



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

4thFloor, Singareni Bhavan, Red Hills, Hyderabad 500004

**WEDNESDAY, THE THIRTIETH DAY OF JUNE
TWO THOUSAND AND TWENTY ONE**

Present

Justice C.V. Nagarjuna Reddy, Chairman

Sri P. Rajagopal Reddy, Member

Sri Thakur Rama Singh, Member

O.P.No.33 of 2020 and O.P.No.35 of 2020

**In the matter of making suitable amendments to the Andhra Pradesh Electricity
Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling
and Retail Sale of Electricity) Regulation, 2005 (Regulation 4 of 2005), concerning the
specification of Fuel & Power Purchase Cost Adjustment
Formula (FPPCA) for pass-through of Power Purchase Cost variation on quarterly
basis instead of annually**

O.P.No. 33 of 2020

Eastern Power Distribution Company of A.P. Limited (APEPDCL)

..Petitioner

O.P. No. 35 of 2020

Southern Power Distribution Company of A.P. Limited (APSPDCL)

..Petitioner

The petitions were heard on 21.10.2020 and 02.12.2020 through the web. The final hearing through the web was heard on 27.01.2021 in the presence of Sri P. Shiva Rao, learned counsel for the petitioners APEPDCL and APSPDCL, Sri R. Shiv Kumar representing FAPCCI (Federation of Andhra Pradesh Chambers of Commerce and Industry) and Sri P. Vijay Gopal Reddy representing A.P. Ferro Alloys Producers' Association. After carefully considering the arguments of the learned counsel and the objectors and the material available on record, the Commission passed the following common order as the reliefs sought by the petitioners are the same in both the petitions:

COMMON ORDER

APEPDCL and APSPDCL filed petitions on 13.06.2020 and 18.08.2020 respectively requesting the Commission to make suitable amendments to clause 12.5 of Regulation 4 of 2005, concerning the specification of FPPCA (Fuel & Power Purchase Cost Adjustment Formula) for pass-through of Power Purchase Cost variation every quarter instead of on annual basis. The petitions of APEPDCL and APSPDCL were taken on the file of the Commission on 31.08.2020 and 02.09.2020 as O.P.No. 33 of 2020 and O.P.No.35 of 2020 respectively. Separate Public Notices in respect of O.P.No.33 of 2020 and O.P.No.35 of 2020 along with the copies of the respective petitions were placed on the website of the Commission on 04.09.2020 inviting views/objections/suggestions of interested parties/ stakeholders. Further, it was informed in the Public Notices that petitions will be taken up for public hearing at 11.00 AM on 21.10.2020 through the web and any interested person/organization desirous of being heard in person, may appear before the Commission on the said date of the public hearing. However, despite the placing of Public Notices on the website of the Commission, no objections have been received by the date of the public hearing on 21.10.2020. Therefore, the Commission has provided one more opportunity to the stakeholders for submitting their objections and accordingly posted the date of the next public hearing to 02.12.2020. In response, three objectors namely Sri M. Venugopala Rao, A.P. Ferro Alloys Producers' Association and FAPCCI (Federation of Andhra Pradesh Chambers of Commerce and Industry) filed their views/suggestions/objections in writing on 20.11.2020, 25.01.2021 and 25.01.2021 respectively.

2. In their petitions, APEPDCL and APSPDCL (hereinafter referred to as DISCOMs) sought the following common reliefs.
 - A. To amend clause 12.5 of Regulation No.4 of 2005 for introducing Fuel & Power Purchase Cost Adjustment Formula (FPPCA) for pass-through of power purchase cost variation every quarter as proposed, in place of Annual True-Ups.
 - B. To Repeal Regulation No. 1 of 2014.
 - C. To pass such an order as the Commission may deem fit and proper based on the facts and circumstances explained above.
3. Further, the DISCOMs, in their petitions, proposed the following formula for pass-through of Fuel and Power Purchase Cost variations every quarter.

$$\text{FPPCA} = [(\text{APPC}-\text{BPPC})] / [100-\text{Loss in}\%]$$

[Where,

FPPCA = Fuel & Power Purchase Cost Adjustment

APPC = The average power purchase cost per unit of delivered energy (including transmission cost), computed based on the operational parameters approved by the Commission or principles laid down in the Power Purchase Agreements in Rs/kWh for all the generation sources as approved by the Commission while determining ARR and who have supplied power in the given quarter and transmission charges as approved by the Commission for transmission network calculated as total power purchase cost billed in Rs Million divided by the total quantum of power purchase in Million Units made during the quarter.

BPPC = The approved average base power purchase cost per unit of delivered energy (including transmission cost) for all the generating stations considered by the Commission for supplying power to the company in Rs/kWh and transmission charges as approved by the Commission calculated as the total power purchase cost approved by the Commission in Rs Million divided by the total quantum of power purchase in Million Units considered by the Commission.

Loss in % = The weighted average of the approved level of Transmission and Distribution losses (%) for the DISCOMs applicable for a particular quarter or actual weighted average in Transmission and Distribution losses (%) for DISCOMs of the previous year for which true-up have been done by the Commission, whichever is lower.

with the following conditions;

- A. Automatic pass on of the burden/relief, in case the calculated cost of adjustment based on actual data with reference to the base level duly adopting the FPPCA formula so specified falls below 0.50 Rs/Unit in each quarter

or else

If the resultant variance in cost is above Rs 0.5 /Unit, the Commission would initiate the proceedings based on the filings of the APDISCOMs and expeditiously complete the process not later than the end of the next quarter under consideration.

