**To**

**The Secretary**

**A.P. Electricity Regulatory Commission**

**4th floor, Singareni Bhavan, Red Hills**

**Hyderabad - 500 004 January 3, 2024**

**Respected Sir,**

**Sub : Further submissions on the ARR and tariff proposals of APSPDCL, APCPDCL and APEPDCL for their retail supply business for the year 2024-25 in OP Nos. 71, 72 and 73 of 2023, respectively.**

**With references to the public notice dated 10th December, 2023, inviting views, objections and suggestions on the subject proposals, and further to our submissions dated 19.12.2023, we are submitting the following additional points for the consideration of the Hon’ble Commission:**

1. **The DISCOMs have assumed escalation of capacity charges @ 5% for 2024-25, inland transportation charges @ 10% for the first half, and of domestic coal charges @ 5% for the second half of the next financial year. Such assumed escalation of charges should not be allowed, as has been the standard stance successive Commissions have been taking since the inception of APERC in the composite Andhra Pradesh. DISCOMs are being allowed to collect FPPCA @ Re.0.40 per unit per month and true-up claims after end of the FY concerned. The DISCOMs themselves have maintained that as and when a claim is made by generator, it is thoroughly examined before admitting and the same is claimed under concerned heads in FPPCA. DISCOMs have maintained that they have considered rate for change in law as Re.0.28 per Kwh, without explaining the basis for the same. It should not be allowed.**
2. **The DISCOMs have enhanced charges of APTRANSCO, SLDC and PGCIL by 15% for the year 2024-25 over their tariffs for 2023-24 approved by the Commission and CERC, as the case may be. It is not known whether the DISCOMs have filed their submissions on the ARR and MYT petitions of APTRANSCO and SLDC for the 5th control period. Instead of enhancing the tariffs by 15%, the DISCOMs should examine the proposals of TRANSCO and SLDC on MYT and capital costs and O&M costs and submit their objections and suggestions to the Commission. As far as PGCIL charges are concerned, in our submissions on the ARR and tariff proposals of the DISCOMs for the current financial year, we pointed out how irrationally CERC decided the PGCIL charges, imposing avoidable and unjust burdens on the DISCOMs of the states. In response to our submissions, the DISCOMs had given detailed explanation :** “APDISCOMs have already contended that, the methodology adopted by the Hon’ble CERC for determining the deemed GNA quantum for the states is not in the interest of the consumers/beneficiaries. APDISCOMS have already submitted the Objections/Suggestions regarding the deemed GNA quantum when the draft GNA regulations were notified. A request for CERC to give , a one-time opportunity to all the beneficiaries to declare their GNA according to the state’s demand as the historical drawal data also includes the STOA drawals which are very temporary in nature. Even after the objections and to the Surprise of all the states, CERC hasn’t considered the objections/Suggestions raised by the state and instead the regulation has been notified without any changes in the deemed GNA quantum for the states. The GNA quantum of AP also includes the 461.1 MW allocation from NTPC Simhadri-1 which is connected to the STU (APTRANSCO) network for which the ISTS charges are exempted vide the CERC order dated 31.03.2017 in the petition No. 291/MP/2015. Since the 461.1 MW accounts for more than the 10% of the deemed GNA quantum the financial impact is also significant. It is also gathered that, not only AP, even all the other beneficiary states were also effected due to the provisions of GNA regulation. APDiscoms are putting their best efforts to reduce the cost of the ISTS in the interest of the consumers. Recently, a letter was addressed to the Secretary of CERC from the Spl. Chief Secretary, Energy Department, Government of AP on 12.12.2022 requesting CERC to exempt the NTPC simhadri-1 allocation of AP and also to accord the one- time opportunity to states for declaring their GNA. The tariff of the 800KV Raigarh-Pugalur HVDC line, which was commissioned in September, 2020 was approved by CERC vide the order dated 22.09.2022. It was contested by APDISCOMs during the hearings itself that, the asset is to be considered as National importance and the tariff is to be included in the national component considering the bi-directional flow in the line from SR to WR due to increase in RE generation in the southern region. But in the tariff order (685/TT/2020), CERC has considered the tariff in the regional component. If considered in the national component, the ISTS charges would reduce significantly for all the Southern region beneficiaries. It was decided to file an appeal in APTEL against the impugned CERC tariff order dated 22.09.2022 in petition No. 685/TT/2020. Tamil Nadu has already filed the appeal and other SR beneficiaries are also in the process of filing the separate appeals against the CERC order. If the outcome of the Appeal filed in APTEL is in the favor of the southern beneficiaries then the ISTS charges would reduce and the same would be adjusted in the ARR after the final outcome.” **What is the outcome of the appeal before APTEL? What further action, if required, the DISCOMs are taking to protect their interest and of their consumers in this regard?**
3. **Compared to the distribution losses, excluding EHT, determined by the Commission for the year 2023-24, the DISCOMs have projected the same at higher levels for the year 2024-25. It also implies that the DISCOMs could not achieve the distribution loss trajectory determined by the Commission for the year 2023-24. In view of substantial investments being made and steps for reduction of distribution losses claimed to have been taken and proposed to be taken by the DISCOMs, there should be accountability on their part to achieve the targets fixed by the Commission. We request the Hon’ble Commission to determine targets for reduction of distribution losses for the next financial year realistically.**
4. **Regarding other costs, for the year 2024-25, the DISCOMs have shown a total of Rs.302.21 crore - SPDCL Rs.173.79 crore, CPDCL Rs.138.18 crore and EPDCL Rs.90.24 crore. These expenditures pertain to AGL solar pump sets, energy efficient pump sets, DELP, compensation to the victims of electrical accidents and DBT to be returned for FY 2021-22. To our objections repeatedly made over the years to imposing burdens of implementation of such schemes confined to certain number of consumers on all the consumers by allowing specific amounts to be factored in the ARR of the DISCOMs, instead of the governments or the beneficiary consumers bearing their share of the expenditure, no positive, fair and balanced response has come so far from successive Commissions. The Hon’ble Commission has maintained that** “any savings on account of these projects will be shared by all the consumers and accordingly the Commission has been allowing the same in ARR of respective DISCOMS over the years. One of the stakeholders repeatedly raised objections to this issue in spite of the clear view expressed by the Commission in earlier orders. Further, as long as there is no tariff hike and the government is bearing the total revenue gap arrived at by the Commission, all these expenses have been borne by the Govt. indirectly as intended by him. Therefore, the Commission approves the expenses as filed with regard to EE&EC projects” **(page 120 of RSTO for the FY 2023-24).** **The contentions of the Hon’ble Commission do not hold water for the following reasons, among others:**
5. **That the Hon’ble Commission has not incorporated our submissions and responded to them specifically in the RSTO shows glaring deficiencies in considering our submissions.**
6. **We have explained how any savings on account of these projects will not be shared by all the consumers and that the said benefits would accrue to the consumers for whom those schemes or projects are implemented in the form of reduction of amounts in their power bills to be paid for lesser consumption and the GoAP in the form of reduction of subsidy it gives. Except making a sweeping observation that any savings on account of these projects will be shared by all the consumers, the Hon’ble Commission has not explained and substantiated how it is possible.**

