COMMUNIST PARTY OF INDIA (MARXIST)

ANDHRA PRADESH COMMITTEE

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Vijayawada,
Date: 23rd December, 2023.

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

Sub : 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.

Respected Sir,

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

1. The Hon'ble Commission has proposed to conduct public hearings on the subject petitions of the DISCOMS, their petitions for MYT for distribution business, and of APTRANSCO and SLDC for the 5th control period together for three days from 29th to 31st January, 2024, extending it by one more day, if necessary. The financial impact of MYTs for the first FY of the 5th control period and true-up/true-down for the 4th control period needs to be factored in the RSTO for the year 2024-25. As such, public hearings should be conducted separately for MYTs well before considering and finalising ARR and tariffs of the DISCOMs for the FY 2024-25. It is elementary that in order to facilitate such factoring, the licensees and SLDC should have submitted their true-up/true-down petitions for the 4th control period and MYT petitions for the 5th control period sufficiently in advance before submitting their ARR and tariff proposals for the next financial year. The Hon'ble Commission should have directed them accordingly and taken up those petitions well in advance for public hearing and issuing orders. However, public notices, inviting objections and suggestions on ARR and tariff proposals for 2024-25, MYT petitions for 5th control period for distribution business, and for transmission business and SLDC, without petitions for true-up/true-down for the 4th control period, are issued on the 10th and 11th of December, 2023, respectively. The last date for filing submissions on all these petitions is fixed as the 8th January, 2024. Needless to say, for any serious study of all these petitions in eight volumes, analysis of the contents therein and preparation of reasoned submissions, a period of just a little less than one month is insufficient. As the Hon'ble Commission and the

licensees are fully aware, public hearings are being conducted for three consecutive days on ARR and tariff proposals every year. Holding public hearings simultaneously for ARR and tariff proposals for 2024-25 and the said MYT petitions during the same three days, i.e., from 29th to 31st January, 2024, would force serious objectors to make their submissions on eight petitions at a time, taking considerably longer time than what is required for making submissions on ARR petitions alone. Extension of public hearings by one more day, as proposed by the Hon'ble Commission, may not be sufficient. Knowing full well the practice of submitting petitions and conducting public hearings on all these issues - ARR, MYT for distribution business and MYT for transmission business and SLDC – separately, not simultaneously, and time required for submissions of interested public and holding public hearings and issuing orders by the Hon'ble Commission, the DISCOMs, TRANSCO and SLDC have submitted all these petitions simultaneously based on applicable regulations. Similarly, another pubic notice is published on 18,11,2023, inviting suggestions and objections on the MYT petition of APGENCO in two volumes for the 5th control period, giving time for filing submissions up to 18.1.2023. Whatever be the intention in doing so, it will deny sufficient time to make a serious study and analysis of all these petitions and prepare reasoned submissions within the time limits fixed by the Commission. This kind of coincidence may be quinquennial. Considering all these petitions and issuing orders in time so that they come into force from the 1st April, 2024, is a stupendous task for the Hon'ble Commission also. In view of that requirement, it may be irksome to give sufficient gap for filing submissions and holding public hearings on each set of petitions now. Nevertheless, we request the Hon'ble Commission to hold public hearings on ARR and tariff proposal for 2024-25 from the 29th to 31st January, on MYT petitions for distribution business on the 1st February, and on MYT petitions for transmission business and SLDC on 2nd February or any other day the Commission feels is convenient. I request the Hon'ble Commission to re-examine and amend the applicable regulations in such a way that sufficient gap is provided for filing submissions by interested public and holding public hearings, both physically and in virtual mode, and factoring of MYT in annual ARR and tariffs of the DISCOMs, in future.

2. In their ARR petitions, the three APDISCOMs have projected a total revenue gap of Rs.13887.28 crore for the year 2024-25 as hereunder:

SPDCL	Rs.7683.49 crore
EPDCL	Rs.3207.26 crore
CPDCL	Rs.2996,53 crore

This is after taking into account the revenue that would accrue to them on account of increase in tariffs and withdrawing of discount to some categories of consumers to the tune of Rs.251.33 crore - Rs.100.16 crore for SPDCL, Rs.50.73 crore for CPDCL and Rs.100.44 crore for EPDCL - besides revenue that would accrue to them as per current tariffs, non-tariff income, etc. The DISCOMs have proposed creation of a separate sub-category in HT III (c) for energy intensive industries for solar PV module manufacturing industry, withdrawal of 10% discount in tariff being given to station maintenance under HT-II(C), increase of tariff to Railway traction under HT-IV(D) by Re/1/- per unit and increasing green energy tariff premium from

Re.0.75 to Re.1.0 per unit. That the DISCOMs have not proposed any tariff hike for other categories of consumers is welcome. However, the DISCOMs have continued to claim that there is no revenue deficit or surplus as per the whimsical directions in Go.Rt.No.161 dated 15.11.2021 and avoided to give their proposals to bridge the huge revenue gap, indicating, by implication, that there are no other avenues for them to bridge the projected revenue gap except subsidy the GoAP agrees to provide.

3. Going by the ARR petitions filed by the DISCOMs, there is no uniformity in giving details pertaining to their performance during 2022-23 and 2023-24. Apart from the details given or not given by the DISCOMs, their filings running into 191 pages by EPDCL, 137 pages by SPDCL and 156 pages by CPDCL indicate comparative deficiencies. Several formats are left simply blank. While uncertainty on bridging the projected revenue gap for 2024-25 continues, burdens in the form of fuel and power purchase cost adjustment (FPPCA) charges are being imposed on the consumers for the current financial year @ Re.0.40 per unit per month, with the Commission giving approval to DISCOMs to collect the same without its prior approval and holding of public hearings. APEPDCL has shown that under FPPCA it has collected Rs.576.2631 crore against Rs.1664.0726 crore for the first six months of 2023-24, with a balance of Rs.1087.8095 crore remaining. For the second half of the current financial year, it has estimated that it has to collect Rs.538.32 crore under FPPCA @ Re.0.40 per unit per month. The other two DISCOMs have not given details of amounts collected and to be collected under FPPCA @ Re.0.40 per unit during the FY 2023-24.

4. For FY 2022-23, EPDCL has filed claims of true-up under FPPCA to the tune of Rs.3547.31 crore, while CPDCL has filed its claims for Rs.1295.86 crore. SPDCL has not given any details of filing true-up claims accordingly, even while showing a net revenue gap of Rs.2291.74 crore for 2022-23. However, it is reliably confirmed that for FY 2022-23, the APDISCOMs have filed their true-up claims under FPPCA to the tune of Rs.7200 crore more than four months back. Going by that, the true-up claims of SPDCL would work out to Rs.4843 crore. A hefty amount of Rs.1234 crore the DISCOMs paid to HNPCL at the behest of the GoAP, violating the stipulations imposed by the Commission in its order on final tariff for power to be generated and supplied by the Hinduja project in Visakhapatnam, also must have been included in the true-up claims under FPPCA. When we raised this issue repeatedly during public hearings on ARR, the Commission took the stand that it would consider the issue when it comes before it. The Hon'ble Commission has not yet taken up these true-up claims for its consideration and public hearing.

5. For the FY 2023-24, while EPDCL has shown a revised revenue gap of Rs.2629.26 crore, SPDCL and CPDCL have shown revenue gap of Rs.2291.74 crore and Rs. 1295.86 crore, respectively. Whether the projected revenue gaps are inclusive or exclusive of FPPCA amounts being and to be collected @ Re,0.40 per unit every month during the current financial year needs to be clarified by the DISCOMs. Excluding amounts collected under FPPCA, without prior approval of the Commission, the balance amount would be considered for true-up during the next financial year.

6. For distribution business during the 4th control period, CPDCL has shown a sum of RS.402.05 Crore towards true down for the three years from 2020-21 to 2022-23. SPDCL has shown a sum of Rs.310.04 crore for true-up for 2022-23. EPDCL has not shown any such details. The DISCOMs have to show true-up/true-down claims for their distribution business for the 4th control period.

7. For the year 2024-25, the three DISCOMs have shown energy availability, requirement and surplus in MU as hereunder:

DISCOM	AVAILABILITY	REQUIREMENT	SURPLUS
SPDCL	34242.54	32167	2075.54
EPDCL	35108.32	32945.65	2162.67
CPDCL	19157.54	18005.48	1152.06
TOTAL	88507.20	83117.65	5389.55

Against the projected surplus of 5389.55 MU, the DISCOMs have not proposed any sale of power and its projected cost. The DISCOMs have explained that "when there is surplus power available, the same can be sold if the price in the market at that point of time would cover up the cost of generation of power with some margin. Other wise, it is better not to generate and backdown the plant. In the instances of deficit power, the same needs to be procured at the prevailing market conditions." Experience confirms that the DISCOMs have not been able to sell surplus power, which is invariably with highest variable cost, over the years. On the contrary, they have projected need for short-term purchase to the tune of 421.09 MU for 2024-25. While SPDCL and EPDCL have shown a variable cost of Rs.5.16 per unit for short-term purchases, EPDCL has projected Rs.4.88 per unit. Since the DISCOMs have not projected any sale of surplus power, by implication, they would back down the projected surplus and pay fixed charges therefor. With substantial variation in the projected costs of short-term purchases for 2024-25, the basis for the projected costs per unit and variations between those costs per unit projected need to be explained by the DISCOMs. Since the DISCOMs are not showing payment of fixed charges separately for the power to be backed down, it implies that they have factored the fixed charges to be paid for backing down in the fixed charges projected to be paid for power purchase projected by them. This practice is objectionable. They should show fixed costs to be paid for backing down the projected surplus power. Despite projection, materialisation of the surplus power may vary and as such, backing down it and paying fixed charges for the same may vary. Therefore, based on actual surplus power and its backing down only, the DISCOMs have to pay fixed charges, but not factor fixed charges for backing down in advance in their projections of power purchase cost during 2024-25. Similarly, projection of payment of fixed charges proportionate to actual declaration of availability of power should be shown.