- B. FPPCA is levied for all categories of consumers based on the monthly consumption in the relevant quarter uniformly.
- C. In respect of Agriculture consumption, the Govt. of AP shall pay the FPPCA as claimed by the DISCOMs as additional subsidy u/s 65 of the Act.
- D. All the Generating Stations with whom APDISCOMs are having PPAs shall submit their claim of quarterly Fuel Cost Adjustments (FCAs) not less than two months

after the completion of the quarter, failing which, they shall forfeit the claim of their FCA for that quarter. This is to enable APDISCOMs to promptly file the quarterly FPPCA and to receive the concerned order for levy of the same from the Commission, by the end of next quarter without fail. This will also put a full stop to the indiscipline of certain generators like APGENCO claiming FCAs even 1 to 2 years after the supply of energy.

4. In support of the reliefs sought by them, the DISCOMs stated the following reasons;
 - A. The erstwhile APERC of undivided AP State introduced an annual true-up mechanism vide Regulation 1 of 2014, amending the Principal Regulation 4 of 2005. Before the above amendment, the practice of determining quarterly Fuel Surcharge Adjustment (FSA) was in vogue till the FY 2012-13 in the undivided State of AP. As a result of the amendment, the DISCOMs have foregone the opportunity to recover the variation in power purchase cost through the levy of a fuel surcharge every quarter and they have been accumulating the variations on account of power purchase costs till the end of the respective year, till the accounts are finalized, audited and certified which is causing a financial burden to the DISCOMs and placing an unacceptably high carrying cost burden on the licensees & ultimately on the end consumers.
 - B. At present, the DISCOMs are obligated to pay the Generators within the stipulated time as per the terms of the PPAs and allied Fuel Cost Adjustment (FCA) as specified by the competent authorities and they are managing to do so with great difficulty. Recent enforcement of mandatory LC conditions by the Ministry of Power, GoI, for the procurement of power from the GENCOs, exacerbates the issue of management of cash flows. However, as per the prevailing Regulation (Regulation 1 of 2014), the DISCOMs have to wait until one year to recover the additional power purchase cost incurred for the previous year on a provisional basis and two years on an actual basis in the form of true-ups on account of the factors beyond their reasonable control. Due to this long-drawn process, the DISCOMs are forced to pile up the working capital loans at huge interest costs affecting their credibility. Power purchase bills are raised by the GENCOs on a monthly basis and Fuel Cost Adjustments (FCA) claims are levied on a quarterly basis. The payments beyond the due date attract a surcharge to the extent of 18%.
 - C. APDISCOMs are traversing through a precarious financial position and non-availability of a provision for periodic adjustment and variations on account of Power purchase costs, on at least a quarterly basis, would jeopardize the already ailing finances of the DISCOMs. As such, allowing Power Purchase Cost variation

on a quarterly basis is desirable to ensure an equitable burden on both the DISCOMs and consumers. The levy of quarterly tariff adjustment to recover the variation in power purchase cost would relieve the DISCOMs from financial exigencies to some extent which is necessary and expedient. This will enable the Licensees to recover variation of the power purchase cost on time duly attributing the causes & factors of such variations to the class of consumption & related consumers, without accumulating it for true-up at the year end. This would also benefit the consumers from relieving the burden to pay the entire power purchase variation of the year in the form of an additional cost item in the ARR for the next year.

D. Further, Section 62(4) of the Electricity Act, 2003 empowers the Commission to specify such a formula. The relevant clause is quoted as under;

“No tariff or part of any tariff may ordinarily be amended, more frequently than once in any financial year, except in respect of any changes expressly permitted under the terms of any fuel surcharge formula as may be specified.”

5. Further, APSPDCL in support of its proposal for quarterly pass-through of fuel and power purchase cost variations filed a Memo enclosing the order of APTEL in Appeal No. 11 of 2011 wherein APTEL directed the State Regulatory Commissions, inter alia, to put in place a mechanism for Fuel and Power Purchase adjustment cost in terms of Section 62(4) of the Act and that the Fuel and Power Purchase cost adjustment should preferably be on monthly basis on the lines of the Central Commission's Regulations for the generating companies but in no case exceeding a quarter. That any State Commission which does not already have such a formula/mechanism in place must within 6 months of the date of this order put in place such formula/mechanism.
6. The following are the views/suggestions/objections received by the Commission on the petitions filed by the DISCOMs.

Sri M. Venugopala Rao has stated that the foremost reason for issuing amendment Regulation (Regulation 1 of 2014) is the failure of the DISCOMs in the undivided state of Andhra Pradesh to submit their FSA claims in time and the abnormal delay, especially during the pre-election periods, in filing the same. Such failures of the DISCOMs coupled with the ineffective regulatory process led to the accumulation of huge amounts under FSA causing avoidable difficulties to the DISCOMs and consumers as well. The DISCOMs continue to fail to submit in time their true-up claims on an annual basis.

That the proposal of the DISCOMs for automatic passing on of the burden/relief, in case the calculated cost of adjustment based on actual data with reference to the base

level falls below Rs.0.50 per unit in each quarter, is questionable, against the principles of natural justice, transparency, accountability and public participation in the regulatory process. As per the proposal of the DISCOMs, the consumers will have to pay it without any opportunity to examine true-up claims of the DISCOMs and file their submissions before the Commission.

That the Commission should make it mandatory to hold public hearings on true-up claims of the DISCOMs under FPPCA, irrespective of the amounts claimed thereunder. That some reasonable time limit needs to be fixed for disposal of true-up claims by the Commission as the delay in disposal of true-up claims will not be in the interest of the DISCOMs and their consumers. That based on tariffs determined by the Commission for the retail sale of electricity for different categories of consumers depending on the cost of service for each category of consumers, cross-subsidy is being provided to certain categories of consumers. The Uniform levy of FPPCA leaves no scope for the benefit of cross-subsidy to subsidized consumers.