1. **The contention of the Hob’ble Commission that, as long as there is no tariff hike and the government is bearing the total revenue gap arrived at by the Commission, all these expenses have been borne by the government indirectly misses the point that government is providing subsidy to consumers of its choice on tariffs to be paid by them, not on the said projects or schemes fully. When the amounts claimed by the DISCOMs for these projects or schemes and approved by the Commission, they are covered in the cost of service worked out for each category of consumers. Subsidy provided by the government confines to the consumers concerned, while a part of the amount claimed for the said projects or schemes is covered in cost of service determined by the Commission for non-subsidised consumers and that is the unjust and avoidable burden on the latter.**
2. **Going by the argument of the Commission, conversely, if there is tariff hike, then there should not be any benefit to non-subsidised consumers on account of subsidy being provided by the government to subsidised consumers, including the beneficiaries of the said projects and schemes.**
3. **What is clear from the stand of the Hon’ble Commission is that it is not inclined to correct an imbalanced stand taken by a previous Commission; it is inclined to continue the same questionable stand.**
4. **What is clear from the stand of the Hon’ble Commission is that, for the decisions taken by the government and regulations and orders issued by the Commissions, without any clarity as to who should bear the burden thereof, whether the government or the beneficiary consumers or all the consumers, including non-beneficiary consumers, imposing such burdens on all the consumers is treated as right.**