8. For the year 2023-24, the DISCOMs have estimated short-term purchases and their costs as hereunder:

	Purchases MU	Total amount Rs.crore	Average cost Rs. per unit
SPDCL	2118.77		
EPDCL	2596.30	2609.06	8.02
CPDCL	1506.37	1207.78	8.01
TOTL	6221.44		

SPDCL has not given the projected total cost for short-term purchases and the average cost per unit.

9. The average cost of service and revised CoS for the year 2023-24 and projected CoS for 2024-25 the DISCOMs have shown as hereunder (Rs. per unit):

	Approved	Estimated for 2023-24	Projected for 2024-25
SPDCL	7.53	8.29	7.07
EPDCL	6.81	7.72	7.09
CPDCL		8.52	7.86

Compared to the average costs of service approved by the Commission for 2023-24, the revised costs are higher mainly due to short-term purchases to the tune of 6221 MU at an average cost of Rs.8.01 per unit. Compared to the estimated (revised) costs of service for 2023-24, the projected costs of service for 2024-25 are lesser, but higher than the costs of service originally approved by the Commission for 2023-24. Compared to the huge quantum of short-term purchase of power of 6221 MU for 2023-24, the projected short-term purchase of 421 MU naturally leads to projection of relatively lesser cost of service. Against the projected availability of surplus power for 2023-24 of 12792 MU, the DISCOMs have revised short-term purchases to an abnormal quantum of 6221 MU. Now, against the projected availability of surplus power of 5389.55 MU for 2024-25, the DISCOMs have projected requirement of short-term purchases of just 421 MU. Going by the current FY's trend, if short-term purchases

increase abnormally for 2024-25, power purchase costs, costs of service and revenue gaps of the DISCOMs would follow suit, leading to collection of Re.0.40 per unit per month under FPPCA and further true-up claims for the same FY later.

10. The three DISCOMS have shown subsidy due up to September, 2023, from the GoAP as hereunder :

    SPDCL Rs.15802.37 crore
    EPDCL Rs. 3856.56 crore
    CPDCL Rs.2575.67 crore

    TOTAL Rs.22,234.60 crore

We once against request the Hon'ble Commission to get commitment of GoAP on providing subsidy in a legally binding and irrevocable way, with a stipulation that, for delay in providing the agreed subsidy in time, it should also pay reasonable interest to the DISCOMS for period delayed. Otherwise, the DISCOMs have to take loans for working capital and bear the burden of interest thereon and incur losses. If the burden of interest on working capital is allowed as pass through to be collected the consumers, it would be tantamount to penalising them for the failure of commission or omission of the GoAP.

11. The DISCOMs have shown arrears of consumers over Rs.50,000/- as on 30.9.2023 as hereunder:

APEPDCL Rs.3237.32 crore

APCPDCL Rs.1295.51 crore

These arrears are nearly three times higher than the arrears involved in the cases pending in courts of law, as shown by the two DISCOMs. SPDCL has stated that details of such arrears are displayed in its website, as if such details need not be incorporated in their ARR filings, as if the Commission and interested public were to search for such information in the DISCOM's website and as if such details of the other two DISCOMs were not available in their websites. The DISCOMs have not explained the reasons for not collecting arrears, excluding those involved in court cases, from the consumers and the efforts being made by them to collect the same.

12. What are the accumulated dues the DISCOMs have to pay to generation companies under PPAs in force for supply of power? What are the dues of accumulated short-term loans the DISCOMs have taken? A number of cases filed by private generators, seeking payment of dues for the supply of power they made to the DISCOMs, with penalty as per the terms and conditions in the PPAs, are going on. On several occasions, the Hon'ble Commission has been expressing concern for the financial distress of the DISCOMs and persuading the petitioners to give up their claims for interest on dues. The stated purpose of allowing the DISCOMs to collect a maximum of Re.0.40 per unit every month under FPPCA, without the prior consent of the Commission, is to improve the financial position of the DISCOMs. When such is the position, there does not to be any justification in not taking up the petitions filed several months back by the DISCOMs relating to their claims for true-up under FPPCA for 2022-23 for consideration, public hearing and issuing its orders by the Hon'ble Commission. Delaying this process is not in the interest of either the DISCOMs or the consumers. It goes against the spirit, not procedure being adopted, behind FPPCA. Avoidable delay in completing the regulatory process would affect the interest of the DISCOMs and consumers, if carrying cost is imposed on the consumers from the date of filing the petitions for these true-up claims and interests of the DISCOMS, if carrying cost is allowed from the date of issuing orders by the Commission. Accumulation of several true-up claims and allowing them within a short period or a year would lead to imposition of accumulated burdens on the consumers simultaneously. In the pre-election period, if orders on true-up claims for such a huge amount are issued, and if the GoAP does not agree to bear that burden by providing required subsidy, it would lead to resentment of the consumers at large and may affect electoral prospects of the party-in-power. Before the Hon'ble Commission completes its regulatory process on true-up claims and ARR and tariff proposals of the DISCOMs, if election schedule for the legislative Assembly and/or the Lok Sabha is announced and election code of conduct comes into force, issuance of orders of the Commission may be delayed. What kind of decisions GoAP would take in the pre-election period or post-election period is anybody's guess. Likely electoral prospects of the party-in-power seem to have overtaken need for issuing orders in time on true-up claims of the DISCOMs and their financial distress.

13. In addition to the continuing burdens of tariff hike for 2023-24 and FPPCA being collected every month, the following additional burdens, among others, are in store for the consumers of power during 2024-25:

a) Impact, directly and indirectly, of tariff hike and withdrawing of incentive to the proposed categories

b) True-up claims for retail supply business of the DISCOMs for 2022-23

c) True-up claims under FPPCA for 2023-24

d) Accumulated true-up claims of DISCOMs for their distribution business for the 4th control period, i.e., for a period of five years ending 2023-24

e) True-up claims of APTRANSCO and SLDC for the 4th control period.

f) Collection of FPPCA @ Re.0.40 per unit per month during 2024-25

g) If need for market purchases of power and the prices projected by the DISCOMs for the same during 2024-25 turns out to be much higher, as has been the case in 2023-24, additional burdens on consumers would increase.

h) The DISCOMs have informed that, in addition to fixed charges and variable charges, they are paying ten types of charges additionally to the central generating stations. As and when such charges are claimed by the CGSs and admitted by the DISCOMs, the latter have pointed out that they are being claimed by them under concerned heads in FPPCA.

i) Depending on the decision GoAP would take, in the pre-election or post-election period, on providing subsidy for 2024-25 to bridge the revenue gap to be determined by the Commission, the impact of additional burden on consumers would be known.

j) A spree of anti-consumer directions being issued by the GoI and increase in burdens in various forms relating to factors showing impact on power tariffs would lead to higher revenue requirement by the DISCOMs and the resultant revenue gap would lead to imposition of additional burdens on the consumers.

14. EPDCL has explained that in G.O.Ms.No.112 dated 9.1.2023, that GoAP directed for creation of a separate sub-category under HT-III(C)(b) and under G.O.Ms.No.66 dated 15.9.2022 to extend power incentives to vertically integrated PV Solar modules manufacturing facilities allocated under PLO at a fixed tariff of Rs.4/- per unit on the power consumed from the DISCOMs. How many such units are in Andhra Pradesh and what is their contracted capacity for power and how much power they consume per annum? What is the cost of service for the new category to be created? What would be the requirement of subsidy to extend the proposed "power incentives" to those manufacturing units? Has the GoAP proposed in the respective G.Os. that it would provide subsidy required for the proposed "power incentives"?