That tariffs for the retail supply of power are being finalized after considering the subsidy the State Government agrees to pay to the specific categories/slabs of consumers. The Uniform levy of FPPCA deprives subsidized consumers of the benefit of subsidy from the Government. That uniform levy of FPPCA on all categories of consumers treats subsidized consumers on par with subsidizing consumers. If consumers of subsidizing categories consume more power than what is determined in the tariff order by the Commission, and if additional power has to be purchased at higher prices to meet such demand, then levy of uniform FPPCA on all categories of consumers would lead to an iniquitous distribution of the additional burden. In other words, subsidized consumers will be forced to cross subsidize such subsidizing consumers.

That in respect of agriculture consumption, the Government of A.P. shall pay the FPPCA as additional subsidy u/s 65 of the Electricity Act, 2003. The same principle should be made applicable to other subsidized categories of consumers in proportion to the subsidy Government is providing in Retail Supply Tariffs applicable to such consumers. For submission of claims for true-up under FPPCA by the DISCOMs, a time limit should be specified to compel them to file their claims in time.

A.P. Ferro Alloys Producers' Association has stated that the proposed FPPCA Regulation has huge ramifications on the Industrial consumers at large and mainly the Power Intensive Sector. It was for good reason that APERC had repealed the Regulation following due process and wide public consultation. While the DISCOMs are

not proposing any tariff hike, they are proposing the introduction of FPPCA Regulation which is nothing short of a backdoor tariff hike. The FPPCA as it stands essentially covers the increase in procurement cost of Coal, Fuels, and Changes in Power Purchases. Since the present Generation Tariff Schedule does not comprehensively cover all aspects affecting the cost of Generation, it is essential that initially the Generation Tariff Schedule is revised appropriately before considering the introduction of FPPCA.

That the proposal of automatic pass-through for claims under 50 Paise without the Commission's prudence check is highly detrimental to the consumers' interests especially in the light of the recent claims of true-up wherein the Commission restricted the tall claims of over Rs.21,000 Crores to about Rs.3,900 Crores. In light of the above, the present proposal should be kept in abeyance until all prerequisite regulations are put in place.

FAPCCI has raised questions on several directives issued by the Commission to APGENCO in the MYT order for APGENCO stations for the FY 2019-24 regarding ceiling on Fuel Cost Adjustment bills, maintenance of coal stocks as per norms, verification of GCV of coal, ensuring the billed grade of coal, etc., and the compliance of the same by APGENCO and requested the Commission to direct APGENCO to comply with the same. Citing the above, FAPCCI requested the Commission to suspend the current proceedings and recontinue the same only after its queries have been answered and — APGENCO — has demonstrated that it has complied with all of the aforementioned directives issued by the Commission. FAPCCI has also pointed out the absence of the Truing Up clause in the existing MYT Generation Regulation issued by APERC which would lead to an erroneous calculation of FPPCA thereby adversely affecting the consumers. Therefore, it requested the Commission to suspend the current proceedings and to recontinue the same after the Commission amends the MYT Generation Regulation. The objector also pointed out the abnormal delays in the filing of true-ups by the DISCOMs for the earlier periods and requested the Commission that in case it decides to adopt the FPPCA formula, a clause may be included to the effect that DISCOMs will forfeit their FPPCA claim in case of delayed filings.

7. Commission's analysis and Decision

- A. The erstwhile APERC of the undivided Andhra Pradesh State notified the FSA (Fuel Surcharge Adjustment) mechanism for the first time on 04.09.2000 vide the Andhra Pradesh Electricity Regulatory Commission (Conduct of Business) First Amendment Regulations, 2000 (Regulation 8 of 2000) by inserting clause 45(B) in the Andhra

Pradesh Electricity Regulatory Commission (Business Rules of the Commission) Regulations, 1999 (Regulation 2 of 1999). However, the Fuel Surcharge Adjustment formula specified in the above amendment provided for pass-through of variations in fuel prices only every quarter. Subsequently, the erstwhile APERC vide Regulation 1 of 2003 notified on 17.07.2003 introduced a new FSA mechanism by substituting clause 45(B), which was inserted earlier vide Regulation 8 of 2000. The formula specified in the new FSA mechanism provided for pass-through of not only fuel price variations but also variations in the other components of power purchase costs like fixed charges etc., every quarter. Finally, the erstwhile APERC repealed Regulation 1 of 2003 by deleting clause 45(B) in Regulation 2 of 1999, vide the Andhra Pradesh Electricity Regulatory Commission (Conduct of Business) Third Amendment Regulation, 2013 (Regulation 2 of 2013) notified on 24.06.2013. The above Regulations 8 of 2000, 1 of 2003, and 2 of 2013 were issued by making 1st, 2nd and 3rd amendments to the Principal Regulation i.e., Andhra Pradesh Electricity Regulatory Commission (Business Rules of the Commission) Regulations, 1999 (Regulation 2 of 1999) respectively. Since with repeal of Regulation 1 of 2003, the DISCOMs would no longer be entitled to recover the power purchase cost variations through levy of Fuel Surcharge, the erstwhile APERC felt the need for pass-through of the variation of power purchase cost annually along with the yearly Retail Supply Tariff Filings and accordingly notified the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) First Amendment Regulation, 2014 (Regulation 1 of 2014) on 07.03.2014 by making the first amendment to the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005 (Regulation 4 of 2005) which provided for annual true-up of power purchase costs through a formula specified in the amendment. The new APERC which was constituted on 01.08.2014 post bifurcation of the Andhra Pradesh State, adopted, inter alia, Regulation 1 of 2014 vide Regulation 4 of 2014 that was notified on 29.11.2014.

