have come down, as there was no need to pay fixed costs for power generated and supplied above the applicable threshold levels of PLF. Did the Discoms pay fixed charges for capacities of APPDCL for claimed lesser generation and supply of power due to shortage of coal? Compared to reduction in purchase of power from the approved quantum, the reduction of fixed cost is not proportionate. For example, against 6894.42 MU approved, purchase from stage I of APPDCL is 4369.88 MU only. Against a fixed cost of Rs.703.24 crore approved, the Discoms paid Rs.634.74 crore to APPDCL. For a reduction of purchase of power by 2524.54 MU, reduction of fixed cost is shown as Rs.68.50 crore only. Proportionate to 2524.54 MU, reduction of fixed cost should be Rs.247.40 crore.
5. The Discom-to-Discom transfer is shown as 4854.88 MU against 616.34 MU approved for EPDCL by the Commission. Market and other purchases are shown as 1084.11 MU against 203.56 MU approved for EPDCL by the Commission. Against approved quantum of 5592.42 MU of NCE, APEPDCL purchased 860 MU only. Whereas against approved quantum of 10726.30 MU of NCE, APSPDCL purchased 12363.02 MU, i.e., it purchased 2095.86 MU NCE more than what was approved by the Commission. “There is a wide variation in D<>D energy that is settled against the additional drawal by APEPDCL in lieu of variation in DISCOM

demand and generation capacity allocation ratio,” EPDCL has explained. Though Discom to Discom sale increased to 4854.88 MU from the approved 616.34 MU to APEPDCL, the component of NCE came down drastically vis a vis approved dispatch. What is the quantum of NCE transferred from APSPDCL to APEPDCL under Discom to Discom transfer? Did such transfers facilitate meeting obligations under RPPO by each Discom? This confirms the imbalance in allocation of generating capacities, especially of NCE and RE, to AP Discoms vis a vis their respective demand, and the attendant problems, and underlines need for correcting the same in tune with demand of each Discom. This is all the more important in view of determination of availability of substantial surplus power every year.

6. We request the Hon’ble Commission to direct APEPDCL to submit details relating to amounts it received from GoAP under UDAY scheme and adjust such amounts, if any, received towards permissible claims of true-up made by the Discom.
7. Against a variable cost of Rs.7168.07 crore approved by the Commission in the retail supply tariff order for the year 2019-20, EPDCL has shown payment of VC to the tune of Rs.7605.63 crore, i.e., a hefty sum of Rs.437.56 crore more. The average variable cost per unit increased from the approved Rs.2.97 to Rs.3.33 i.e., by Re.0.36 per unit. EPDCL has maintained that the increase in variable cost is “mainly on account of increase in Fuel & transportation cost than the level approved in the Tariff order” and purchases from external sources. The Discom has not submitted the relevant information relating to increase in fuel cost and transportation cost source-wise and whether prudent practices were adopted for purchases and transportation of coal by the generating entities concerned. Whether the Discom had verified such information before paying the additional amounts as billed by the generating entities also is not known. This information needs to be examined to ascertain justifiability or otherwise of such additional costs in view of huge increase in variable costs.
8. APEPDCL has submitted that “DISCOMs are resorting to Market purchases on distress conditions after exhausting all the available committed sources. In order to ensure reliable & uninterrupted power supply the DISCOMs, the shortfall had been met through short term purchases from market sources. The DISCOMs are making best endeavors to contain the weighted average price of the procurement within the limits of the ceiling price approved by the Commission. If the Hon’ble Commission treats the approved price for Market purchases as only the ceiling price, and limit the expenditure incurred towards cost of market purchases and thus denying the APDISCOMs of their legitimate expenditure incurred in the interests of maintaining uninterrupted power supply to the Consumers, the DISCOM will be plunged into financial crisis. The Hon’ble APERC is earnestly requested to approve and consider the approved ceiling price of Market purchases as weighted average price of market procurement.” The very purpose of imposing upper limit on price to be paid for purchasing additional power through exchanges or under short-term arrangement is to restrain the Discoms from purchasing such power at higher rates. The upper limit of price determined by the Commission generally tends to be very