15. The DISCOMs have proposed that the additional load may be arrived based on the RMD, instead of the sanctioned contracted load for all categories, except agriculture. They have stated that they have filed petitions before the Commission, seeking its approval for procedure for pre-paid meters, along with tariff determination to be followed by them. Since such arrangements are linked with tariff determination, the DISCOMs should have included their petitions in the ARR proposals. Or, the Commission should have made them public, inviting suggestions, objections and comments from the consumers, for holding public hearings on the same. Earlier, the Hon'ble Commission pointed out that "APSPDCL has already approached the Commission for approval of the investment proposal to provide smart meters for all the agriculture services in its area. The Commission has examined the proposal in depth and identified certain short falls in the implementation of the scheme like whether the smart meter technology is mature enough for wider deployment, recent news on the technical problems experienced with the integration of smart meters, etc., and accordingly sought some clarifications from APSPDCL and directed it not to proceed further meanwhile" (pp 244-245 : RSTO for 2022-23). This was in response to objections raised on the issue during public hearings on the ARR and tariff proposals of the DISCOMs for the year 2022-23. What has happened subsequently is not made public. During the public hearings on the ARR and tariff proposals of AP DISCOMs we have raised detailed and serious objections to the initiatives of the GoAP and DISCOMs, at the behest of the GoI, for installing meters to agricultural services and pre-paid smart meters to other categories of consumers. The Hon'ble Commission has pointed out that "with regards to the concerns raised by one of the stakeholders on investments being made by the DISCOMS under RDSS and cost of material procurement, as the objection was received by the Commission after the due date specified for calling objections on the filings, the DISCOMs's views could not be received. After careful examination, the Commission approved RDSS Schemes with necessary modifications" (page 122 of RSTO for 2023-24). What are the proposals of the DISCOMs to the Hon'ble Commission and what "necessary modifications" the latter has made are not made public.

16. Regarding purchase of pre-paid meters, the DISCOMs have maintained, in their replies given to our submissions on long-term load forecast, procurement plan, etc., for the 5th and 6th control periods, that the Hon'ble judge of judicial preview has issued proceedings duly considering the objections and suggestions from the public and prospective bidders. The so-called judicial preview cannot sanctify the bidding process. A.P. Green Energy Corporation Ltd. went through the same judicial preview process when it floated tenders for 6400 MW of solar power. The Hon'ble High Court set aside that bidding process on the grounds raised by another private corporate house. On the direction of the GoAP, APGECL withdrew its appeal before the division bench of the High Court, may be, due to the apprehension that the appeal would be set aside. It shows how ineffective the so-called judicial preview was. When Hon'ble APERC is the appropriate authority for seeking approval for any changes in the process of bidding and its terms and conditions, the arrangement of so-called judicial preview, bypassing the Hon'ble Commission, is questionable and superfluous. The so-called judicial preview cannot come in the way of the Hon'ble Commission for exercising its legitimate authority to examine the whole issue of purchasing pre-paid meters

thoroughly, making the details public, holding public hearings on the same and taking appropriate decisions and issuing directions.

17. APSPDCL has informed that for 11 lakh agriculture services under the direct benefit transfer (DBT) scheme, the GoAP has accorded administrative sanction for Rs.3369 crore on 5.12.2022. After floating open tenders on 22.12.2022, the GoAP has revised the administrative sanction to Rs.4068.08 crore for the same scheme on 21.6.2023. SPDCL has informed that it concluded agreements for AMISP (Advanced metering infrastructure service provider – smart metering works) under RDSS for supply, configuration and integration of smart meters with operation and maintenance period of 93 months. Pre-paid smart meters will be fixed for Govt. Services, commercial, industrial and domestic service connections in a phased manner under RDSS scheme accordingly, it has explained. Similarly, APCPDCL has informed that for 5 lakh agriculture services under DBT scheme, the GoP has accorded administrative sanction for Rs.1531.36 crore on 5.12.2022 and revised it to Rs.1864.54 crore on 21.6.2023, i..e, enhanced by Rs.333.18 crore, i.e., by 21.75%. In its replies to our submissions, APEPDCL has informed that for 2.58 lakh agricultural pump sets, GoAP has accorded administrative sanction on 5.12.2022, but it has avoided to reveal the amount for which the said sanction is accorded. GoAP has accorded revised administrative sanction on 21.6.2023 for a sum of RS.956.41 crore for the same. The DISCOMs have not explained as to what warranted revision of the administrative sanction to enhance it by Rs.699.08 crore, i.e., by 20.75%, in the case of SPDCL and by Rs.333.18 crore, i.e., by 21.75%, in the case of CPDCL within a span of six months. EPDCL has to reveal the amount for which the first administrative sanction was accorded by the GoAP.

18. Neither the governments, nor the Central Electricity Authority, nor the DISCOMs, nor ERCs have any power to direct installation of pre-paid meters, without willingness of the consumers concerned to take the same. Section 47(5) of the Electricity Act, 2003, says, "A distribution licensee shall not be entitled to require security in pursuance of clause (a) of sub-section (1) if the person requiring the supply is prepared to take the supply through a pre-payment meter." Directions or orders of the authorities cannot override the applicable law. When the Hon'ble Commission had given its approval to the DISCOMs for procurement of pre-paid meters, was it given with any conditions? If consumers do not opt for pre-paid meters, what will the DISCOMs do with the pre-paid meters purchased by them? EPDCL has replied that the cost to be collected from the consumers will be determined by the Hon'ble Commission on submission of proposal of meters, implying that no such proposal was submitted by the DISCOMs and that the Commission had given its approval for procurement of pre-paid meters and related materials without considering that point. CMD of APCPDCL has reportedly said that a charge of Rs.86 per month for 93 months would be collected from each consumer for installing these meters (The Hindu: August 26, 2023).

19. The DISCOMs have been failing in disconnecting services of offices of the government, its instrumentalities and local bodies, when they fail to pay power bills promptly under the post-paid arrangement, despite the directions given by the Hon'ble Commission to disconnect service connections of such defaulters. Are the DISCOMs stopping supply of power to the consumers to whose service connections pre-paid

meters are installed, especially offices of the government, its instrumentalities and local bodies, if they do not make further pre-payment after the earlier balance exhausts? Have the DSCOMs collected the accumulated dues pending from such consumers?

20. As per the information furnished by the DISCOMs, only three companies -1. Shirdi Sai Electricals, Ltd., YSR Kadapa district, 2 Genus Power Solutions Private Ltd., Noida, UP, and 3.Adani Transmission Ltd., Ahmedabad, Gujarat, participated in the bidding for supply of pre-paid and other smart meters. They have not furnished the information as to how many companies participated in the pre-bid meetings. As per information furnished by EPDCL, Only Shirdi Sai and Adani were qualified in the technical bid opened on 17.1.2023. In the price bid opened on 28.2.2023, Adani Transmission emerged L-1 bid quoting a contract value of Rs.1807.009 crore. After reverse bidding, Adani quoted Rs.1526.92 crore and after negotiations, the contract value was Rs.1045.34 crore. In other words, Adani reduced the contracted value by Rs.761.669 crore compared to the amount quoted in the price bid, i.e., reduced it by 41.15%.

21. As per the information furnished by APSPDCL, Adani quoted Rs.2288.25 crore in the price bid. After reverse tendering, it quoted Rs.1990.78 crore. After negotiations, contracted value was Rs.1386.93 crore. In other words, Adani reduced the contracted value by Rs.901.32 crore compared to the amount quoted in the price bid, i.e., reduced it by 45.27%.

22. APCPDCL has not provided details of price bid values, values after reverse tendering and values for which contract was awarded. It has simply sent cost analysis report of a private consultant. Neither the DISCOMs, nor the reports of their private consultant, have made it clear whether the contracts for purchase of pre-paid meters and their maintenance are already awarded or not and if awarded at what price per meter for each category of meter and annual maintenance charges per meter.

23. The above details show how exorbitant the contract values quoted by Adani in the price bids are. They also indicate that the awarded contract value includes profit. By implication, it is evident that Shirdi Sai quoted contract values in the price bids more than what were quoted by Adani. It indicates that the bidding process was manipulated to show apparently that there was competitive bidding and that the DISCOMs negotiated efficiently to get the quoted contract value reduced by 41.15% by L-1 bidder. In the process a crony capitalist group is favoured.

24. The reports of cost analysis made by a private consultant "Advisor" engaged by the DISCOMs show that a number of companies participated in the biddings relating to purchase of pre-paid meters by several other states. They are : Apraava Energy Private Limited, Genus Power Infra Limited, Hi-Print Metering Solutions Pvt. Ltd. (Genus), Adani Transmission Limited, Intellismart Infra Private Limited, Tata Power Company Limited, GMR Mining & Energy Private Limited, NCC Ltd., and Secure Meters. Shirdi Sai Electricals Ltd. did not figure in the list of companies who participated in the biddings floated by other states. It can be presumed that Shirdi Sai is not a serious bidder in the tenders floated by AP DISCOMs in view of the fact that it must have quoted

much higher contract value exceeding the very high contract value quoted by L I in the price bid. That Shirdi Sai did not participate in reverse tendering and later in negotiations with the DISCOMs underlines need for examining what those terms and conditions were. Even if they participated, those details are not furnished by the DISCOMs. It is intriguing as to why only three companies participated in the bidding floated by AP DISCOMs. What were the terms and conditions for bidding that went through the so-called judicial preview and whether any changes have been made later before floating the tenders need to be examined. That several other companies in the country did not participate in the bidding indicates that the terms and conditions and the process of bidding were skewed to avoid their participation. Or, is it that the situation in the state is not conducive in politico-corporate-bureaucratic terms to other companies to participate in the bidding, but conducive only to crony capitalists being pampered by the governments at the centre and in the state? Needless to say that terms and conditions of bidding should give scope for wider participation of bidders in the country to ensure real competition and the benefit of competitive prices and charges.