1. **What is clear from the stand of the Hon’ble Commission is that the successive Commissions take the responsibility on themselves, without even any specific direction from the government, to impose such burdens on non-beneficiary consumers, instead of directing that the government, or the DISCOMs, or the beneficiary consumers should bear the expenditure incurred for such projects or schemes.**
2. **What is clear from the stand of the Hon’ble Commission is that, ERC can take any decision, irrespective of its merits and demerits, and that, if stakeholders are aggrieved, ERC need not re-examine and correct its decision even when there are valid and justifiable grounds for the same articulated before it.**
3. **What is clear from the stand of the Hon’ble Commission is that, if stakeholders are aggrieved by a decision of the Commission, they are free to go in for appeal against it in the appropriate appellate authority and saddle themselves with legal litigations.**
4. **What is clear is that one should exercise one’s professional integrity, intellectual honesty and moral courage to recognise and tell the truth, what is right or wrong, and a firm inclination to take specific action to correct what is blatantly wrong.**
5. **APSPDCL has maintained that** “the Honourable APERC approved tariff concession extended to various class of categories under DBT for an amount of Rs.482.44 Crs. for FY 2021-22. The actual tariff concession for FY 2021-22 is Rs.366.75 Crs. The Honourable APERC in the Tariff Order for FY 2023-24 has turned down an amount of Rs.115.69 Crs. Being the difference between approved and actual tariff concession. However, the DISCOM has received only the actual tariff concession of Rs.366.75 Crs. Only and not Rs.482.44 Crs. Hence the return of DBT for FY 2021-22 in RSTO FY 2023-24 is to be trued up.” **If it is direct benefit transfer (DBT), as is being propagated, the tariff concession should go directly to the beneficiary, who, in turn, is supposed to pay full cost tariff to the DISCOMs. If that is the case, where is the scope for the DISCOM not getting what is due to it? Where is the need to show true-up claims of DBT under other costs in the ARR for the current and next financial years? How is the DBT scheme being implemented?**
6. **There is need for realistic estimate of requirement of power to LT agriculture. There has been constant criticism over the years that the DISCOMs have been inflating LT agricultural consumption, thereby including a part of theft and pilferage of power in it. Successive Commissions have been reducing the estimates of the DISCOMs for requirement of power to LT agriculture and DISCOMs have been showing LT agriculture sales at levels higher than the ones determined by the successive Commissions over the years. During the recent years, even the LT agricultural sales being determined by the Commission in the RSTOs have been tended to be inflated. For example, the following details pertaining to EPDCL establish the fact:**

**Year APERC target Actual sales MU**

**2020-21 2399.41 2276.69**

**2021-22 2627.09 2221.51**

**2022-23 2725.65 2031.39**

**2023-24 2339.03 232354 (estimated)**

**2024-25 2439.72 (projected)**

**In the case of sales to LT agriculture and related in the case of SPDCL, while they increased from 6944.43 MU for 2022-23 to 8490.11 MU for 2023-24, the DISCOM has projected the requirement for 2024-25 at 8110.28 MU. In the case of CPDCL, LT agricultural sales continue to increase every year, as per the data furnished by it, despite the measures claimed to have been taken by it for regulating LT agricultural consumption of power. EPDCL has maintained that it has provided IrDA meters to all agricultural services in Srikakulam circle, taking monthly recorded consumption into account and that the assessed agricultural consumption in the other four circles is being arrived by APERC illustrated sample methodology. EPDCL has stated that, for the year 2022-23, LT agricultural sales have come down by 694.26 MU compared to 2725.65 MU approved by the Commission “due to high rainfall.” SPDCL has stated that sales to agriculture and related have come down by 1421.34 MU compared to 2315.68 MU approved by the Commission for the same year. CPDCL has not given any reason for lesser sale of power to agriculture and related of 268 MU for the same year. Fixing smart meters cannot be considered as the reason for reduction in agricultural consumption of power. SPDCL has maintained that from FY 2023-24, new procedure is going to be followed as per the directions of the Ministry of Power, GoI. As per the new procedure, the agricultural sales will be calculated based on the feeder meter consumption, it has explained. In other words, change in methodology has contributed to a more realistic assessment of agricultural consumption of power, without fixing smart meters to agricultural services. CPDCL has not explained whether it is aware of a better methodology and adopting it for assessment of agricultural consumption of power. The reduction in sale of power to LT agricultural consumers has to be seen in conjunction with failure of the DISCOMs to achieve targets of reduction in distribution losses fixed by the Commission for the same years. It gives credence to the view that a part of theft and pilferage is being included in agricultural consumption of power. Needless to say, a realistic assessment of LT agricultural consumption would reduce need for purchase of power, cross subsidy and subsidy from the government. The Hon’ble Commission has been directing the DISCOMs to get additional subsidy from the GoAP for LT agricultural consumption exceeding the quantum determined by it, and to refund the excess subsidy the DISCOMs received from the GoAP when the sales to LT agricultural services are less than what is determined by it in the RSTO. What is happening to the proportionate cross subsidy being collected from subsidizing consumers, when free supply to LT agricultural services turns out to be less than what is determined by the Commission in the RSTO? When sales of power to subsidising consumers turn out to be more and to LT agricultural services is less than what the Commission determines in the RSTO, the excess collection of cross subsidy from the subsidizing consumers is more pronounced. The DISCOMs are simply retaining the additional cross subsidy they are collecting as a part and parcel of tariffs fixed for subsidizing consumers. It is significant that, in its elaborate observations on agriculture sales under free power categories being less than the approvals, the Hon’ble Commission could not come to the conclusion that such a lesser consumption is recorded on account of fixing meters to agricultural services. The Hon’ble Commission has satisfied itself with the observation that** “during the last three years (up to FY 2022-23), the actual sales (to agriculture) are less than the approved figures by the Commission and this indicates the improvement of the percentage of metered sales during the said period” **(page 31 of RSTO for 2023-24)**. **However, it is to be noted that the said variations in agricultural sales have nothing to do with metered sales to other categories of consumers and that such variations are not an indication to improvement in metered sales in absolute terms.**