much liberal, as experience has confirmed repeatedly. Whatever benefit that accrues on account of purchasing additional power at prices much lower than the upper limit determined by the Commission should not be frittered away by purchasing a part of additional power at prices higher than such upper limit, even in the name of avoiding power cuts or ensuring continuous supply of power. It is a gross misinterpretation to presume, by implication or otherwise, that the Discoms can purchase additional power at prices higher than the upper limit determined by the Commission, if the weighted average cost is contained below or on par with the upper limit of price determined by the Commission. The true-up claims of the Discom for additional power purchased at prices exceeding the upper limit fixed by the Commission should be rejected. In its order dated 26th November, 2020 relating to true-up claims of the Discoms for a period of four years, accepting our objections, the Hon'ble Commission has asserted that "the object behind fixing the ceiling price for short term and market purchases is to inculcate financial discipline in the Licensees, so that the interests of consumers at large are duly protected. In this view of the matter, the Commission is of the considered view that the procurement price shall be limited to the ceiling price." The Hon'ble Commission has, accordingly, held that "the Commission finds no justification to allow the procurement price in excess of the ceiling price." Responding to the objections raised relating to this issue in connection with ARR and tariff proposals of AP Discoms for the year 2021-22, the Hon'ble Commission has stated that "Whenever, the DISCOMs make purchases exceeding this price, they shall approach the Commission for specific approval of such purchases with justifiable reasons to the satisfaction of the Commission. If such approvals are not obtained, the prices of such purchases will be capped at Rs.3.86/unit at the time of true up. Adoption of block wise ceiling price will hinder the DISCOMs in supplying 24x7 power to all the categories of the consumers (except the agricultural consumers)" (page 80 of retail supply tariff order for the year 2021-22). I request the Hon'ble Commission to take a stand in consonance with its above-mentioned decisions on ceiling price for purchase of additional power from the market and other sources made by APEPDCL for the year 2019-20, keeping in view the directions given by the Commission in the retail supply tariff order for the same year. In the retail supply tariff order for the year 2019-20, the Hon'ble Commission directed that "If any shortfall is observed in any time block for various reasons, in all such cases the licensees may procure the shortfall energy through Power Exchanges, Intra-day mechanisms but with a price not exceeding the average power purchase cost determined in this Order (Rs.3.98 per unit for APEPDCL) under simultaneous intimation to the Commission. All such details of purchases shall be furnished to the Commission fortnightly in the form of a statement for periodical ratification." Further, the Hon'ble Commission directed that "The licensees shall not procure energy from Stations/Sources other than those approved in this order unless and otherwise permitted by the Commission. Further, the Licensees are also directed not to procure energy over and above the quantum indicated against each Station/Source unless and otherwise approved by the Commission or ratified by the

Commission in case of unavoidable emergencies (The Licensees should be able to satisfy the Commission about the nature of the emergency). However, the licensees are at liberty to purchase energy from thermal stations listed in the merit order dispatch which have least variable cost and are placed top in the merit order, over and above the approved quantities, which helps further reduction of the power purchase cost approved in this order. While operating intraday merit order dispatch, the least cost source shall be dispatched to the full extent in order to achieve lower power purchase cost at end” (page 201). I take this opportunity to request the Hon’ble Commission to consider keeping the report of the expert committee appointed by it to make recommendations on the system to be adopted for additional purchases of power from market and other sources by the Discoms in public domain by uploading it in its website and make the same accessible to interested public.

9. APEPDCL has sought revenue true-up of Rs.354.02 crore as difference between Rs.11609.12 crore approved by the Commission and Rs.11255.10 crore realised by the Discom under approved tariff and non-tariff revenue. The Discom has maintained that this variation occurred “due to the factors beyond the control of the licensee.” The Discom has avoided to explain what those factors were and how were they beyond its control. In view of lesser purchase and lesser sales of power compared to the approvals given by the Commission, the Discom cannot get, and is not entitled to get, the approved tariff income. Therefore, we request the Hon’ble Commission to direct the Discom to provide information relating to the factors claimed to have been beyond the latter’s control to enable us to examine the same and make further submissions. The Discom has contended that they have “written to a letter (Lr.No.CGM/Opn/SPDCL/TPT/RAC/F.Reg.4/ D.No.12/16 dated 15-01-2017) to the Hon’ble Commission seeking amendment to the Regulation 4 of 2005 (seeking allowing variation of agricultural sales, allowing deviation in technical losses, allowing revenue true-up etc.)” In its order dated 26.11.2020 relating to true-up claims of AP Discoms for a period of four years, the Hon’ble Commission observed: “As rightly pointed out by the objectors, there is no regulatory provision for annual true up of Revenue. The DISCOMs however, relied upon a letter dated 15.01.2017 for claiming inter alia revenue true up. In the Commission’s view unless the request of the DISCOMs is accepted and the relevant regulation amended, their letter has no sanctity in law. For the above mentioned reasons, the Commission is not inclined to accept the revenue true up claims of the DISCOMs” (Page 21). We request the Hon’ble Commission to apply the same yardstick for claims of APEPDCL for revenue true-up and reject the same.