25. The total consumers in the state are 1,96,78,976, as per the information furnished by the DISCOMs. Under phases I and II, the DISCOMs are installing pre-paid meters to 38,63,537 service connections. As per the report of the private consultant, the weighted average cost of pre-paid meters in A.P. works out to R.13,578 to Rs14319, whereas the same works out for other states to Rs.12047 to Rs.12713. Prices worked out under three methods are different. Going by the three methods based on which the prices are worked out in the said report are higher than the weighted average cost discovered in other states. What are the rates for which the DISCOMs are awarding the contract is not mentioned specifically.

26. The charges for maintenance per meter per month are higher. No comparison with the present expenditure for maintenance of post-paid meters is shown. Under the present post-paid arrangement, meter reading is being taken every month and bills are being issued. For D-list operations, that is, disconnecting service connections for delay in paying bills and reconnecting them, the DISCOMs have been collecting applicable charges from the consumers. Therefore, under the pre-paid system, the question of saving to the DISCOMs does not arise, because the DSCOMs are not bearing any expenditure, excepting collecting charges applicable from the consumers. Under the post-paid arrangement, the DISCOMs are collecting security deposits from the consumers equivalent to billing for two to three months and collecting additional security deposit as and when the consumption exceeds the contracted capacity. At the same time, interest on security deposits is being paid to consumers. The assumption that under the pre-paid arrangement, there will be saving of interest to the DISCOMs implies that no interest will be paid to the consumers for the amounts pre-paid, while the DISCOMs get rebate for paying bills before due date to generators for power supplied. Under the prepaid arrangement, the DISCOMs get benefit at the cost of consumers. The grant being given by the GoI under RDSS for installing pre-paid meters is a one-time affair. After useful life span of the pre-paid meters expires, apart from bearing higher burden for their maintenance during the proposed 93 months, the consumers will be compelled to bear repetitive burdens for replacing old meters with new meters periodically. The proposed pre-paid arrangement would impose additional

burdens on the consumers. Regarding computation of corporate overheads, installation charges and O&M expenses to be paid to AMISP, it is made clear in the report of the private consultant that "while the actual compensation for the above may vary across the levels, we have considered only allocated cost for computations." In other words, the maintenance charges estimated are not final and may increase further.

27. Since the entire maintenance of the system of pre-paid arrangement will be entrusted to a private company, they will have access to all the information relating to various categories of consumers. As proposed by the GoI, when private companies are allowed to take up power distribution in areas of their choice, the information available with the private company which operates and maintains the entire pre-paid system will help the private DISCOMs for cherry-picking. Adani group has already entered into the distribution and transmission business also elsewhere in the country and will continue to do so. Adani Transmission Limited and Bosch Global Software Technologies Private Limited, Bangalore, have entered into a consortium agreement on 8.12.2022 and this consortium is the "selected bidder". As per available information, not furnished by the DISCOMs, the latter are entering into agreements for appointment of Advanced Metering Infrastructure (AMI) Service Provider (AMISP) for smart pre-paid metering by replacing the existing meters to all government, domestic (confining to Amrut Cities), commercial and industrial consumers(excluding agriculture) and to all the 33 KV& 11 KV feeders and distribution transformers with 25 KVA and above rating in the districts within the jurisdiction of the DISCOM concerned in TOTEX mode on DBFOOT basis. Adani Transmission Step Seven Limited is the AMISP for the purpose of this agreement. The DISCOMs have not made it clear whether they have entered into the said agreement and not revealed the terms and conditions therein.

28. We would like to remind the Hon'ble Commission that, in our submissions dated January 31, 2022 on the ARR and tariff proposals of the DISCOMs for the year 2022-23, we submitted the following:

"1. The Discoms have replied that they have submitted ARR filings to the Hon'ble Commission as per the direction of the GoAP given in GO Rt.No.161 dated 15.11.2021. However, the Discoms have not explained the purpose for which the GoAP has given the direction to them to submit tariff proposals to the Hon'ble Commission without taking into account any Government subsidy; nor have they responded to the points raised by me. Objectors pointed out that the real purpose of that direction of the GoAP is to implement the direct benefit transfer (DBT) scheme being advocated by the Modi Government at the Centre, the Hon'ble Chairman, Justice C V Nagarjuna Reddy garu, has asked as to why the DBT system is objectionable. As submitted during the public hearing, I am giving my views on the issue hereunder:

It is proposed by the GoI in the amendments to the Electricity Act, 2003, that consumption of electricity by the consumer shall be metered and charges shall be paid in accordance with the tariff determined by the appropriate Commission and that where the State Government or any other agency (and the Central Government also) proposes to provide any subsidy to any category of consumer, it shall be through direct benefit transfer. This kind of arrangement would affect the interests of the hitherto subsidised consumers.

In States like Andhra Pradesh and Telangana where the scheme of free supply of power to agriculture, without metering pump sets, is being implemented, the proposed change of collecting charges from them and paying subsidy through direct transfer to their Bank accounts would invite strong resistance from the farmers, leading to social turmoil. The consequences of such social unrest will have to be faced by the State Government, with the Government of India taking no responsibility and accountability for the same.

It will complicate the entire process and increase the work burden of the distribution licensees and the State Government. For DBT, the Government has to make arrangements for opening bank accounts of the subsidised consumers in the entire State and collecting and maintaining that information. They have to verify the power bills issued by the Discoms every month and work out the amount of subsidy to be provided to every subsidised consumer based on his/her consumption shown in the power bill. Compared to the present arrangement of paying agreed subsidy in twelve equal monthly instalments in advance to the Discoms directly by the Government, the DBT will be problematic, saddling the Govt., the subsidised consumers and the Discoms with avoidable work and risks. Instead of providing the subsidy amount directly to the Discoms, as has been the standard practice over the years, what benefit is going to accrue either to the Government, or the Discoms, or the agricultural and other subsidised consumers, through this circuitous arrangement of depositing subsidy amount in the individual accounts of the farmers and other subsidised consumers and then transferring that amount to the Discoms by the Government is inexplicable.

If more power is supplied to agricultural consumers, exceeding the quantum determined by the Commission for a particular financial year, the Govt. is providing additional subsidy. In the case of other subsidised consumers, if their consumption exceeds, for the excess consumption, with no provision of cross subsidy and Government subsidy, additional burdens are being imposed on them in the form of true-up claims of the Discoms on par with subsidising consumers. If subsidy is provided under the DBT, the Government will have to provide additional subsidy to the subsidised consumers, even for their excess consumption based on their monthly bills. If such is the lofty purpose with which the Government wants to implement the DBT, it can provide additional subsidy to additional consumption of subsidised consumers by dispensing with the system of true-up/true-down and permitting the Discoms to include their variations in expenditures and resultant revenue gap of a financial year in the ARR of the next financial year. We have already submitted this proposal to the Hon'ble Commission, giving detailed reasons therefor.

The very purpose of free supply of power to agriculture and some categories of consumers and subsidised supply of power to some other consumers like the lower slabs in the LT domestic and commercial categories is that, as a part and parcel of redistributive social justice, and as the said consumers cannot afford to pay power tariffs without subsidies, the present arrangement is being implemented. That is the purpose why cross subsidy also is being provided to the subsidised consumers. If cross subsidy is discontinued as is being proposed by the GoI, for free supply of power to agriculture, the entire cost will have to be borne by the GoAP as subsidy either under the present arrangement or the proposed DBT, or tariffs will have to be determined and imposed.

If agricultural consumers of power and other subsidised consumers have to pay power bills every month as per cost of service, which is more than Rs.7 per kwh, it will be very difficult for them to pay such higher amounts. In such a situation, if the State Government does not transfer subsidy in time to the accounts of the subsidised consumers, the latter will continue to be saddled with the burden of higher power tariffs. If such consumers cannot pay higher tariffs, will their services be disconnected by the Discoms? If the Discoms won't disconnect such services, the dues will get accumulated, forcing the Discoms into financial problems. If they disconnect such services, the consumers will face difficulties.

The Discoms have submitted that they are receiving tariff subsidy amount regularly from the Govt. of A.P for the current financial year 2021-22. They have also informed that they are trying to get the old dues of subsidy from the GoAP. If the GoAP provides the subsidy it agrees to provide regularly and in time, there will be no problem to the Discoms. If GoAP does not provide the agreed subsidy accordingly, the Discoms face financial problems. Under the DBT, if the GoAP does not provide the agreed subsidy to the consumers concerned directly, the latter will face problems. Therefore, the root cause of the problem is in not providing the agreed subsidy by the Government, whether it is to the Discoms or to the consumers concerned. If the Govt. honours its commitment to provide subsidy as agreed by it, under the present arrangement of factoring the same in the tariffs and providing to the Discoms directly, there will be no problem and there will be no need for the DBT scheme. If the Govt. does not honour its commitment to provide subsidy to the consumers directly, the proposed DBT system cannot prevent or resolve the problem arising from the failure of the Government.