- B. In the above backdrop, the present Commission has examined in depth the request of the DISCOMs in O.P.Nos. 33 and 35 of 2020 for pass-through of fuel price and power purchase cost variations every quarter, in the light of the objectors' views/comments/suggestions, the Electricity Act, 2003, the National Tariff Policy, the directions of APTEL in this regard, the practices followed in other States and the pros and cons of pass-through of power purchase cost variations on quarterly instead of on yearly basis as per the current practice.

- C. Section 61 of the Electricity Act, 2003 mandates that the Appropriate Commission, while determining tariff, shall not only ensure safeguarding of consumer's interests but also the recovery of the cost of electricity in a reasonable manner. Section 62(4) of the Electricity Act, 2003 provides for periodic tariff adjustment during a year to take care of the variations in fuel prices, as may be specified.
- D. Further, the APTEL in the order dated 11.11.2011 in Appeal No. 1 of 2011 issued, inter alia, the following direction to the State Electricity Regulatory Commissions regarding the Fuel and Power Purchase Cost Adjustment.

“Fuel and Power Purchase cost is a major expense of the distribution Company which is uncontrollable. Every State Commission must have in place a mechanism for Fuel and Power Purchase cost in terms of Section 62 (4) of the Act. The Fuel and Power Purchase cost adjustment should preferably be on monthly basis on the lines of the Central Commission's Regulations for the generating companies but in no case exceeding a quarter. Any State Commission which does not already have such formula/mechanism in place must within 6 months of the date of this order put in place such formula/mechanism.”

- E. As per Section 121 of the Electricity Act, 2003, the Appellate Tribunal may, after hearing the Appropriate Commission or other interested party, if any, from time to time, issue such orders, instructions, or directions as it may deem fit, to any Appropriate Commission for the performance of its statutory functions under this Act. Therefore, the directions of APTEL are binding on APERC.
- F. The National Tariff Policy, 2016 states that all power purchase costs need to be considered legitimate unless it is established that the merit order principle has been violated or power has been purchased at unreasonable rates. The reduction of Aggregate Technical & Commercial (AT&C) losses needs to be brought about but not by denying revenues required for power purchase for 24 hours supply and necessary and reasonable O&M and investment for system up-gradation. Consumers, particularly those who are ready to pay a tariff that reflects efficient costs have the right to get an uninterrupted 24 hours supply of quality power. The actual level of retail sales should be grossed up by normative level of T&D losses as indicated in MYT trajectory for allowing power purchase cost subject to justifiable power purchase mix variation (for example, more energy may be purchased from thermal generation in the event of poor rainfall) and fuel surcharge adjustment as per regulations of the SERC. That the appropriate Commission shall specify an appropriate price adjustment formula for recovery of the costs, arising on account of

the variation in the price of fuel, power purchase, etc., on a monthly/quarterly basis for recovery of all prudent costs of the generating company and the licensee. Uncontrollable costs should be recovered speedily to ensure that future consumers are not burdened with past costs.

- G. Moreover, it is observed that determination of power purchase cost variations on yearly instead of on a monthly/quarterly basis has been casting a heavy financial burden on the DISCOMs/consumers at one go besides affecting the cash flows of the DISCOMs thereby depriving them of the much-needed working capital and forcing them to avail loans from financial institutions at higher interest rates which ultimately have to be passed on to the consumers. Therefore, true-up of power purchase costs on an annual basis is not in the best interests of either DISCOMs or consumers. But at the same, truing up power purchase costs on a monthly basis is cumbersome and not practical since it involves conducting public hearings, verification, and processing of vast data. Hence, the Commission feels that truing up power purchase costs every quarter is a desirable solution.
- H. The contention of one of the objectors that FPPCA is nothing but a backdoor tariff hike is not correct as the Retail Supply Tariffs proposed by the DISCOMs in the Retail Tariff Filings are based on the estimated ARR (Aggregate Revenue Requirement). Therefore, if the actual ARR differs from the estimated value, they have every right to claim the difference in the form of FPPCA as per the Electricity Act, 2003, National Tariff Policy and APTEL order as referred earlier. The contention of one of the objectors is that Generation Tariff Schedule should be revised appropriately before FPPCA is introduced. Similarly, another objector linked the compliance of the directives issued by the Commission to APGENCO, with the implementation of FPPCA. The contentions of both the objectors are not correct as the issues related to generators and DISCOMs are different and as such, they should be dealt with separately. Further, one of the objectors has pointed out the absence of the Truing Up clause in the existing MYT Generation Regulation issued by APERC and requested the Commission to suspend the current proceedings and to recontinue the same after the Commission amends the MYT Generation Regulation. In this regard, it is to be noted that Regulation 1 of 2008 (Generation MYT Regulation) notified by the Commission provides for recovery of variations in fuel costs through FCA (Fuel Cost Adjustment) formula.
- I. With regard to the proposal of DISCOMs that all the Generating Stations with whom they have PPAs shall submit their claim of quarterly Fuel Cost Adjustments (FCAs) within two months after the completion of the quarter, it is to be noted that

APGENCO was already directed to claim the Fuel Cost Adjustments as per Regulation 1 of 2008 in Tariff order for its generating stations. Further, if the DISCOMs receive past claims/refunds from the approved source(s) pertaining to the quarter(s) prior to the quarter for which the FPPCA is being filed, the details of the same shall be shown separately in the prescribed format, for prudent check and passing of the same by the Commission.