1. **In directive No.8, the Hon’ble Commission has stated that “**APGENCO has to review its maintenance practices to keep all units in operation without interruption, and also to see to it that the generation is at full capacity as per the requirement of the system. Further, there is surplus potential in many time blocks leading to underutilization of the capacity contracted if the same is not sold due to inadequate price in the market at the relevant time, and the same surplus potential cost is being termed as backing down cost by some stakeholders. The DISCOMS shall make its best efforts through its dedicated roundthe-clock cell to dispose of the surplus energy at appropriate periods/time blocks with state-of-the-art estimation methods / AI tools as specified in Regulation 1 of 2022 of APERC. Further, it is being informed by the Ministry of Power (MoP), GoI that it has launched the surplus power portal (PUShP) as a one-of-its-kind initiative. As per the press release issued by MoP in this regard, “the DISCOMs will be able to indicate their surplus power in block times/days / months on the portal. Those DISCOMs who need power will be able to requisition the surplus power. The new buyer will pay both variable charge (VC) and fixed cost (FC) as determined by Regulators. Once power is reassigned, the original beneficiary shall have no right to recall as entire FC liability is also shifted to the new beneficiary. Financial liability of new buyer shall be limited to quantum of temporary allocated/transferred power. This will reduce the fixed cost burden on the DISCOMs, and will also enable all the available generation capacity to be utilized”. Therefore, if the DISCOMS use the above portal effectively, they can save huge avoidable costs which the stakeholders are worried about. The DISCOMS shall submit monthly progress reports on the disposal of surplus energy through this portal.” **EPDCL and CPDCL have replied that “**APGENCO to submit the compliance report The dedicated round- the clock cell by APDISCOM’s are effectively diversifying the forecasted surplus power by APSLDC on Monthly/Daily and real time basis through various platforms in Power markets along with PUShP portal and Swapping the power and are disposing the surplus power, the details of which are also being intimated to the Hon’ble Commission over monthly reports by APPCCC/APDISCOM’s.” **SPDCL has replied that** “as perthe guidelines of Hon’ble APERC, APGENCO is following the best Maintenance practices duly following the OEM’s (Original Equipment Manufacturer’s) guidelines for each equipment and also operating the units as per the requirement of APGRID (As per the instructions issued by APSLDC from time to time), which has resulted in increased generation in the FY 2023-24 (up to May 2023) when compared to the corresponding period in the FY 2-22-23. The Outage period during the first two months has also decreased significantly.” **However, the DISCOMs have not provided the details which they have claimed to have submitted to the Commission. We request the Hon’ble Commission to examine the following points, among others:**
2. **What was the factual position which prompted the Hon’ble Commission to issue the said directive No.8? Has not APGENCO been following the best maintenance practices to keep all units in operation without interruption, and also to see to it that the generation is at full capacity as per requirement of the system? As a successive entity of the erstwhile APSEB, with experience of nearly seven decades, APGENCO must be adopting the best maintenance practices.**
3. **Are the DISCOMs paying APGENCO for the power being supplied by it in time? What are accumulated dues, if any, so far which the DISCOMs have to pay to APGENCO?**
4. **Are guarantees like letter of credit being implemented in the case of APGENCO, as DISCOMs are doing in the case of private generators and CGSs as per the terms and conditions in the PPAs to which consents are given by the Commission?**
5. **Has APGENCO been in a position to purchase and keep required stock of coal to see that generation is at full capacity as per the requirement of the system?**
6. **Is the GoI ensuring timely supply and transportation of coal to APGENCO’s plants as allocated by it?**
7. **If APGENCO has been in a position to generate at full capacity of its plants, did the DISCOMs take power as per availability declared by GENCO?**
8. **If SLDC/DISCOMs directed APGENCO to back down its generation capacities declared to be available, what has been the capacity backed down and the fixed charges paid therefor, during the 4th control period? After change of the government after the last general elections to the legislative assembly, the DISCOMs responded to our requests, on the direction of the then APERC almost at the fag end of its term, and made details of backing down and fixed charges paid therefor for the earlier years. Later, they are refusing to give such details during the 4th control period. Do the DISCOMs give the details of backing down and fixed charges paid therefor during the 4th control period, or will they give the same after change of government after the next general elections to the legislative assembly?**
9. **Has APGENCO been directed to back down its generation capacities declared to be available in order to purchase must-run RE? If so, what are the details pertaining to the 4th control period? In this connection, we would like to remind that the DISCOMs have repeatedly stated that 90-95% of backing down of thermal power is on account of purchasing must-run RE, thereby affecting the interests of APGENCO both technically and finacially. When power from alternative source is purchased, backing down capacity of a plant under PPA in force, apart from payment of fixed charges for the capacity backed down, other factors, with technical and financial implications for the DISCOMs and the thermal power plant/s backed down and grid integration would arise. The technical committee appointed by the Central Electricity Authority on study of optimal location of various types of balancing energy sources/energy storage devices to facilitate grid integration of renewable energy sources and associated, in its report submitted in December, 2017, explained in detail the problems associated with integration of renewable energy with the grid and backing down of thermal power in order to purchase RE. The report explained the problems and additional costs associated with adequacy cost, balancing cost and grid integration cost. In a nutshell, the adequacy cost is computed as a differential cost between weighted average RE tariff and the weighted average thermal variable cost. The balancing cost is due to increase in specific coal consumption and increased oil consumption while operating in ramped down condition; and reduced coal plant life, etc., due to frequent ramp up/ramp down or start/stop operations. The grid integration cost is due to the wasted evacuation and network infrastructure created for the < 25% PLF VRE plants. 75% of evacuation infrastructure remains underutilized and the fixed cost is pid unnecessarily by TRANSCO and to PGCIL by way of PoC charges. The TRNSCO charges are not included in the network expenditure. The APDISCOMS, in their counter dated 19.9.2023 in OP No.1-16 of 2019 and OP No.22-26 of 2019, have shown a tentative estimate of grid integration cost of absorbing VRE generation as Rs.2.30 per unit. If such purchases are made from outside the state, there will be additional costs for inter-state transmission charges and transmission losses. Apart from fixed charges for backing down, such additional costs and technical aspects also need to be taken into account when power is permitted to be procured from alternative sources.**