10. APEPDCL has requested the Hon’ble Commission to take into consideration

the carrying cost to be incurred by the licensee in the future till the complete true-up mentioned above is recovered. The Discom has contended that “The Petitioner has put his best efforts in trying to file the true-up petition along with the ARR filings for FY 2021-22. However, due to delay in completion of audit the true-up petition could not be completed and the delay may please be condoned.” For the financial year 2019-20 ending March, 2020, completion of audit does not require a period of about nine months. The Discom has not revealed when audit was completed. Experience has confirmed that, whatever be the reasons, whether political or others, the Discoms have been habituated to delayed submission of their true-up claims and seeking carrying cost. For the failure of the Discom, the consumers should not be penalised in the form of imposing carrying cost for the period of delay in filing true-up claims. In its order dated 26.11.2020 relating to true-up claims of AP Discoms for a period of four years, the Hon’ble Commission observed that “the reasons furnished for the delay of true up filings by the DISCOMs are not convincing. Consequently, the Commission has excluded the period of delay from the computation of carrying costs. Accordingly the Commission has allowed the carrying costs from the date of filings to the date of finalization of this Order on total true up determined, at weighted average interest of 9.7 percent furnished by the DISCOMs on its working capital loans” (page 66). We request the Hon’ble Commission to apply similar yardstick in the subject petition also.

11. I request the Hon’ble Commission to provide me an opportunity to make further submissions after receiving responses of the Discom and in person during public hearings on the subject petition.

Thanking you,

Yours sincerely,

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Copy to : CMD, APEPDCL

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

June 15, 2021

Respected Sir,

Sub : Further submissions on the true-up claims of APEPDCL for its retail supply business for the year 2019-20 in OP No.15 of 2021

Further to my written submissions dated 23.4.2021 and in response to the replies dated 2.6.2021 given by APEPDCL, am submitting the following points on the subject issue for the consideration of the Hon'ble Commission:

- 1. In its reply dated 2.6.2021, APEPDCL maintained that "the APDISCOMs are obliged to provide any information relating to backing down, fixed charges, source wise market purchases etc in support of their True up claim for FY 2019-20, as may be directed by the Hon'ble Commission." On various occasions relating to different petitions of the AP Discoms, we have been repeatedly requesting the Hon'ble Commission to direct them to provide information sought by us in our written submissions to enable us to study the same and make further submissions. Over the years, we have been seeking information relating to backing down of generating capacities of power plants with whom the Discoms had PPAs in force, fixed charges paid therefor, purchase of additional power from exchanges and short-term sources source-wise, especially when yearly availability of substantial surplus power has been determined by the Hon'ble Commission, to examine whether the principle of merit order dispatch has been followed or violated and whether PPAs entered into by the Discoms and consents given to the same by the Hon'ble Commission have been in tune with long-term load forecast, fluctuating demand curve and whether they have been resulting in imposition of avoidable additional burdens on the consumers of power of the Discoms and/or leading to losses to the latter. The above-mentioned stand of APEPDCL implies that, unless the Hon'ble Commission directs the Discoms, they won't give the said information to the objectors who sought the same. Without such specific information and data and examining the same, it is not possible to justify or question the claims of the Discoms for true-up. Generalised replies would not serve the purpose; they simply cover up ground reality. Therefore, we once again request the Hon'ble Commission to give a standard direction to the Discoms and other power utilities concerned to provide relevant information and data as sought by objectors in the petitions concerned to meet requirements of regulatory process, ensuring transparency and accountability and enabling the interested objectors to make meaningful and purposeful contribution to the process to protect larger consumer interest. If necessary, the Hon'ble Commission may consider incorporating such a binding direction in the applicable regulations by bringing about an amendment.**