- J. As regards the suggestion to hold public hearings on true-up claims of the DISCOMs as is being the current practice for the sake of transparency, the suggestion is accepted. The Commission recognizes the fact that the very purpose of quarterly true-ups will be defeated if the DISCOMs delay their filings beyond reasonable time limits. Therefore, the DISCOMs shall file their claims of true-ups for every quarter within two months from the end of that quarter with a further grace period of up to one month. If the DISCOMs are unable to file the FPPCA within a two months period, they may file the same within the grace period. After examining the same, the Commission may entertain the claims, if it is satisfied with the reasons submitted by the DISCOMs for the delay in their filings.
- K. If the DISCOMs fail to file their FPPCA for any quarter within the time period mentioned above, their claim for upward revision shall stand forfeited subject, however, to true-down, if any, at the end of the Financial Year. The DISCOMs shall pay the true-down amounts to the consumers by way of adjustments in future CC bills as determined by the Commission in the FPPCA order.
- L. With regard to the request of the DISCOMs for automatic passing on of the FPPCA burden/relief, the Commission recognizes the fact that the determination of fuel and power purchase cost variations even on a quarterly basis takes a few months time as DISCOMs have two months time from the end of the quarter to file their claims after which the Commission determines the FPPCA, duly following the public consultation process. The Commission feels that even this delay is not in the best interest of either DISCOMs or the consumers since the very purpose behind the quarterly determination of variations in fuel and power purchase costs is to pass on these variations (true-up or true-down) to the consumers as quickly and as practically possible. Therefore, to mitigate the problem partially, the Commission permits the DISCOMs to pass on the variations (true-down or true-up) in fuel costs (variable costs) based only on the actual bills admitted by them from the approved sources(excluding purchases from exchanges) for a quarter on their own subject to a ceiling of 50 paise/unit as per the formula approved in this order to all the categories of consumers (except agricultural consumers) automatically in the CC

charges of month(s) that immediately follow that quarter on provisional basis subject to the adjustment of the same based on the subsequent determination of FPPCA by the Commission for that quarter. In respect of agricultural consumers, the DISCOMS may claim upward revision in fuel costs(variable charges), if any, from the Government.

- M. The Commission is not inclined to accept the contention of one of the objectors that uniform levy of FPPCA on all categories of consumers treats subsidized consumers on par with subsidizing consumers and that it leaves no scope of the benefit of cross-subsidy to subsidized consumers. The Commission is of the view that the subsidizing consumers are already carrying the burden of cross-subsidy and burdening them further with higher FPPCA is not justified as the Commission has to balance the interests of all stakeholders. Further, casting the additional burden on the subsidizing consumers particularly industrial consumers may force them to opt for open access or migrate to other States besides discouraging further investments in the State which will adversely affect the employment opportunities and GDP of the State. As regards FPPCA in respect of the consumers who are provided subsidy under Section 65 of the Electricity Act, 2003 such as the agricultural consumers, as rightly submitted by some of the objectors, the DISCOMS may raise the FPPCA bills on the Government as it is not fair to pass on their FPPCA to the other categories of consumers.
- N. The definition of the term '**FPPCA**' in the formula proposed by the DISCOMS does not indicate the unit of '**FPPCA**' i.e., whether it is in Rs. or Rs/unit and also the decimal places up to which it should be determined. Further, usage of the word 'purchased' in place of the word 'delivered' used by the DISCOMS in the definitions of the terms '**APCC**' and '**BPPC**', provides more clarity. In place of the word '**average**' used in the definitions of the terms '**APPC**' and '**BPPC**' by the DISCOMS, the phrase '**weighted average**' should be used as it is the weighted average power purchase cost in Rs/unit that forms the basis for arriving at the '**FPPCA**'. There is no mention of the word '**quarter**' in the definition of '**BPPC**'. As '**FPPCA**' is to be determined for each quarter, the usage of the word '**quarter**' at appropriate places in the definitions of '**BPPC**' will provide more clarity. The DISCOMS have not considered scheduling costs in the formula proposed by them. However, scheduling costs also need to be considered for arriving at variations in fuel and power purchase costs. In the definition of '**BPPC**', the DISCOMS have mentioned '**generating stations considered by the Commission**', '**power purchase cost approved by the Commission**', and '**purchase in Million Units considered by**

the Commission' without linking them to the RSTO, which actually is the reference document for arriving at '**BPPC**'. In the definition of the term '**Loss in %**', the DISCOMs considered the network losses approved by the Commission or the actual network losses of the previous year whichever are less. However, it is more appropriate to consider the network losses approved by the Commission or the actual network losses in the corresponding quarter of the previous year, whichever are less since losses vary depending on the time of the year due to variations in the hydro and thermal mix.

- O. After considering the above factors, the Commission accepts the formula proposed by the DISCOMs for claiming variations in fuel and power purchase costs on a quarterly basis, with the modifications in definitions and conditions as stated below:

FPPCA = (APPC-BPPC) / (100-Loss in%) Where,

FPPCA = Fuel & Power Purchase Cost Adjustment in Rs/unit up to 4 decimal places

APPC = The actual weighted average power purchase cost per unit of energy, which shall be arrived at as the actual total power purchase cost (including the transmission & scheduling costs) in Rs. Million that is allowed by the Commission after prudent check for the quarter for which the Distribution Licensee is seeking '**FPPCA**' divided by the actual quantum of power purchases in Million Units made by the Distribution Licensee from the sources approved by the Commission for that quarter.

BPPC = The base weighted average power purchase cost per unit of energy, which shall be arrived at as the total power purchase cost approved by the Commission in Rs. Million (including the transmission & scheduling costs) in the RSTO (Retail Supply Tariff Order) for the quarter for which the Distribution Licensee is seeking '**FPPCA**' divided by the total quantum of energy in Million Units approved by the Commission in the RSTO for the Distribution Licensee for that quarter.