As already noted, the Discoms have to receive thousands of crores of Rupees from the GoAP towards subsidy and the dues include subsidy to be provided to SC and ST consumers also. In other words, where DBT system is already being implemented by the Government to certain categories of consumers, dues of subsidies are continuing. The Government is flouting its own decisions and commitments with impunity. There is no guarantee that such a situation will not recur and continue in the case of other consumers for whom the Government proposes to implement the DBT system.

If the Government does not provide the subsidy it agrees to provide to consumers of its choice directly to the Discoms under the present arrangement, the Discoms will be in

trouble for delay in getting the subsidy amount. Under DBT, if the Government does not provide the subsidy it agrees to provide to consumers of its choice – it need not even convey the same to the Commission – the subsidised consumers will be in trouble; it will be difficult for them to continue to pay full cost recovery tariffs to be determined by the Commission. In other words, the burden and problems that may be created due to failure of the Government to provide the subsidy it agrees to will be shifted from the Discoms to the subsidised consumers under the DBT system.

After factoring cross subsidy, the Hon'ble Commission is determining the tariffs for different categories of consumers and getting a written commitment from the Government on subsidy it agrees to provide to consumers of its choice and based on that final tariffs are being determined in the retail supply tariff order. Despite the direction of the Commission to provide the agreed subsidy in twelve equal monthly instalments in advance to the Discoms, dues of subsidies are getting accumulated. Since its inception, APERC has been consistently taking the stand that, if the Government does not provide the subsidy it agreed to provide, the Discoms have to collect that subsidy component also from the subsidised consumers concerned. Such a stand of the Commission indicates, directly or indirectly, that the Government can flout its commitment on providing subsidy given to the Commission in writing and that nothing can be done about such dishonouring of the commitment of the Government. If such is the position, even when the Government flouts its commitment on subsidy given to the Commission, under the DBT system, even without any such commitment, what would be the approach of the Government is anybody's guess. That is the reason why we have already suggested to the Hon'ble Commission to get the written commitment of the Government on providing subsidy to consumers of its choice in a legally binding manner.

In G.O. Rt. No.161, dated 15.11.2021, the GoAP requested APERC "to notify the unit wise Government subsidy for different consumer categories as part of annual tariff order from the next financial year i.e. FY 2022-23 onwards." Unless the GoAP conveys its commitment to provide subsidy to consumers of its choice, the question of the Hon'ble Commission taking the same on record and into account for the purpose of determining tariffs and notifying unit-wise Government subsidy to the consumers concerned in the annual tariff order does not arise. If the Government wants to implement the DBT system, there will be no need to convey to the Commission the quantum of subsidy it wants to provide to consumers of its choice. Based on the monthly power bills of the subsidised consumers, the Government will have to transfer the subsidy amount to their bank accounts directly. In other words, under the DBT system, the Hon'ble Commission will have no role to play as far as subsidy to be provided by the Government to consumers of its choice is concerned. If the pros and cons of the DBT system are analysed carefully, the demerits of the system outweigh its merits. For these reasons, among others, being gung-ho and going in for the DBT system is unwarranted."

Our submissions made in response to the question of the Hon'ble Chairman were not incorporated in the tariff order for 2022-23. However, the Hon'ble Commission responded in the RSTO for 2022-23 thus: "As regards the metering of the aricultural services, it is the policy of the GoAP to channel the agriculture subsidy through Direct Benefit Scheme (DBT) mode by metering all the agriculture services. In this regard, the government has committed itself to bear all the costs associated with the metering. APSPDCL has already approached the Commission for approval of the investment proposal to provide smart meters for all the agriculture services in its area. The Commission has examined the proposal in depth and identified certain short falls in the implementation of the scheme like whether the smart meter technology is mature enough for wider deployment, recent news on the technical problems experienced with the integration of smart meters, etc., and accordingly sought some clarifications from APSPDCL and directed it to proceed further meanwhile" (pp 244-245).

29. In our submissions dated January 3, 2023, on the ARR and tariff proposals of the DISCOMs for the year 2023-24, we have made the following points:

"1. It is reported that the GoAP has decided to install pre-paid smart meters to about 1.89 crore power consumer services in the state in a phased manner and complete the process by March, 2025, under revamped distribution sector scheme (RDSS). The special chief secretary, department of energy, has announced (2.1.2023) that the cost of the pre-paid meters would be collected from the consumers and that works worth Rs.13,252 crore would be taken up under RDSS out of which around Rs.5480 crore would be given as grant by the government of India, subject to installation of pre-paid meters. There is no explanation as to what benefit would accrue to the consumers on account of installing pre-paid meters. Moreover, the cost of smart meters would be collected from the consumers, the special CS has announced. In other words, with its usual approach of being more loyal than the king to whatever the GoI dictates, the Jaganmohan Reddy government is implementing this programme, unmindful or irrespective of its implications. We request the Hon'ble Commission to consider the following points, among others:

This move is to be seen in the background of the so-called reforms being imposed on the states by the Modi government for privatising power sector, and in conjunction especially with privatisation of power distribution and implementation of the direct benefit transfer (DBT) scheme. Implementation of RDSS, including installation of pre-paid meters, is to benefit the private operators, who will be permitted to take up power distribution in areas of their choice, as proposed by the GoI.

It is obvious that, the purpose of installing pre-paid meters is to force the consumers of power to pay in advance for power to be consumed by them, contrary to the standard practice over the decades of paying power bills monthly/bi-monthly for the power consumed by them. What is wrong with the present post-paid arrangement and what is

the benefit and to whom with pre-paid arrangement under the proposed smart meters is left unexplained by its sponsors.

As proposed by the GoI, private operators will be permitted to use the existing transmission and distribution networks of the DISCOMs of the government, paying some nominal rentals for carrying on their distribution business. In other words, they need not invest the amounts required for establishing their own distribution network, make arrangements for its maintenance, etc.

Allowing private operators to use distribution network of the DISCOMs or rather, forcing the DISCOMs to allow private operators to use their network on lease, with DISCOMs themselves maintaining the network, is nothing but forcing the latter to lose a considerable part of their business, especially cross-subsidising component, to private operators, who get the opportunity to cherry-picking. Will the GoI apply this Tuglaquian approach to allow utilisation of such networks of private companies in this manner, for example, utilising the network of private telecom companies by others?

The protagonists of pre-paid meters are arguing that pre-paid arrangement is there for cell phones. Then, why not similar arrangement for power consumption also, they ask. First, there is post-paid arrangement for cell phones and landlines. Second, under pre-paid arrangement for a specific period, there is no limit on number of calls that can be made. In the case of power consumption, consumers have to pay for the entire power they consume in a month; they are not allowed to consume any number of units of power during a specified period, pre-paying a specified amount.

The DISCOMs have a grace period of one month to pay bills to generators/suppliers of power for the power supplied by them and even rebate if they pay before the grace period. Under the existing arrangement, consumers are being given a period of 14 days from the date of issuing the bill for paying their bills for power consumed by them in a month. If payment of monthly bill is delayed, exceeding the due date, penalty is being collected by the DISCOMs, besides disconnecting the service. Moreover, all the permissible expenditure and return on equity for supplying power to consumers from the point of generation to end point is being passed through in the form of tariffs to be paid by the consumers. When such is the case, why should the consumers be forced to pay in advance for power to be consumed by them under the arrangement of pre-paid meters?

As per Regulation 6 of 2004 of APERC, "security deposit amount shall be two months charges in case of monthly billing and 3 months charges for bi-monthly billing." In addition to collecting such a security deposit from the consumers, the DISCOMs also are collecting additional security deposit whenever the consumers exceed their contracted load. Then why should the consumers be forced to pay in advance for power to be consumed by them under the arrangement of pre-paid meters?

Payment in advance for power to be consumed by the consumers is nothing but providing investment for private distribution company to purchase of power. Private distribution companies need not take loans for their working capital and they can retain the amount paid in advance by the consumers and use as they like till they have to pay for power purchased by them from generators/suppliers. In other words, private

operators of distribution need not invest any amounts for developing and maintaining distribution network and for purchasing power. Arrangement of pre-paid meters is intended for bestowing this undue benefit to private operators.

The works proposed to be taken up under RDSS need to be, and are being, taken up by the DISCOMs as a part and parcel of expanding, strengthening and maintaining their distribution network. For that no conditionalities, as imposed under RDSS, are required. The grant component under RDSS is a ruse to impose conditionalities like installation of pre-paid meters to ensure undue benefits to private operators of distribution of power.

Whatever money the DISCOMs spend for purchasing and installing pre-paid meters is nothing but squandering public money, whether it is collected from the consumers concerned or spent from the grant under RDSS. The consumers have already spent their money for their existing meters. Forcing them to pay for pre-paid meters is nothing but imposing additional burden on them without any benefit to them.