1. **Indiscriminate entering into PPAs by DISCOMs with high-cost and must-run RE units to purchase unwarranted power on long-term basis, even far exceeding their questionable obligations under RPPO, obviously, at the behest of GoAP, and approvals to the same given by successive ERCs have led to under-utilization of generation capacities of APGENCO. It needs no reiteration that, to avoid such a lop-sided situation and to ensure optimum utilization of generation capacities of APGENCO, a prudent mix of power to be in tune with fluctuating demand curve to the extent technically feasible should be ensured. That brings to the fore the role of GoAP and the DISCOMs and the regulatory role of successive ERCs and they cannot absolve themselves of their part of responsibility for this lop-sided situation of availability of abnormal quantum of surplus power and its backing down, on the one hand, and purchasing abnormal quantum of power in the market and through exchanges at higher prices, on the other.**
2. **The valuable piece of advice given by the Hon’ble Commission to APGENCO in its directive No.8 is correct, theoretically. Needless to say, as per the principle of merit order dispatch, plants with highest variable cost are being and to be backed down. Is it possible to sell such surplus power in the market, at least, without no loss, if not profitably? Even making use of PUShP, which is claimed by the MoP, GoI, as one-of-its-kind, to what extent APGENCO/DISCOMs could sell surplus power in the market so far? To what extent the burden of fixed costs being paid for backing down is reduced as a result of selling surplus power in the market so far?**
3. **In response to directive No.9 of the Commission, SPDCL and CPDCL has submitted that** “in real time SLDC control room is issuing backing down instructions to the state thermal generators to their technical minimum up to 55% as specified in IEGC. APGENCO units (RTPP state-1, 2 and 3, NTTPS stage 1,2,3,4) are reducing their generation up to 71.4%. Non-compliance letters are being communicated to the respective generators.” **Which policies and orders are responsible for creating the situation in which APGENCO is being forced to reduce generation of its thermal plants accordingly? The DISCOMs have considered the following allocated availability and required dispatch from the thermal power plants of APGENCO for the year 2024-25:**