Loss in % = The weighted average Transmission and Distribution losses (%) approved by the Commission for the Distribution Licensee for the quarter for which the Distribution Licensee is seeking '**FPPCA**' or actual weighted average Transmission and Distribution losses (%) for the corresponding quarter of the previous year for that Distribution Licensee, whichever is lower.

Conditions:

- I. The Distribution Licensee shall submit the power purchase details source-wise for the quarter along with the monthly breakups duly certified by the auditor, for which it is seeking **FPPCA** as per the format annexed to this order.
- II. Public hearings on quarterly **FPPCA** filings of the Distribution Licensee will be conducted by the Commission before issuance of the orders.
- III. If the Distribution Licensee fails to file FPPCA for any quarter within two months or within the grace period of one month from the end of that quarter, its claim for upward revision shall stand forfeited subject, however, to true-down, if any, at the end of the Financial Year. The DISCOMs shall pay the true-down amounts to the consumers by way of adjustments in future CC bills as determined by the Commission in the FPPCA order.
- IV. The Distribution Licensee shall recover from or refund to the consumers, as the case may be, the FPPCA approved by the Commission for a quarter, in three equal monthly installments as specified by the Commission in the order.
- V. The Distribution Licensee is permitted to pass on the variations (true-down or true-up) in fuel costs (variable costs) based only on the actual bills admitted by it from the approved sources(excluding purchases from exchanges) for a quarter on its own subject to a ceiling of 50 paise/unit as per the formula approved in this order to all the categories of consumers (except agricultural consumers) automatically in the CC charges of month(s) that immediately follow that quarter on provisional basis subject to the adjustment of the same based on the subsequent determination of FPPCA by the Commission for that quarter. In respect of agricultural consumers, the DISCOMS may claim upward revision in fuel costs(variable charges), if any, from the Government.
- VI. The Distribution Licensee shall pass through the FPPCA uniformly on all categories of consumers existing in that quarter based on consumption.
- VII. The Distribution Licensee may raise the FPPCA bills on the Government in respect of the consumers who are provided subsidy under Section 65 of the Electricity Act, 2003.
- VIII. The Distribution Licensee shall publish the FPPCA approved by the Commission in one English newspaper in English and one Telugu newspaper in Telugu having wide circulation in their area of supply for information and wider reach of the public. The FPPCA collection schedules shall be clearly indicated in the publication.

IX. For any wrong information furnished by Distribution Licensee, penalties will be levied on it by the Commission.

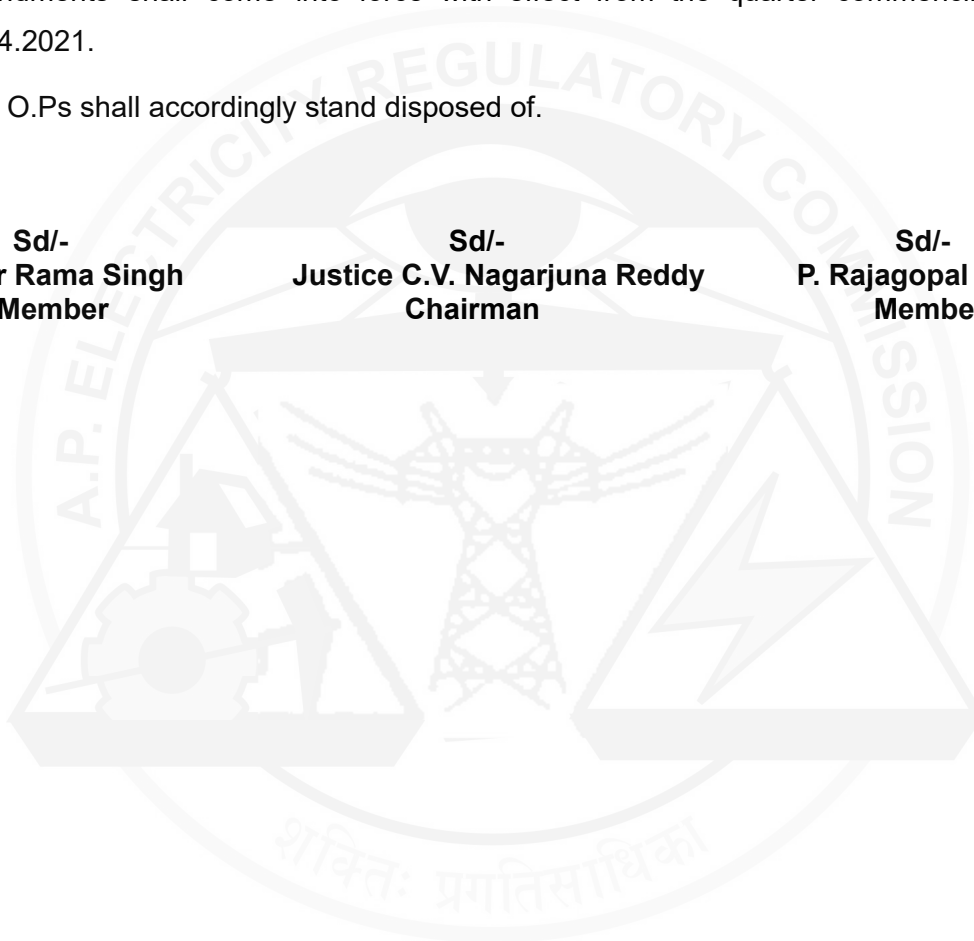
8. In the light of the above discussion, the DISCOMs are permitted to recover from or refund to the consumers, as the case may be, the quarterly FPPCA in accordance with Para 7.O. above.
9. Accordingly, Regulation 1 of 2014 (1st amendment to the Principal Regulation 4 of 2005) is repealed and the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005 (Regulation 4 of 2005) is amended as shown in the Annexure. The amendments shall come into force with effect from the quarter commencing from 01.04.2021.