The scheme of pre-paid meters benefits their manufacturers. Experience in power sector, as elsewhere in other sectors, shows that terms and conditions of bidding can be manipulated to select bidders of their choice by the powers-that-be. Bidding procedures and terms and conditions issued by the GoI have been found to be wanting in ensuring transparency and fair play, going by the way crony capitalism is being promoted and pampered. It is reported that crony capitalists, who have been promoted and pampered by the GoI, are entering into manufacturing of pre-paid meters.

Though it is announced that pre-paid meters would be installed for the service connections of consumers whose monthly consumption is more than 200 units, it will be extended to all the consumers gradually.

There will be practical problems to consumers for paying in advance for power to be consumed by them under the system of pre-paid meters. How much amount and how many times they have to pay in a month, keeping track of their consumption recorded in the pre-paid meter to avoid disconnection and mode of such payment will be problematic to the consumers.

Under smart pre-paid meter, if a consumer does not pay after the existing balance exhausts, his service connection will be disconnected automatically. If a consumer does not pay power bill before due date under the existing post-paid arrangement, his service will be disconnected. The DISCOMs are unable to disconnect service connections of offices of the government and its instrumentalities and local bodies, whatever be the reasons. Even under pre-paid meter system, there is no guarantee that the DISCOMs would not come under pressure not to disconnect services of offices of the government, its instrumentalities and local bodies for their default in paying power bills. It is ironical that the GoAP, which is failing in getting power bills paid by its offices, its instrumentalities and local bodies in time and itself failing in paying the committed subsidy to the DISCOMs in time, has decided to install pre-paid meters to service connections of power consumers. Though the Hon'ble Commission has directed the DISCOMs to disconnect service connections of the offices of the government, etc., when they fail to pay the bills in time, the DISCOMs have not been in a position to comply with the direction. The DISCOMs have replied that "the financial losses are

mainly due to the non-receipt of the Govt. dues. That disconnection notices have been issued to all the Govt. department offices & local body offices for collecting the C.C. Charges arrears from them (pp 233-234 of RSTO for 2022-23). Only notices and no further action!"

These submissions also are not incorporated in the retail supply tariff order for 2023-24. However, the Hon'ble Commission has stated in the RSTO for 2023-24 that "the merits/demerits of the DBT scheme formulated by the Government are not part of this proceeding while on the other hand the Government and the DISCOMs are clarifying that there will not be any burden on the DISCOMs or farmers because of the implementation of DBT" (page 134). In which proceedings they will become a part?

30. If expenditure relating to installation of smart meters to agricultural service connections is not going to be collected from the consumers, as is being contended by the DISCOMs and reiterated by the Hon'ble Commission, implying that it is not within the purview of the Commission as far as the said expenditure is concerned, there is no point in showing the estimated expenditure for that purpose in the investment plans of the DISCOMs. There is no need to consider that expenditure as a part and parcel of the capital expenditure to be approved by the Hon'ble Commission for the control period concerned.

31. Whatever be the views expressed by GoI, GoAP, the DISCOMs and the Hon'ble Commission, the subject initiatives would facilitate implementation of the DBT scheme, along with metering of agricultural services and pre-paid metering of other services, and there is no guarantee that the above-articulated adverse consequences would not follow as a result. By meekly submitting itself to the diktats of the Modi government, the Jagan Mohan Reddy government in Andhra Pradesh is paving the way for digging graves for APDISCOMs to serve crony capitalists and imposing more burdens on the consumers of power at large as explained above.

32. In view of the above submissions, among others, we once again request the Hon'ble Commission to call for all records related to smart meters and pre-paid meters, examine the same thoroughly and take appropriate decisions and give directions to the DISCOMs. We also request the Hon'ble Commission to make that information public and hold public hearings on the same, before it takes a final decision and issue orders to safeguard the interests of the state, its DISCOMs and consumers at large.

33. Regarding procurement of power, the DISCOMs have informed that supply of natural gas to Godavari Gas Power Plant (216 MW) was stopped from August, 2022, and that after "a comprehensive review" of the request made by them, seeking permission of the

Hon'ble Commission to operate this plant duly sourcing the non-APM gas from IGX or GAIL through short-term ahead contracts, the Commission granted its approval to run the plant accordingly until March 31, 2024. No public hearing was held on this request and permission and details thereof are not made public. Whether registration of GGPP, transferring its assets, including the entire land, from GVK Industries Ltd. is done or not is not revealed by the DISCOMs. The DISCOMs have projected required dispatch from GGPP during 2023-24 of 3862.552 MU and during 2024-25 of 4269.16 MU. What is the tariff, both fixed and variable charges, being paid or proposed to be paid to GGPP per kwh?

34. Regarding the proposal to purchase 570 MW from Sembcorp Energy India Limited (formerly Thermal Powertech Corporation of India Limited) "on mutually agreed terms and conditions," the DISCOMs have submitted that "M/s Sembcorp-Plant-I with a Unit configuration of 2X660 MW aggregating to 1320 MW are having a PPA with TSDISCOMs for a contracted capacity of 570 MW from entered based on DBFOO Bidding basis conducted earlier with 70% MCL coal linkage. The PPA is expiring by 31st March-2024 and M/s Sembcorp is offering the same quantum to APDISCOMs. The present Tariff applicable in TSDISCOMs is FC – 2.49 and VC – 3.24, TC-5.73 for the month of September' 2023. The Hon'ble Commission vide their order dated 7th November 2023, after careful examination of the proposal submitted by APCPDCL on behalf of the APDISCOMs, as outlined in the referenced letter from SEIL offering 570 MW capacity for long-term supply to APDISCOMs commencing from April 2024, on mutually agreed terms and conditions, the DISCOMS are permitted to proceed with further steps on SEIL's proposal. However, this permission is contingent upon SEIL's acceptance that the tariff for the supply of 570/625 MW electricity will be determined by APERC under Section 62 of the Electricity Act, 2003. Further, the DISCOMs are directed to coordinate with APTRANSCO to plan for an efficient and economical evacuation of power from SEIL through the state network. Accordingly, the plant is considered available from 1st April 2024 for the ensuing financial year. The present tariff applicable to DBFOO PPA of M/s Sembcorp-p2-625 MW is taken into account for evaluation of costs tentatively till the Hon'ble Commission determines the tariff under section 62." Though the DISCOMs have stated that the Commission, after "careful examination" of the proposal submitted by APCPDCL on behalf of the APDISCOMs, permitted them to proceed with further steps on SEIL's proposal, in Form 1.4 for 2024-25, they have shown power purchase of 625 MW (1955.54 MU) on long-term basis and procurement cost of R.4.16 per unit "tentatively" till the Commission determines the tariff. This arrangement is questionable for the following reasons, among others:

a) Instead of going in for competitive bidding, based on a proposal of SEIL, coming to an understanding "on mutually agreed terms and conditions" is an unhealthy practice.

b) The proposal to purchase power from SEIL's plant 1 is not based on any emergency requirement of power. As stated by the DISCOMs, supply from this unit would commence from 1st April, 2024. The Commission has given its permission to the

DISCOMs on 7.11.2023, i.e., four months and 23 days in advance from the proposed date of supply and requirement of power for the DISCOMs.

c) When did SEIL offer the quantum of 570 MW to the DISCOMs and the terms and conditions thereof, and when did APCPDCL sought permission of the Commission, submissions on the need for that power by the DISCOMs and the points considered in its "careful examination" by the Commission are not made public, leave aside holding any public hearing on the proposal. Is it not to give scope for responses from interested public, in view of the experience in the case of the questionable permission given by the Commission for purchase of 7000 MW solar power from the plants of Adani group in Rajasthan through SECI?

d) Against the projected availability of surplus power to the tune of 5389.55 MU and requirement of purchase of 421 MU in the market on short-term basis for the FY 2024-25, the need for the proposed purchase of power from SEIL is questionable.

e) The permission given by the Commission is stated to be contingent upon SEIL's acceptance of the tariff to be determined by the Commission. Did the DISCOMs get a commitment from SEIL that it would abide by the final tariff determined by the Commission and would not question it? When will proposals for determination of permissible capital cost and tariff be submitted by the DISCOMs/SEIL and when will the Commission hold public hearing and issue its order are question marks as of now. If these procedural and regulatory requirements are not met in time, i.e., before commencing supply of power from SEIL p1, the DISCOMs will proceed to procure power from the plant, may be, at a tariff considered by them tentatively. In other words, without considering need for power from the plant, need for competitive bidding, permissibility of capital cost, determination of fixed and variable costs and final tariff, after holding public hearing, supply and purchase of power would commence and continue.

f) When the DISCOMs submitted their procurement plan, etc., for the 5^{th} and 6^{th} control periods, they must have taken requirement of additional power and the way they should proceed for such a procurement through competitive biddings. One can understand coming to an agreement for purchase of power by the DISCOMs from APGENCO, subject to prudence check and regulatory process of the Commission. But extending such an approach in the case of a private generator is unhealthy and violative of the letter and spirit of law, policies and directions which provide for competitive bidding for procurement of power.

