



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

Vidyut Niyamtrana Bhavan, Adjacent to 220/132/33/11 KV AP Carbides SS,
Dinnedevarapadu Road, Kurnool - 518 002, Andhra Pradesh.
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WEDNESDAY, THE TWENTY-THIRD DAY OF JULY
TWO THOUSAND AND TWENTY FIVE
(23.07.2025)

Present

Sri P.V.R.Reddy, Member & Chairman_(I/c)

O.P. No. 7 of 2025

In the matter of granting consent to the Power Purchase Agreement (PPA) dated 06.01.2025 between Andhra Pradesh Central Power Distribution Corporation Limited (APCPDCL) and Active Power Corporation Pvt Limited for procurement of Power from 1.4 MW Mini hydel-based power plant by APCPDCL, under Section 86(1)(b) read with Section 86 (1) (e) of the Electricity Act, 2003.

Between:

1. Andhra Pradesh Central Power Distribution Corporation Limited (APCPDCL)

.... Petitioner

AND

Active Power Corporation Pvt Limited

.... Respondent

O.P.No.16 of 2025

In the matter of determination of tariff for a period of 15 years, i.e., from the 25th year to the 40th year of operation for the Power Purchase Agreement (PPA) dated 06.01.2025 for 1.4 MW Capacity 'Mini Hydel Power owned by Active Power Corporation Limited' under Section 62 of the Electricity Act, 2003.

Between

2. Active Power Corporation Private Limited

.... **Petitioner**

AND

Andhra Pradesh Central Power Distribution Corporation Limited (APCPDCL)

.... **Respondent**

These interrelated petitions were taken up for final public hearing on 09.07.2025 in the presence of Sri N. Sai Phanindra Kumar, learned counsel for Active Power Corporation Private Limited, and Sri G.V. Brahmananda Rao, counsel representing Sri P. Shiva Rao, the learned Standing Counsel for the APCPDCL. After hearing all the parties and carefully considering the material available on record, the Commission passes the following:

ORDER

1. The genesis of the present consolidated proceedings before the Andhra Pradesh Electricity Regulatory Commission (hereinafter referred to as "the Commission") lies in two interconnected Original Petitions, namely O.P. No. 7 of 2025 and O.P. No. 16 of 2025, concerning the tariff determination and approval of PPA for procurement of power from the 1.4 MW Mini Hydel Power Project of Active

Power Corporation Private Limited (hereinafter referred to as "Active Power") by APCPDCL.

2. The project, with a Commercial Operation Date (COD) of 28.04.2000, was initially governed by a Power Purchase Agreement (PPA) dated 24.07.2001, executed between the Andhra Pradesh Power Transmission Corporation Limited (APTRANSCO) and Active Power for a 20-year term. Following the 3rd transfer scheme notified by the Government of Andhra Pradesh (GoAP) via G.O. Ms. No.58, dated 07.06.2005, this PPA was vested with APSPDCL and subsequently with APCPDCL.
3. The project's operations reportedly stopped from August 2008, and the GoAP, through G.O. No. 670, dated 29.08.2009, cancelled the No Objection Certificate (NOC) for the project, citing the need for improvements to the Budameru Diversion Channel.
4. Active Power subsequently filed WP No. 18481 of 2009 before the Hon'ble High Court of AP against the said GoAP order, and the High Court passed interim orders setting aside the Government orders. Based on a revised proposal to enhance the capacity of the Budameru Diversion Channel, the GoAP, vide G.O. Ms. No. 04, dated 25 January 2014, issued orders for the restoration of the NOC to Active Power, enabling them to restart their power house. Accordingly, power was exported to the grid from August 2015 until the expiry of the PPA on 27 April 2020, after which the project was disconnected from the grid.
5. In due course, the GoAP, vide Lr.no. ENE01-APPT/52/2024, Dt.10.07.2024, sought remarks on Active Power's representation for the extension of the PPA, considering the period of non-operation between 2009 and 2015 due to the annulment and restoration of the NOC. APDISCOMs furnished their remarks to

the GoAP via letter dated 18 July 2024. Subsequently, the GoAP, vide Lr.no. ENE01-APPT/52/2024, Dt.02.08.2024, granted permission to APCPDCL to enter into a new PPA with Active Power for the remaining project's life period, subject to approval from the Commission and mentioning that the cost of power was reasonable based on the earlier consideration period.