The O.Ps shall accordingly stand disposed of.

Sd/-
Thakur Rama Singh
Member

Sd/-
Justice C.V. Nagarjuna Reddy
Chairman

Sd/-
P. Rajagopal Reddy
Member



(Annexure)
ANDHRAPRADESH ELECTRICITY REGULATORY COMMISSION
[Regulation No.4 of 2021]
SECOND AMENDMENT TO THE ANDHRA PRADESH ELECTRICITY
REGULATORY COMMISSION (TERMS AND CONDITIONS FOR
DETERMINATION OF TARIFF FOR WHEELING AND RETAIL SALE OF
ELECTRICITY) REGULATION, 2005.

The present Andhra Pradesh Electricity Regulatory Commission, vide APERC(Adaptation) Regulation, 2014 (Regulation 4 of 2014), adopted the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005 (Regulation 4 of 2005) (henceforth referred to as the Principal Regulation) which was notified by the erstwhile APERC of the undivided AP State.

APEPDCL and APSPDCL filed petitions (O.P.No. 33 of 2020 and O.P.No.35 of 2020) requesting the Commission to make suitable amendments to the Principal Regulation to allow for pass-through of FPPCA (Fuel & Power Purchase Cost Adjustment) on a quarterly basis instead of true-up on annual basis. The Commission conducted public hearings on the above petitions and issued an order after considering the views/objections/suggestions of the stakeholders, the arguments of the learned advocate for APSPDCL and APEPDCL and the material available on record. In the order, the Commission approved the proposal of APSPDCL and APEPDCL with certain modifications and decided to publish the necessary amendments to the Principal Regulation to bring into effect the pass-through of Power Purchase Cost variations every quarter.

Accordingly, the Commission, in exercise of the powers conferred on it under Clauses (zd), (ze) and (zf) of Section 181(2) read with Sections 61, 62 of the Electricity Act, 2003 (36 of 2003) and all other powers enabling it in that behalf, hereby amends the Principal Regulation as under:

1. Short title, Extent and Commencement

- i. This Regulation may be called the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Second Amendment Regulation, 2021.
- ii. This Regulation shall extend to the whole State of Andhra Pradesh.
- iii. This Regulation shall come into force with effect from the quarter commencing from

01.04.2021.

2. The Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) First Amendment Regulation, 2014 (Regulation 1 of 2014) is repealed forthwith.

3. Sub-clause 12.4 in the Principal Regulation shall be substituted with the following:

"The Distribution Licensee shall be entitled to recover from or refund to the consumers, as the case may be, the FPPCA(Fuel and Power Purchase Cost Adjustment) as approved by the Commission from time to time either suo motu or based on the filings made by the Distribution Licensee."

4. The following sub-clause shall be inserted after sub-clause 12.4 in the Principal Regulation.

"12.5. FPPCA(Fuel and Power Purchase Cost Adjustment)

Within two months from the end of every quarter, the Distribution Licensee shall file an application for FPPCA for that quarter before the Commission. The filing shall be accompanied by purchase details source-wise for the quarter along with the monthly breakups duly certified by the auditor as per the format annexed to this Regulation. If the Distribution Licensee is unable to file the FPPCA within two months, it may file the same within a further grace period of up to one month. After examining the request of the Distribution Licensee, the Commission may entertain the claims, if it is satisfied with the reasons submitted by the Distribution Licensee for the delay in the filings. For any wrong information furnished by Distribution Licensee, penalties will be levied on it by the Commission.

The Commission, after a prudent check of the filings and due public consultation process, will issue an order determining the FPPCA for that quarter in accordance with the following formula.

Formula:

$$FPPCA = (APPC - BPPC) / (100 - \text{Loss in}\%)$$

Where,

FPPCA = Fuel & Power Purchase Cost Adjustment in Rs/unit up to 4 decimal places

APPC = The actual weighted average power purchase cost per unit of energy, which shall be arrived at as the actual total power purchase cost (including the transmission & scheduling costs) in Rs. Million that is allowed by the Commission after prudent check for the quarter for which the Distribution Licensee is seeking 'FPPCA' divided by the actual quantum of power purchases in Million Units made by

the Distribution Licensee from the sources approved by the Commission for that quarter.

BPPC = The base weighted average power purchase cost per unit of energy, which shall be arrived at as the total power purchase cost approved by the Commission in Rs. Million (including the transmission & scheduling costs) in the RSTO (Retail Supply Tariff Order) for the quarter for which the Distribution Licensee is seeking 'FPPCA' divided by the total quantum of energy in Million Units approved by the Commission in the RSTO for the Distribution Licensee for that quarter.

Loss in % = The weighted average Transmission and Distribution losses (%) approved by the Commission for the Distribution Licensee for the quarter for which the Distribution Licensee is seeking 'FPPCA' or actual weighted average Transmission and Distribution losses (%) for the corresponding quarter of the previous year for that Distribution Licensee, whichever is lower.