g) In the case of the questionable permission given by the Commission to the DISCOMs to enter into an agreement for procurement of solar power on long-term basis from the plants of Adani group in Rajasthan through SECI, a trader of the GoI, there was, at least, a facade of competitive bidding by SECI – that was also questioned before appropriate fora for the manipulations involved. In the case of purchasing power from SEIL's p1, even that fig leaf of a competitive bidding is thrown away unabashedly. One need not entertain the illusion that this proposal has come without any direction or permission of the Jagan Mohan Reddy government. Who accepted the proposal of SEIL and decided to approach the Commission for its permission?

h) For Sembcorp plant II, as submitted by them, "APDISCOMs have entered Power Supply Agreement (PSA) with M/s. Sembcorp Energy India Limited on 31.12.2021 for procurement of 625 MW (500 MW firm capacity & 125 MW Open Capacity) from their plant-2 located at Krishnapatnam, in Andhra Pradesh. The procurement is finalized through competitive bidding process under DBFOO mode and guidelines issued by MoP. Hon'ble APERC issued consent to PSA entered between APDISCOMs and M/s SEIL vide their order No. APERC Order in OP No. 17 of 2022 dated 01.06.2022. As per the PSA, the commencement of Power Supply Ageement is on or before two years i.e. 31.12.2023 from the date of Power Supply Agreement." In the case of the proposed procurement of power from SEIL's p1 on long-term basis, all such regulatory requirements are given a go-by.

i) It is submitted by the DISCOMs that they are directed by the Commission to coordinate with APTRANSCO to plan for an efficient and economical evacuation of power from SEIL through the state network. The DISCOMs have also submitted that "in the month of August-2022, to overcome expected power shortage, APCPDCL on behalf of APDISCOMs request the Hon'ble APERC to allow purchase of power from M/s SEIL through STOA through CTU to mitigate the impending power shortage situation and ensure 24*7 uninterrupted power supply to all consumers of the State in near term until such time the STU evacuation scheme is commissioned. Hon'ble APERC vide order dated 12th August 2022, permitted APDISCOMs to procure power through CTU short term open access from M/s Sembcorp-P2, until STU system is commissioned. Accordingly, the procurement of power commenced with effect from 1st February 2023." In directive No.16, the Commission has directed that "the DISCOMS shall examine the feasibility of evacuating its share of power from Thermal Power Tech (SEIL P1) through the STU network under execution for evacuation of power to the DISCOMS from SEIL (P2). The feasibility report shall be submitted to the Commission within 45 days from the date of release of this order for passing appropriate directions in this regard, as it may reduce the ISTS charges burden to some extent.", In response to the directive, the DISCOMs have stated that "in Compliance to this directive System Studies were carried out by Power System wing by assuming that one of the unit at SEIL-P1 will be connected with STU with 625MW Dispatch as against AP Share of 230.55MW i.e., by connecting one of the unit with STU and another unit with CTU at SEILP1.In compliance to the directive M/s. Sembcorp Energy India Ltd intimated that SEIL P1 plant has 2 units of

660MW with exportable capacity of 627 MW for each unit. Presently both units are connected to CTU network and supplying 230.55MW to APDISCOMs, 839.45MW to Telangana DISCOMs under long term contracts and remaining 184MW is merchant capacity. Considering exportable capacity of 627MW of each unit, connecting part capacity of 230.55MW to AP STU network is technically not possible." In view of the same, how far and when APTRANSCO would be able to comply with the direction of the Commission to plan for an efficient and economical evacuation of power from SEIL (p1) through the state transmission network is uncertain. In other words, the burden of paying long-term open access charges for evacuating power from SEIL p1 through central transmission utility network will continue. Simply because the DISCOMs have accepted the proposal of SEIL and the Commission has given its conditional permission for procurement of power from the p1 of SEIL, creating required transmission capacity to evacuate that power by APTRANSCO within a few months is not possible, needless to say. Lack of timely planning and execution to meeting requirement of power, and taking decisions on the basis of a private generating company, indicate that decisions are being taken haphazardly based on the whims and fancies of the powers-that-be for serving vested interests. Did the DISCOMs take into account the proposed procurement of power from SEIL's p1 in their procurement plan for the 5th control period?

j) The DISCOMs have stated that the present tariff applicable for Sembcorp p1 to the TSDISCOMs is Rs.2.49 per unit towards fixed cost and Rs.3.24 per unit towards variable cost, i.e., a tariff of Rs.5.73 per unit for the month of September, 2023. Against this, the DISCOMs have stated that the present tariff applicable to DBFOO PPA of Sembcorp-p2 – 625 MW is taken into account for evaluation of costs tentatively till the Hon'ble Commission determines the tariff under section 62. It is not made clear whether the Hon'ble Commission has permitted the DISCOMs to take such costs into account tentatively or the DISCOMs themselves have taken the same into account accordingly. The DISCOMs have stated that they have considered escalation of capacity charges by 5% for 2024-25 and escalation of inland transportation charges for coal by 10% for the first half of FY 2024-25 and escalation of domestic coal charges for the second half of 2024-25 by 5%. Moreover, they have also informed that foreign exchange rate projections available from November to March, 2025 are considered and that actual foreign exchange rate may vary. The DISCOMs have stated that they have not considered transmission charges, asthe same are being billed to them directly by the CTU as per CERC sharing Regulation, 2020. Rate of change in law is considered as Re.0.28 per KWh. The DISCOMs have maintained that the fixed and fuel charges may vary based on the actual escalation rates. In other words, the tariffs to be paid to SEIL p1 may increase from time to time. With provisions for periodical volatility in tariff, coming to an agreement for purchase of power on long-term basis "on mutually agreed terms and conditions," without going in for competitive bidding, is nothing but abuse of authority. The DISCOMs have not revealed what those "mutually agreed terms and conditions" are. Going by the factors of escalation indicated by the DISCOMs, it is obvious that they have agreed to factor all such periodical escalations in the tariffs to be paid by them to SEIL p1.

k) We request the Hon'ble Commission to withdraw its conditional permission given to the DISCOMs to procure power from SEIL p1 and direct them to go in for real competitive bidding to procure power, if required.

35. The Hon'ble Commission did not consider availability of power from four central generating stations - NNTPS (52.7 MW), NTPL (121.61 MW), NTECL, Vallur, (86.44 MW) and NTPC, Kudigi, (239.54 MW, and did not grant consent to their PPAs in its common order dated 30.10.2023 relating to 11 PPAs the DISCOMs had with 11 CGSs concerned. Noting that the total per unit cost of these four CGSs for the month of October, 2023, as Rs.4.38, Rs.5.007, Rs.5.90 AND Rs.6.539 per unit, respectively, the DISCOMs have submitted that "these are the base load thermal stations with an aggregate capacity of 500 MW. As of now there is no anticipated thermal generation capacity expansion plan in the State sector. Even if we plan now, in the prevailing circumstances, it takes almost seven to eight years to fully commission a thermal generating station. As per the resource plan for the 5th& 6th control periods (FY 2024-34) submitted by the APDISCOMs, the base load (minimum load) on the grid which is presently hovering around 5800 MW is expected to increase at a CAGR of 6% and may reach 7700 MW in five years." They have further submitted that "APSLDC/ APDISCOMs are of the opinion that the existing base generation capacity from Intra State & Central generating stations without these four CGS stations aggregating to about 500 MW, will not be sufficient to meet the minimum load persistent on the system for all time blocks in an year with a stringent requirement to comply to the Hon'ble CERC Regulations such as IEGC, DSM & Ancillary Services. Demand /Supply conditions across the Country and Coal constraints &logistics problems anticipated in the near future may leave the power planning of DISCOMs in a stressed condition and fulfilment of the objective of 24X7 power supply in question." It is obvious that once the DISCOMs surrender the capacity of the four CGSs and if they come under the mandatory pooling of CGS thermal capacities which completed PPA tenure, as decided by the MoP, GoI, the DISCOMs cannot get power from these projects as and when they want. The DISCOMs have informed that they are wring to the CEA seeking its advice on the issue of surrendering the 500 MW capacity and also writing to the MoP, GoI, to allocate equivalent quantum of power from cheaper sources to make good the loss of base generation quantum. The DISCOMs have requested the Commission to permit them to continue the procurement of power from these four CGSs as per the existing PPAs and the rates determined by CERC, till such time CEA advice is received or allocation of power from cheaper sources is made by the MoP, GoI. In view of this delicate situation, weighing the pros and cons of continuing to get power from the four CGSs vis a vis purchasing power in the market, we request the Hon'ble Commission to take an appropriate decision in the interest of the consumers at large.

36. The DISCOMs have submitted that, as directed by the Commission in its final orders dated 1.8.2022, approving the PPA and final tariff for the project of HNPCL (1040 MW), they had entered into a supplementary agreement with HNPCL on 5.9.2022 and submitted it to the Commission on 9.9.2022 for approval. Did the Commission give its

approval? What are the new points incorporated in the supplementary agreement? What is their financial impact in terms of tariff to be paid to HNPCL?