6. Accordingly, given the lifespan of the mini hydel project of 40 years and having completed 25 years of life, APCPDCL and Active Power entered into a new Power Purchase Agreement dated January 6, 2025, for a term of 15 years. APCPDCL filed O.P. No. 7 of 2025 under Section 86(1)(b) read with Section 86(1)(e) of the Electricity Act, 2003, seeking approval of the PPA. In parallel, Active Power filed O.P. No. 16 of 2025 under Section 62 of the Electricity Act, 2003, seeking the determination of the tariff for the extended period of 15 years, from the 25th to the 40th year of operation.
7. After filing OP for approval of PPA, given the readiness of the project to supply power, to ensure an uninterrupted power supply during summer months, APCPDCL filed Interlocutory Application No. 1 of 2025 in O.P. No. 7 of 2025, seeking interim permission to procure power at an ad-hoc tariff of Rs. 2.50 per unit, pending approval of the PPA and final tariff determination. Active Power, through its learned counsel, conveyed its no objection to the proposed interim arrangement.
8. In O.P. No. 16 of 2025, Active Power proposed a levelised tariff of Rs.2.75 per unit. It submitted that due to the period of non-operation between 2008 and 2015, the project had operated for only 13 years, 7 months, and 16 days during the original PPA period and had been unable to recover the full capital cost, interest on debt, and return on equity. According to its financial records, the

capital cost of Rs.1.69 Crores is to be recovered. It referred to the normative capital cost of Rs.8.90 Crores/MW (i.e., Rs.12.46 Crores for 1.4 MW) under CERC Regulations, 2024, along with an additional expenditure of approximately Rs.1 Crore incurred/to be incurred for repair and maintenance of the project for restoration.

9. Active Power also proposed a debt-equity ratio of 60:40, agreeing to a capital cost of Rs.4.5 crores per MW, along with O&M expenses of Rs.60 Lakhs for the base year, escalating annually by 5.25%. A CUF of 30% was proposed. Pass-through treatment was sought for water royalty charges of Rs.0.2 per unit and electricity duty of Rs.1 per unit, as well as for income tax and GST. An incentive of Rs.0.50 per unit was proposed for generation beyond a threshold PLF. Active Power also requested the Commission to take into account its foregone RoE during the non-operation period while considering the tariff. The tariff computations have not been furnished.
10. In its counter to the tariff petition of Active Power, APCPDCL submitted that the generic tariff for mini-hydel projects, as determined by the Commission via orders dated 22.06.2013 and 23.08.2014, was based on a capital cost of Rs.4.5 Cr per MW, which was applicable for the second 10-year period. It was stated that the CERC norms were applicable only to new projects commissioned after July 1, 2024, and could not be relied upon. APCPDCL denied responsibility for losses during the period of project idleness and submitted that the alleged Rs.1 Crore spent on repairs was not reflected in the audited accounts.
11. Regarding capital structure, APCPDCL requested adherence to the regulatory debt-equity ratio of 70:30. On the CUF, APCPDCL contended that the project had historically achieved a PLF of over 80% before 2008 and 53.02% during FY

2019– 20. It submitted that water availability for generation remained assured due to the project's strategic location at the outlet of VTPS Stage-I, considering a CUF of 50% more reasonable.