Manner of recovery or refund of FPPCA by the Distribution Licensee and conditions:

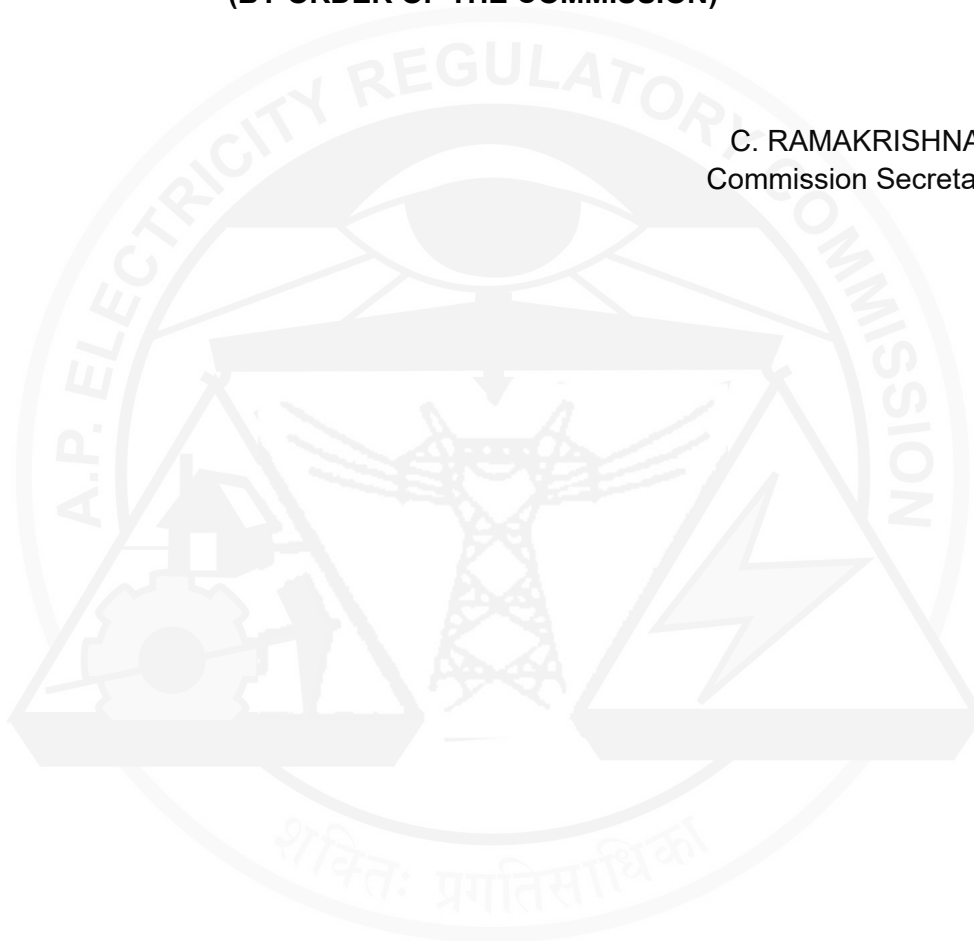
- A. The FPPCA determined by the Commission in the FPPCA order shall be recovered from or refunded to the consumers by the Distribution Licensee, as the case may be, in three equal monthly installments as specified by the Commission in the FPPCA order.
- B. If the Distribution Licensee fails to file FPPCA for any quarter within two months or within the grace period of one month from the end of that quarter, its claim for upward revision shall stand forfeited subject, however, to true-down, if any, at the end of the Financial Year. The DISCOMs shall pay the true-down amounts to the consumers by way of adjustments in future CC bills as determined by the Commission in the FPPCA order.
- C. The Distribution Licensee is permitted to pass on the variations (true-down or true-up) in fuel costs (variable costs) based only on the actual bills admitted by it from the approved sources(excluding purchases from exchanges) for a quarter on its own subject to a ceiling of 50 paise/unit as per the formula specified in this Regulation to all the categories of consumers (except agricultural consumers) automatically in the CC charges of month(s) that immediately follow that quarter on a provisional basis subject to the adjustment of the same based on the subsequent determination of FPPCA by the Commission for that quarter. In respect of agricultural consumers, the Distribution Licensee may claim upward revision in fuel costs(variable charges), if any, from the Government.

- D. The Distribution Licensee shall pass through the FPPCA uniformly on all categories of consumers existing in that quarter based on consumption.*
- E. The Distribution Licensee may raise the FPPCA bills on the Government in respect of the consumers who are provided subsidy under Section 65 of the Electricity Act, 2003.*
- F. The Distribution Licensee shall publish the FPPCA approved by the Commission in one English newspaper in English and one Telugu newspaper in Telugu having wide circulation in its area of supply for information and wider reach of the public. The FPPCA collection schedules shall be clearly indicated in the publication.”*

(BY ORDER OF THE COMMISSION)

Hyderabad
30-06-2021

C. RAMAKRISHNA
Commission Secretary_(i/c)



FORMAT

S. No .	Generating Station / Stage/Source	Plant Capacity (MW)	Discom's Share (%)	Energy(MU)			Cost Components (Rs. Millions)																	
				TO (a)	Actual (b)	Variance (c) = (b-a)	Fixed			Variable			Incentive			Income Tax			Others			Total		
							(A)			(B)			(C)			(D)			(E)			F=(A+B+C+D+E)		
							TO (d)	Actual (e)	Variance (f)= (e-d)	TO (g)	Actual (h)	Variance (i)= (h-g)	TO (j)	Actual (k)	Variance (l)=(k-j)	TO (m)	Actual (n)	Variance (o)= (n-m)	TO (p)	Actual (q)	Variance (r)= (q-p)	TO (s)	Actual (t)	Variance (u)= (t-s)
1	X																							
2	Y																							
3	Z																							
-	Transmission Cost																							
-	LDC Costs																							
	Past claims/ refunds, if any, pertaining to the quarter(s) prior to the quarter for which FPPCA is being filed																							
-	Total																							