37. The DISCOMs have submitted that "with an intention to supply free Agriculture power to the farming community on sustained basis and to reduce power procurement cost and subsidy burden on the Government, the Govt of AP and the three APDISCOMs in the state have entered into PSA with SECI on 01.12.2021 for procurement of 7000 MW (17000 MU) in three tranches effective from October_2024-3000 MW, October_2025-3000 MW and October_2026-1000 MW. The cost of procurement under this PSA is to be borne by the State Government. GoAP is also a party signatory in the PSA. The Solar power developers under the subject PSA are setting up the plants in the state of Rajasthan. The levelized tariff for the procurement is Rs 2.49/Unit including Trading margin, for a period of 25 years. Hon'ble APERC has approved the procurement and the PSA. Hon'ble CERC has adopted the tariff discovered through the process of competitive bidding conducted by M/s SECI which is a GoI undertaking. GoAP has established a separate company to channelize this solar procurement to the free supply agriculture consumers through a separate entity called AP Rural Agriculture Power Limited (APRAPL) and the same is in the process of obtaining a license and fulfillingthe other establishment activities. Subsequent to fully operationalization of APRAPL \ the aforesaid Power Sale Agreement will be transferred from APDISCOMs to APRAPL for supply of power to the Agricultural consumers." Are any petitions pending in the APTEL or a court of law, questioning the way SECI conduced competitive bidding and selected the Adani group for supply of solar power from their units in Rajasthan? When has APERC "approved" the PSA? Is the approval given after holding any public hearing? Except A.P. Rural Agriculture Power Limited obtaining a license for distribution of power to agriculture in the state and for transferring the PSA to it, is any other regulatory permission or approval of APERC required for operationalization of this arrangement? Responding to our submissions on ARR and tariff proposals of the DISCOMs for the FY 2022-23, questioning the impropriety of the GoAP in accepting the "offer" of Solar Energy Corporation of India and directing the DISCOMs to enter into a PSA with SECI for purchasing 7000 MW or 17,000 MU of solar power (from Adani's power plants in Rajasthan) and the way the Hon'ble Commission had given its approval to the proposal, the Hon'ble Commission has maintained that : "as regards the proposal of the DISCOMS for procurement of 7000 MW of solar from SECI, the Commission has examined their proposal in depth from various aspects including the power deficit situation projected by the CEA, an independent body of the GoI, for the fifth control period, i.e., FY 2024-29 and the recent commitment by the Hon'ble Prime Minister in COP26 that India will achieve net zero carbon emissions by 2070. After a detailed examination, the Commission issued conditional approval to the DISCOMs for the procurement proposal after getting satisfied that the procurement would not cause any burden on any category of consumers since the GoAP has committed itself to bear the entire cost associated with the procurement. As the procurement falls under the interstate transaction, CERC is competent to determine the tariff for this procurement. Once the CERC determines the tariff and the DISCOMs approach the Commission for consent to the Power Supply Agreement, the Commission will then take a decision on giving consent after due Regulatory process in accordance with the law." (page 244 of RSTO for FY 2022-23). When did the DISCOMs approach the Commission for consent to the PSA, what was

the “due Regulatory process in accordance with the law” the Commission followed and when was consent given to the PSA?

38. The GoAP has issued its latest solar and wind power policies afresh in G.O. Ms No.1, G.O. Ms. No.2 and G.O.Ms.No.3, all dated 3.1.2019, respectively, and G.O.Ms.No.35 dated 18.11.2019, amending the AP solar and wind power polices and wind solr hybrid policy of 2018. Through the new policies the GoAP had withdrawn all the concessions, incentives, facilities, etc., extended to captive and open access units. APDISCOMs and APTRANSCO filed several petitions - OP Nos. 2, 3, 4, 5, 16 and 17 of 2020. Later, as agreed in the High Court, GoAP issued G.O.Ms.No.1 dated 1.3.2021, making G.O.No.35 to have prospective effect and applicable to the RE power projects that are commissioned after 18.11.2019. When all these Ops came up for final hearing before APERC, Hon’ble chairman Justice C V Nagarjuna Reddy garu asked the DISCOMs to file fresh petitions seeking amendments to the Regulations concerned of the Commissions, despite the learned counsel for the petitioners making it clear that the petitions already filed were for that purpose only. However, the Hon’ble Commission did not issue its orders bringing about the amendments sought in consonance with the new polices of the GoAP. As a result, the Regulations are continuing and the developers of RE are continuing to get all the concessions, incentives, facilities, etc., as per those unamended Regulations - Regulation No.2 of 2005, Regulation NO.2 of 2006, Regulation No.5 of 2005, Regulation NO.1 of 2016 and Regulation No.4 of 2017. In its order, the Hon’ble Commission did not incorporate our detailed submissions supporting and justifying the amendments sought in all the OPs, leave aside responding to the same. For what purpose public hearings were held on all these OPs and why did the Commission ask the petitioner DISCOMs and APTRANSCO to file fresh petitions remain unexplained. It is not made clear in the repealed policies of the GoAP and the Regulations of the Commission as to who should bear the burden of all the concessions, incentives, facilities, etc., extended to the RE units. As a result, those burdens have been imposed on the consumers of power of the DISCOMs in a blatantly unjustifiable manner. All our submissions to make it clear that either the GoAP, or the RE developers themselves, should bear the amounts involved in all those concessions, incentives, facilities, etc, instead of imposing them on consumers of power of the DISCOMs, fell on the deaf ears of successive Commissions. Did the APDISCOMs file their petitions afresh before the Commission, seeking amendments to the Regulations of the Commission in consonance with the latest policies of the GoAP? If not, why not? A strange situation is continuing to prevail wherein the said latest policies of the GoAP, as well as the unamended Regulations of the Commission, which are anti-thetical to one another, have been continuing to be in force. Which ones the DISCOMs have been following, is it the latest policies of the GoAP or the said unamended Regulations of APERC?

39. In response to directionNo.7 of the Hon’ble Commission, the DISCOMs have submitted that they have entered into PPAs for Dr.NTTPS-V (800 MW) and SDSTPS state II (800 MW) ON 14.10.2022. While SDSTPS stage II completed COD on 10.3.2023, COD of Dr NTTPS V is expected to be completed by 31.7.2023, the

DISCOMs have informed. For the first project tariff petition is being filed and for the second one tariff petition will be filed after completion of COD, they have stated. In its order dated 20.5.2022, the Hon'ble Commission directed the parties to submit the PPA, along with tariff application, within two months from the COD. Have the DISCOMs submitted the same accordingly?

40. In its directive No.26, the Hon'ble Commission has stated that "regarding the material procurement at comparatively higher rates, the DISCOMs are directed to apprise the Commission of the rice at which they procured the important items such as DTRs, Power Transformers, conductors, poles, etc during the last year with the comparison of the rates at which the utilities in neighbouring stats procured the same during the same period (las year) within 45 days from the release of this Order for passing appropriate directions in this regard." In response to the same, APCPDCL has given data relating to different items comparing rates at which TSDISCOMs procured the same materials partially. No comparison is made with other neighbouring states. Even the limited data given by CPDCL confirm that compared to the prices at which TSDISCOMs purchased the indicated materials, the prices paid by it are higher. It is not known whether the Hon'ble Commission has passed any appropriate directions in this regard to the APDISCOMs is not known, as no details have been made public. Copies of two reports, explaining how rates of transformers and other materials are inflated abnormally, published in Print Media. Comparison of prices paid by DISCOMs of a neighbouring state/states alone may not be sufficient to justify the prices being paid by APDISCOMs, because the purchases made by DISCOMs of some other states cannot be taken for granted as outcome of real competitive bids. Prices for materials concerned prevailing in the year and period of purchase need to be ascertained for any realistic and objective comparison. In view of the very limited comparison of prices, we request the Hon'ble Commission to examine the entire process of purchasing the said materials by APDISCOMs and comparing prices prevailed in the market during the said year and prices paid for the same materials by power entities in other neighbouring states by calling for all relevant records from APDISCOMs and issue appropriate orders and make the details public so that the same can be examined by interested public to make their submissions during the public hearing on true-up claims for distribution business of the DISCOMs for the 4th control period and MYT for distribution business for the 5th control period.

41. How tender process for purchasing materials by the DISCOMs is being manipulated can be understood from two letters dated 15.9.2023 and 25.9.2023 written by the prestigious public sector undertaking BHEL-R&D to APSPDCL, protesting against its disqualification for supply of 11 kv feeders VCBs with CT and CRPs. I request the Hon'ble Commission to call for relevant documents pertaining to this issue from APSPDCL, examine the same, give appropriate directions to the DISCOM and make all the particulars public.

42. We request the Hon'ble Commission to consider the above-mentioned points, among others, and take appropriate decisions before finalising RSTO for FY 2024-25. We request the Hon'ble Commission to permit us to make further submissions depending on time available, after filing our submissions on the MYT petitions for distribution business of the DISCOMs, transmission business of APTRANSCO and SLDC for the 5th control period, on the subject issue before due date and during public hearings after receiving and studying responses of the DISCOMs.

43. I request the Hon'ble Commission to provide opportunity to participate in public hearing on the subject issues of all the three DISCOMs.

Thanking you,

Yours sincerely,

(Ch. Baburao)
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