12. O&M expenses of Rs.60 Lakhs (Rs.42 lakhs per MW) were not objected to but suggested for verification. APCPDCL submitted that tax pass-through should be allowed only on the production of verifiable proof and opposed incentives unless linked to demonstrable grid benefits.
13. Regarding APCPDCL's counter, Active Power filed a rejoinder reaffirming its submissions, reiterating the claim for capital recovery, revised depreciation, 60:40 capital structure, and tariff proposal.
14. To ensure transparency and public participation in the tariff determination process, the Commission issued a public notice on June 23, 2025. This notice explicitly specified that a public hearing for the matter would be conducted on July 09, 2025, at 11:00 AM at the APERC's Court Hall, Kurnool, providing options for both in-person and online participation. The public notice also served as an invitation to all interested stakeholders and the general public to submit their views, suggestions, or objections concerning the petition. It was further communicated that links for online participation would be shared with registered objectors one day prior to the scheduled hearing date.
15. The Commission notes that no views, objections, or suggestions were received from the public or any stakeholders in response to the said public notice by the stipulated deadline. Accordingly, the Commission proceeded to examine the merits of the petition based solely on the pleadings and submissions presented by the parties involved.

Commission's Analysis And Decision

16. Having meticulously reviewed the submissions and documents presented by both APCPDCL and Active Power Corporation Private Limited, the Commission's consideration is whether to approve the PPA and the proposed tariff of Rs. 2.75 per unit or higher for power procurement under the PPA.

Re: The PPA Approval (O.P. No. 7 of 2025)

17. The Power Purchase Agreement dated 6 January 2025, between APCPDCL and Active Power Corporation Private Limited, is for 1.4 MW of hydropower. Having permitted IA 1 of 2025 at the interim tariff, subject to final tariff determination, although small in scale, the proposed procurement will help APCPDCL fulfil its RPO/RCO obligations; therefore, the Commission is inclined to approve the PPA, effective from the date of the IA approval.

Re: Tariff Determination (O.P. No. 16 of 2025)

18. The Active Power has not submitted any tariff calculations to support its proposed tariff claim of Rs. 2.75 per unit or higher, except for the tariff parameters, the remaining capital cost to be recovered, and the additional capital expenditure under R&M, relying on the CERC Regulations 2024. Therefore, the Commission proposes to determine the tariff as outlined in the paragraphs below.
19. As both parties have no objection to the capital cost of Rs. 4.5 crores per MW, which the Commission considered in its earlier generic tariff Orders, the Commission has considered the same for its tariff determination. Based on the depreciation recovered by Active Power over 13 years and 7 months in its tariff, the Commission determined that the depreciation to be recovered for the

remaining 15 years is Rs.2.0409 crores. After a careful review of the additional capital expenditure for restarting the project, the Commission is inclined to consider Rs. 0.6754 crores instead of the claimed Rs. 1.0 crore. Accordingly, the Commission estimated Rs. 2.6488 crores of depreciation to be recovered over the remaining 15 years of the project's life. Regarding the CUF, with an agreed rate of 45 per cent in the PPA, both parties presented different positions during the proceedings. Therefore, disregarding their submissions and considering the generation during past operations and the strategic location, the Commission is inclined to adopt a CUF of 45 per cent for its tariff determination. It is a condition for the reissuance of the NOC by the government that Active Power shall not claim damages or compensation for the non-operational period, as stated in the PPA. Hence, the Commission is not inclined to consider any such claims except for the depreciation to be recovered. As there is currently no regulation from APERC for determining the tariff from RE sources, the Commission has decided to determine the tariff of this project based on the CERC Tariff Regulations 2024, for the other tariff components viz Return on Equity, interest on Debt, interest on working capital and O&M.. Accordingly, the Commission determines the tariff to be Rs. 2.50 per unit, and a detailed computation sheet is enclosed as an Annexure to this Order. The Tariff determined in this Order is exclusive of Income Tax. Hence, the Income Tax shall be paid to Active Power based on the actual payment of proof. Regarding the claim of water cess, APCPDCL stated that the MoP notification exempted such charges. In contrast, Active Power stated that it is receiving claims for water cess from the Irrigation Department. As determined in its earlier Orders, the Commission allows water cess charges to be passed through if Active Power pays such charges. Hence, APCPDCL may pursue with

the Government for necessary action in pursuance of the MoP notification. The incentive for the Generation over and above the CUF of 45 per cent is as per the PPA.

20. Given the foregoing, clause 2.3 of the PPA shall be modified, and an amendment to the PPA to this effect shall be entered into by both parties and submitted to the Commission within 60 days from the date of this Order.
21. Both Petitions and connected IA are accordingly disposed of.