**DISCOM Allocated availability MU Required dispatch MU**

**SPDCL 9319.25 8184.32**

**EPDCL 9547.63 8340.62**

**CPDCL 5215.60 4578.02**

1. **One should not forget that APGENCO’s projects are intended to supply power to the APDISCOMs exclusively. As such, that the kind of priority that needs to be given to make optimum utilization of generation capacities of the plants of APGENCO to the extent technically feasible and the steps to be taken to ensure the same are obvious.**
2. **In directive No.11, the Hon’ble Commission has pointed out, inter alia, that** “while backing down approved thermal stations intraday to accommodate short-term purchases from the market, if any, to save the power purchase cost, the technical limits for backing down of the units as specified in the IEGC shall be followed.” **In other words, in the name of saving power purchase cost by purchasing power from the market, not requirement of power to meet fluctuating demand, the DISCOMs are being permitted to back down thermal plants, especially of APGENCO, to the technical limits as specified in the IEGC. Even when APGENCO declares availability of capacity for generating, the DISCOMs can ask it to back down in order to purchase power from the market, in the name of saving power purchase cost, even without the principle of merit order dispatch coming into play. When it comes to saving of power purchase cost, no details are being made public by the DISCOMs and the Commission as to how they are determining that backing down thermal power and purchasing power in the market is resulting in saving the power purchase cost and what are the factors they are taking into account for the purpose.**
3. **In its directive No.15, the Hon’ble Commission has maintained that** “the Commission approves the ceiling rate at Rs.5.31 per unit which is the per unit short-term power purchase price for FY2023-24 fixed by the Commission in this order for three DISCOMS put together. If the weighted average price exceeds the ceiling price in any month, the reasons and justification for such purchases at higher price shall be furnished to the Commission.” **The DISCOMs have replied that** “monthly reports for Exchange transactions, banking transactions and DEEP purchases are being submitted to the Hon'ble APERC by APDISCOMs. The justification for high cost power purchases through exchanges are also being submitted along with monthly reports.” **Except that for meeting demand at particular points of time or season, the DISCOMs have to purchase power in the market at the prevailing rates, due to non-availability of power from plants under PPAs in force, are there any other “reasons and justification” that the DISCOMs are giving for such purchases at higher price? For all practical purposes, fixing of the ceiling price per unit for short-term purchases of power and seeking and getting “reasons and justification” for exceeding the ceiling price are reduced to a hollow formality. It is nothing but giving a free hand to the powers-that-be to purchase any quantum of power, at any price and at any point of time, all under the guise of requirement to meet fluctuating demand. The higher the price of power in the market, the higher is the intensity of irresistible attraction to purchase the same. The deficiencies and inefficiencies in decisions-making and orders that are leading to such a situation, in the first place, are glaring in the face, with no remedial measures being taken to arrest such a trend, especially when purchases of power in the market by the DISCOMs are reaching abnormal levels. Nor is there any attempt on the part of the authorities concerned to prevent need for market purchases of power to a reasonable level, despite umpteen suggestions being made repeatedly over the years from the public side. Our repeated submissions over the years to strictly adhere to the ceiling price being fixed, not to allow purchases in the market exceeding that ceiling price per unit, not average price, and impose power cuts, if necessary, on a rotation basis area-wise to lessen the burdens on consumers continue to fall on the deaf ears of successive Commissions. Imposing higher burdens on consumers of power by purchasing power in the market at higher prices seems to be an indicator of efficiency in performance and allowing the same seems to be an indicator of regulatory efficiency, in the eyes of the authorities concerned. Creating a situation of need for purchasing abnormal quantum of power in the market at higher prices has been going on as a continuous trend every year, without any accountability on the part of the authorities concerned at the central and state levels.**
4. **In directive No.12, the Hon’ble Commission has stated that,** “since the Commission has limited the energy availability from some stations up to the normative value only, the incentive proposed by the DISCOMS for availability/despatch from the station beyond the norm in the form of other costs is not permitted. However, the DISCOMs are permitted to pay the incentive amounts to the generators based on their performance as per the terms & conditions of PPA and claim the same in the True up/down. The Commission has also not approved the other costs in respect of CGSs, the same may be claimed on an actual payment basis in the True-up/down claims as per regulations.” **The DISCOMs have replied that** these additional costs are being claimed in the true-up/down on actual payment basis for the respective months accordingly.” **The DISCOMs have explained in the subject petitions that, in addition to fixed costs and variable costs, the following charges are also being paid to the central generating stations:**