2. It is gratifying to note that the Hon'ble Commission, in its letter No.APERC/Secy/Tariff/F:52/D.No.275/2021 dated 8.6.2021, addressed to the three AP Discoms, pointed out, inter alia, that, during the period from 17.12.2020 to 15.1.2021, "the energy from the lower variable cost sources has not been considered/despatched by the DISCOMs to the extent of full capacity as per the directions of the Commission in the Retail Supply tariff order for FY 2020-21, to meet the daily demand & saving of the overall power purchase cost. Such under despatch of the energy is 1036.033 MUs." The Hon'ble Commission made it clear that "had the above energy of 1036.03 MU been dispatched during the period from 17.12.2020 to 15.012021, the weighted average variable cost of which is lesser than the weighted average landed cost of energy from the exchanges, there could have been a potential saving of Rs.48.14 Crs to the DISCOMs as shown in the table above and to that extent purchases from exchange could have been avoided. The DISCOMs have not stated in the data submitted to the Commission, the reasons for not dispatching lower variable cost sources to the extent of their full capacities. Therefore, the DISCOMs are directed to submit on or before 31.06.2021, the reasons for not despatching the energy from the lower variable cost sources to the extent of their full capacities source wise, as this could have resulted in potential saving of substantial amounts to the DISCOMs." In response to reports appeared in a section of the media on the direction of the Hon'ble Commission to the Discoms, AP Transco, in its "rejoinder on Market Purchases (APERC letter dated 8.6.2021)" released to the media (copy enclosed) admitted that actual energy availability declared by the plants on day-ahead basis was 2470.79 MU and that actual energy dispatched by Discoms was 2253.27 MU during the said period. Transco explained that weighted average cost of market purchases (excluding Rs.0.19 /kwh AP Transco charges) is Rs.3.38 per kwh, whereas weighted average price of alternate sources of energy from approved PPAs (excluding Rs.0.19/kwh AP Transco charges) is Rs.3.68 per kwh. Therefore, savings on account of procuring cheaper power from the market to bridge the shortfall is Rs.24.6 crore, Transco contended. After deducting loss of Rs.1.9 crore due to power procurement for meeting real time demand to balance the grid, the net savings are Rs.22.7 crore, it contended. Transco maintained that "the Commission has erroneously calculated hypothetical loss comparing to energy from power plants which was unavailable at that time." This issue confirms need for making public all the relevant information related to purchases from market, backing down, fixed charges paid therefor, etc. and examining the same in connection with regulatory process as well. Though this issue is not directly related to the period for which the Discoms are making true-up claims in the subject petition, a similar approach is equally applicable to the claims of the Discom in the subject petition. While the Hon'ble Commission can examine the rejoinder given by AP Transco, I would like to bring the following points to the notice of the Hon'ble Commission which have general relevance:

- a) Backing down, fixed charges paid therefor, purchases from outside sources, etc. need to be submitted and examined for entire financial year concerned, especially when claims for true-up are taken up for public hearing and consideration, in addition to periodical review by the Hon'ble Commission.

- b) The said rejoinder is given by AP Transco, though the Hon'ble Commission directed the AP Discoms to submit the reasons for not despatching the energy from the lower variable cost sources to the extent of their full capacities source-wise. It indicates that AP Transco, not AP Discoms, has been managing power purchases from exchanges and other outside sources on behalf of the Discoms.**
- c) AP Transco, in its rejoinder, did not make it clear whether the Discoms have been paying fixed charges for backing down/power not generated and supplied by power plants with PPAs in force. If the Discoms are paying fixed charges for power not generated and supplied by such plants either under backing down or for other reasons, for purpose of comparison between the market price paid and tariff of the plants with PPAs in force whose capacities are backed down/which have not generated and supplied power, fixed charges paid for that also need to be taken into account.**
- d) If power purchased from exchanges is supplied from sources outside Andhra Pradesh, additional transmission charges (transmission deviation charges) paid to central transmission utility and additional transmission losses, central GST, etc., need to be taken into account for the above comparison.**
- e) Whether the plants with PPAs in force could not generate and supply power to the optimum or were they made to fail accordingly need to be examined. If such plants paid charges to the coal company concerned for not taking a part quantum of coal, as per terms and conditions in fuel supply agreements, it would be tantamount to making such plants fail to generate and supply power to that extent. Moreover, whether such plants had stocks of coal during the period of non-generation of power needs to be examined based on actual records maintained.**
- f) If dues to be paid to generators like AP Genco by Discoms get accumulated, whether such non-payment of dues is the reason for Genco for not purchasing coal as per fuel supply agreement and its resultant inability to generate and supply power also needs to be examined.**
- g) While Discoms get specified time to make payments for power purchased by them under PPAs in force and rebate, if bills are paid before the time limit, as per terms and conditions of PPA, they have to make advance payments for purchasing power through exchanges, thereby incurring loss of interest or bearing the burden of interest, if amounts are borrowed for such payments.**
- h) Since prices of power purchased through exchanges fluctuate, comparison of average prices is not correct. Moreover, tariffs for power of plants backed down also differ. As per merit order, plant with highest variable cost has to be backed down first, followed by the next plant in the descending order of variable costs. Backing down also is subject to number of orders to be issued and total quantum of capacity permitted to be backed down in a year as per terms and conditions in PPAs which include technical limitations. Therefore, comparison has to be made between the tariff of the plant backed down and price paid for power purchased through exchange during the same period.**
- i) In its reply dated 2.6.2021 to my earlier submissions, APEPDCL maintained that "availability of cheaper power at a price lesser than the variable cost of last dispatched conventional plant (marginal station) in the Merit Order list, so that considering burden of Fixed Cost as sunk economically in order to reduce overall**