Sd/-
P.V.R.REDDY
Member & Chairman_(I/c)



Annexure

Tariff Calculation of Active Power 1.4 MW Mini hydel-based power plant for the remaining life of 15 years

Components considered for Tariff determination

Description	Value	Unit
Capacity	1.4	MW
Capital Cost per MW	4.5	Rs. Crores
Total Capital Cost	6.3	Rs. Crores
Debt(70 % of Capital Cost)	4.41	Rs. Crores
Equity(30% of Capital Cost)	1.89	Rs. Crores
Cumulative Utilisation Factor	45	Percentage
O&M cost for first year per MW	0.4174	Rs. Crores
O&M escalation per annum	5.25	Percentage
Return on Equity (post-tax)	15	Percentage
Accumulated Depreciation up to 27th April 2020	3.629	Rs.Crores
Residual Value (10% of Capital Cost)	0.63	Rs.Crores
Balance amount to be depreciated	2.04	Rs.Crores
Additional capital expenditure	0.675	Rs.Crores
Balance amount to be depreciated (incl the additional Capex)	2.65	Rs.Crores
Interest on Debt (SBI MCLR 1 year tenor + 200 BP)	11	Percentage
Discount Rate	9.51	Percentage
Interest on Working Capital (SBI MCLR 1 year tenor + 325 BP)	12.25	Percentage

Order in O.P.No.7 of 2025 and O.P. No. 16 of 2025

S. No	Particulars	Units	Year of operation from 24.04.2025															
			25*	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40**
1	Gen MU	MU	5.12	5.46	5.48	5.46	5.46	5.46	5.48	5.46	5.46	5.46	5.48	5.46	5.46	5.46	5.48	0.34
2	O&M	Rs.Crores	0.5476	0.6151	0.6474	0.6813	0.7171	0.7548	0.7944	0.8361	0.88	0.9262	0.9748	1.026	1.0799	1.1366	1.1962	0.0793
3	Depreciation	Rs.Crores	0.1655	0.1766	0.1766	0.1766	0.1766	0.1766	0.1766	0.1766	0.1766	0.1766	0.1766	0.1766	0.1766	0.1766	0.1766	0.0111
4	Return on Equity	Rs.Crores	0.2941	0.3139	0.3139	0.3139	0.3139	0.3139	0.3139	0.3139	0.3139	0.3139	0.3139	0.3139	0.3139	0.3139	0.3139	0.0198
6	Interest on Loan	Rs.Crores	0.08	0.07	0.05	0.04	0.03	0.03	0.02	0.02	0.01	0.01	0.01	0	-	-	-	-
7	Interest on Working Capital	Rs.Crores	0.0305	0.0358	0.0369	0.0383	0.0398	0.0414	0.0431	0.0449	0.0468	0.0488	0.0508	0.0531	0.0554	0.0579	0.0605	0.0040
8	Total	Rs.Crores	1.1189	1.2094	1.2221	1.2465	1.2794	1.3142	1.351	1.3901	1.4314	1.4751	1.5213	1.571	1.6258	1.685	1.7472	0.1142
9	Cost per unit (8/1*10)	Rs. per unit	2.19	2.21	2.23	2.28	2.34	2.41	2.47	2.54	2.62	2.7	2.78	2.88	2.98	3.08	3.19	3.32
10	Year		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
11	Discount Factor		1	0.9132	0.8339	0.7615	0.6953	0.6349	0.5798	0.5295	0.4835	0.4415	0.4032	0.3682	0.3362	0.307	0.2803	0.256
12	Discounted Cost (9*11)	in Rs/unit	1.8687	2.021	1.86	1.737	1.628	1.527	1.43	1.347	1.267	1.192	1.119	1.059	1	0.947	0.894	0.849
13	Levelised Tariff for 15 years (Rs/unit)		2.50															

* 25th year :24.04.2025 to 31.03.2026, ** 40th year: 01.04.2040 to 23.04.2040 and full Financial Years for the rest of the years