“1. Incentive charges for energy scheduled above normative PLF% (peak and off-peak)

2. RSD compensation for station heat rate degradation

3. Charges for tariff orders and other related orders filings and publication expenses

4. Deferred tax liability

5. FERV charges

6. Wage revisions and interest on wage revisions (as and when claimed)

7. Ash transportation charges and interest on ash charges (if any)

8. Revision of VC rates due to revisions in station heat rate/secondary fuel consumptions. 9. Revision of Fixed cost/Capacity charges due to tariff orders/true-up orders issued.

10. SRLDC charges for that generator pertaining to AP share.

 As and when a claim is made by generator, it is thoroughly examined before admitting and the same is claimed under concerned heads in FPPCA.”

 **It shows how the regulatory process of CERC is ensuring arbitrarily all benefits to CGSs and risks and burdens to the DISCOMs and their consumers. What kind of role APDISCOMs are playing to protect their interests, which, in effect, mean interests of their consumers, during the public hearings on the PPAs they had with CGSs is not known. Whether the factors that lead to increase in variable cost are considered for the purpose of applying the principle of merit order dispatch and backing down is not known. What is clear is that the DISCOMs are claiming true-up of the impact of all these factors as and when they come into play in the concerned heads in FPPPA and APERC is allowing the same.**