power purchase cost.” If fixed costs are paid for backing down or for other reasons as per terms and conditions in the PPA concerned for power not generated and supplied, such fixed costs can be treated as sunk. But if fixed costs, along with variable costs, are paid for purchasing power from plants, such payment of fixed costs cannot be treated as sunk. The difference between paying fixed charges for power purchased and paying fixed charges for power not purchased (due to backing down or for other reasons permitted as per terms and conditions in the PPA concerned) should not be lost sight of. Furthermore, whether backing down of power plants with PPAs in force is within the limitations as per terms and conditions in the PPAs or exceeding such legitimate and legally binding limitations also needs to be examined. Violation of binding limitations of backing down would be tantamount to ensuring undue benefit to private players when Discoms purchase power from them through exchanges and from other market sources.

- j) There are several other factors the impact of which is not being considered while making comparison between price paid for power purchased through exchanges and tariff of power applicable to the plants with PPAs when they are backed down. On earlier occasions, we made several submissions on this issue in connection with public hearings held on various issues by the Hon’ble Commission. The Discoms themselves made elaborate submissions on costs and problems associated with grid integration, etc., which were incorporated in the retail supply tariff order issued by the Hon’ble Commission for the financial year 2020-21 (pages 54 to 62). During the public hearings on ARR and tariff proposals of AP Discoms for the year 2021-22, Sri S Pratap of APSEB Asst. Executive Engineers’ Association raised several issues and factors whose impact, both financial and technical, need to be taken into account while working out benefit or loss in making market purchases of power.
- k) Relating to the three-member expert committee appointed by the Hon’ble Commission to make recommendations on system to be adopted for considering market purchases by Discoms, report of the committee and what decision the Hon’ble Commission has taken thereon are not in public domain. Making it public and accessible to interested persons would enable them and expert engineers to study the same and even make further suggestions, if any, which may have relevance for enriching understanding of the issue. Therefore, we once again request the Hon’ble Commission to make the report of the three-member expert committee public and accessible to interested public. In this connection, it may be noted that appointment and terms of reference for consideration of the expert committee were made public by the Hon’ble Commission and that the committee interacted with some of us participating in the regulatory process and knowledgeable engineers, among others, before submitting their report to the Hon’ble Commission.
- l) Mere comparison of price of power purchased in the market with variable costs of plants backed down, or comparison of average cost of power purchase by Discoms from contracted sources under PPAs in force and average cost of power purchased in the market is a deficient exercise which does not capture real impact. A comprehensive and holistic view needs to be taken to assess benefit or loss that arises on account of backing down and market purchases, considering a number of factors narrated and referred to above, among others. If such a holistic view is taken, with all relevant factors taken into account, the so-called benefit or savings in

power purchase cost due to purchases in the market may turn out to be a mirage. After all, purchase of power from market sources and exchanges or drawl from grid is to meet demand, when power supplied to the Discoms under contracted sources with PPAs in force is not adequate; it is not for so-called savings in power purchase cost. Even for such purchases, the Hon'ble Commission has been imposing upper limit of price, as has been the standard practice, and that is very much necessary. If impact of all relevant factors are taken into account to make a holistic comparison between the cost of power purchase through exchange and market sources, with all attendant costs associated with backing down of plants with PPAs in force, as narrated above, and tariff to be paid to the projects backed down, then a clear picture will emerge.

3. I request the Hon'ble Commission to provide me an opportunity to make further submissions in person during public hearings on the subject petition.

Thanking you,

Yours sincerely,

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Encl : Copy of rejoinder given by AP Transco

Copy to : CMD, APEPDCL

**TRANSMISSION CORPORATION OF ANDHRA PRADESH
VIDYUT SOUDHA:: VIJAYAWADA**

Rejoinder on Market Purchases(APERC letter dated 8-6-2021)

- **Absolutely no loss of Rs. 48 crs**
- **In fact DISCOMs saved Rs. 22.7 crs public money**
- **Govt/power utilities committed to safeguard the interest of the consumers**

1. During the period 17th Dec 20 to 15th Jan 21, the Normative availability of energy for the Generators under PPAs whose variable cost is less than the market price of energy as per Retail Tariff Order was **3289.3 MU**. However, the actual energy availability declared for supply by the Generators was **2470.79 MU**. Finally, the actual energy supplied by these generators was **2253.27 MU**. There was a shortfall of **819.3 MU** from these generators compared to the Commission orders, who did not make this energy available for supply and hence the same was unavailable to the Discoms for dispatch. The Discoms scouted for the cheapest power available to bridge this shortfall, resorted to market purchases and got a **savings of Rs 22.7 Crs** shown below.

Item		
(A) Energy availability as per Tariff Order from the plants whose variable cost is less than market price.	3289.3	MU
(B) Weighted Avg. Cost of above energy as per Tariff Order (excl AP Transco charges)	3.13	Rs/kWh
(C) Actual Energy availability declared by the plants on day-ahead basis	2470.79	MU
(D) Actual Energy dispatched by Discoms	2253.27	MU
(E) Shortfall in declaration by Generators(A-C)	818.5	MU
(F) Market Purchases to bridge the shortfall and meet grid balancing requirements	894.1	MU
(G) Weighted Average Cost of Market Purchases (excluding Rs 0.19/kWh AP Transco charges)	3.38	Rs/kWh
(H) Weighted Average price of alternate sources of energy from approved PPAs (excluding Rs 0.19 /kWh AP Transco charges)	3.68	Rs/kWh
(I) Savings per unit (H-G)	0.3	Rs/kWh

(J) Savings on account of procuring cheaper power from the market to bridge the shortfall (E x I)	24.6	Rs Cr
(K) Loss due to power procurement for meeting real time demand to balance the grid $= (F-E) \times (B-G)$	-1.9	Rs Cr
Net Savings(K+L)	22.7	Rs Cr

2. The Commission in their calculations has taken the Normative availability of 3289.3 MU which is the availability based on the full capacity of the Generating station as per Commission's Tariff Orders. This energy will be fully available to Discoms if and only if the generating stations declare that they will be able to supply this energy, which in this case was only 2470.79 MU.
3. The Generators declare their availabilities on a day ahead basis based on their ability to supply energy on that day and it is always less than the Normative availability under full capacity operating conditions, specified in the Commission's Retail Supply Tariff Orders. The actual energy declared by the generators depend on Machine maintenance needs / Fuel availability. Power plants declare their availability every day on a day-ahead basis, based on which power procurement plan for the next day is finalised by SLDC. The availability declared on day-ahead basis is always less than or equal to the Normative availability as per PPA. The generators will forgo fixed cost for the energy not made available.
4. The average price of market purchases for the above period was Rs 3.38 per kWh (after excluding Rs 0.19 /kWh AP TRANSCO charges which are refunded). The average price of alternate power available during that period from the approved sources was Rs 3.68 per kWh (excluding Transco charges). Thus there was a savings of Rs 0.3 per kWh.
5. Hon'ble Commission has erred in calculating availability of Energy from the approved sources. The Commission ought to have considered real time availability as declared by the approved Sources, instead they considered normative approved availability given in the Retail Supply Tariff Order. During the Real Time operation for the period under consideration, the availability declared by approved generators is way less than their Normative availability under Retail Tariff Order. Thus the Commission has erroneously calculated hypothetical loss comparing to energy from power plants which was unavailable at that time.
6. As such, owing to market purchases and not dispatching the energy from the approved costly stations during the period there was a **savings of Rs 22.7**

Cr. There is absolutely no loss of Rs 48 Cr as assessed by APERC and in fact there was a savings of Rs 22.7 Cr.

To

The News Bureau Chief

Sd/-

Executive Director(CC)/APTRANSCO