1. **In directive No.13, the Hon’ble Commission has stated that** “the Commission has finalized the energy availability of APGENCO, SDSTPS, and HNPCL thermal stations based on the actual performance for the last three years and accordingly, it has reduced the fixed costs proportionately corresponding to the capacity approved in the present order. However, the DISCOMS shall pay the fixed costs based on the actual availability during the month or the availability approved in this order subject to limiting the same to normative value every month and for the year as a whole. In respect of the plants whose availability is considered at normative value, the fixed charges approved in this order are payable provided, they achieve the normative availability/capacity index at the end of the year as specified in the relevant Regulations/orders.” **The DISCOMs have replied that they are** admitting the energy bills of APGENCO and APPDCL based on the actual availability during the month (fixed charges) as per the directions issued in the RSTO for 2023-24. **The DISCOMs have not explained their response in relation to HNPCL**. **Secondly,** **the approach of the Commission in finalizing the energy availability of APGENCO, SDSTPS and HNPCL thermal stations based on the actual performance for the last three years leads to imposition of true-up burdens on consumers, when actual availability of generation exceeds the limits fixed by the Commission and when the additional availability is backed down. Hence, availability of generation capacity of all power plants needs to be considered at normative level as incorporated in their respective PPAs so that fixed charges can be paid as per actual availability of generation capacity declared by the plants concerned, without any need to claim it under true-up. Moreover, it will have a bearing on assessment of availability of power and need for additional purchases in the market, if any, to meet fluctuating demand and plan for the same.**
2. **The electrical accidents in the areas of the three DISCOMs are showing an increasing trend, mostly not due to the faults of the department, as per the information submitted by them. While SPDCL has shown that, during 2022-23, a total ex-gratia of Rs.4.978 crore was paid in all the 175 cases, during the 1st half of the current financial year against 119 accidents, ex-gratia of Rs. 91.72 lakh was paid in 33 cases only. EPDCL paid ex-gratia of Rs.2.70 crore in 50 cases against 142 accidents during 2022-23 and Rs.1.15 crore in 22 cases against 73 accidents during the first half of the current financial year. CPDCL paid ex-gratia of Rs.2.786 crore in 92 cases against 169 accidents during 2022-23 and Rs.52 lakh in 41 cases against 56 accidents during the first half of the current financial year. The trend underlines the need for continuing to take effective steps by the DISCOMs pertaining to not only their networks, but also periodical check up of the arrangements in the premises and agricultural lands being cultivated under pump sets of their consumers and taking corrective steps to prevent electrical accidents. Based on long experience and the causes of electrical accidents, what preventive measures need to be taken are well known to the DISCOMs. It is gratifying to note that the Hon’ble Commission has issued regulation No.09 of 2023 wherein it is directed that “even in cases where there is no wrongful act, omission, rashness, neglect or default on the part of the licensee, and irrespective of the place of the electrical accident, the ex gratia payment shall be made in the manner specified under Chapter-III of the Principal Regulation.” On compassionate and humanitarian grounds, the Hon’ble Commission has taken this right decision, considering and concurring with the view expressed by Lokayukta of Andhra Pradesh in a case in October 2022, that the principle of the doctrine of strict liability imposes liability on a person undertaking an activity involving hazardous or risky exposure to human life to compensate for the injury suffered by any other person, irrespective of any negligence or carelessness on the part of that person and even if measures to prevent mishaps have been adopted. However, in the regulation, the Hon’ble Commission has allowed as pass-through the entire expenditure incurred by the DISCOMs for paying ex-gratia in cases of electrical accidents. Allowing such payment of ex-gratia paid by the DISCOMs as pass-through to be collected from all their consumers by including the same in their ARR or under true-up is misplaced, as it would be tantamount to shifting the said liability of the DISCOM concerned to all its consumers. Such a stance, in practice, absolves the DISCOMs of their responsibility and liability. The successive Commissions continue to disagree with such a view expressed earlier during public hearings. Going by the hefty ARR, FPPCA, true-up and other charges being allowed by the Commission to be collected by the DISCOMs from their consumers, the ex-gratia being paid in cases of electrical accidents may be insignificant. Similarly, it should not be difficult to the DISCOMs to bear such an amount from their profits for paying ex-gratia in cases of electrical accidents. It is a matter of principle, as similar misplaced stand is being taken in some other issues also - in imposing the burdens of incentives, concessions, facilities, etc., extended to open access RE generators on the consumers of power of the DISCOMs, in the methodology being adopted for calculating true-up of additional subsidy to be provided by the government for additional supply of power made to LT agricultural consumers, imposing a part of the expenditures being incurred for some of schemes specifically for selected consumers on all the consumers of the DISCOMs, in working out true-up amount per unit uniformly, not proportionate to the tariffs applicable to different categories of consumers, determining irrational and inflated generic tariffs for RE, a number of partisan and irrational terms being approved in PPAs, etc. - which we have been articulating in detail during various public hearings conducted by successive Commissions over the years but to no avail.**
3. **The Hon’ble Commission has rightly rejected O.P.No.81 of 2023 filed by APEPDCL, requesting the Commission** to consider and approve the procedure on Prepaid Smart metering; to allow the DISCOM to follow Standard Bid Document issued by Government of India; and to pass such an order as the Hon’ble Commission may deem fit and proper in the facts and circumstances explained**. In its order dated 27.12.2023, the Hon’ble Commission has made it clear that** the Petition is wholly misconceived and that the DISCOM is entitled to approach this Commission through the normal procedure which falls in the realm of the Commission’s regulatory jurisdiction and not adjudicatory jurisdiction. **Here, the Hon’ble Commission has confined its consideration to procedural part in terms of legal provisions, without going into the merits or otherwise of the prayers of the DISCOM. If the prayers of the DISCOM fall in the realm of the regulatory jurisdiction of the Commission, it is for the latter to consider holding a public hearing on such issues, as they have a bearing on the interests and rights of the consumers of power at large. As such, there is a conflict of interest between the DISCOMs and their consumers of power. Therefore, in such issues, the scope of regulatory jurisdiction of the Commission, as well as its regulatory process, cannot be confined to the petitioner and the Commission alone. As responded by the Hon’ble Commission in the RSTOs for the last and current financial years, in response to the points raised by us on fixing smart meters to agricultural services and pre-paid meters to non-agricultural services and procedure being adopted for purchase of these meters, approvals of the Commission are given to APSPDCL, without holding any public hearings and without even making the applications of the DISCOM and approvals given by the Commission public. We once again request the Hon’ble Commission to hold public hearings on the issues of purchases of smart and pre-paid meters, their installation to agricultural and non-agricultural service connections, respectively, and the procedure the DISCOMs propose to adopt for pre-paid metering to ensure observance of the cardinal principles of transparency, accountability and public participation in its regulatory process. We can make detailed submissions on these issues as and when the Hon’ble Commission holds public hearings on the same after studying the petitions of the DISCOMs.**
4. **We request the Hon’ble Commission to take the above-mentioned points, in addition to our earlier submissions on the subject issues, among others, into consideration and take appropriate decisions.**

**Thanking you,**

 **Yours sincerely,**

 **M. Venugopala Rao**

 **Senior Journalist & Convener, Centre for Power Studies**

 **H.No.1-100/MP/101, Monarch Prestige, Journalists’ Colony,**

 **Serilingampally Mandal , Hyderabad - 500 032**

**Copy to :**

 **1. CGM (RAC & IPC), APSPDCL**

 **2. CGM (Projects), APCPDCL**

 **3. CGM (PP, RAC & Solar Energy), APEPDCL**