SOUTHERN POWER DISTRIBUTION COMPANY OF A.P. LIMITED
19-13-65/A, Vidyut Nilayam, Srinivasapuram, Tirupati (www.apspdcl.in)

From	To
The Chief General Manager ,	A.P. Ferro Alloys Producers' Association
RAC 8 IPC, APSPDCL,	Flat No.FF6, Gitanjali Apartments,
19-13-65/A, Vidyut Nilayam,	Tikkle Road, Mogalrajpuram,
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Lr No.CGM/RAC&IPC/SPDCL/TPT/GM/RAC/F.ARR.Rep.(42) /D.No.43 /24 dt.17-01-2024

Sir,

Sub: APSPDCL – RAC – Replies to objections/ suggestions on ARR & Tariff proposals for FY2024-25- Reg.

Ref: Party's representation received dt.08-01-2024.

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Referring to the objections raised on ARR and FPT filings for Retail Sale of Electricity for FY 2024-25, the reply is furnished as hereunder.

1. NOT TO LEVY ANY DEMAND CHARGES:

The Ferro Alloy Industries since long have been included by the APERC in the Energy Intensive Consumer Category along with some other industries, since the expenses incurred by such industries towards purchase of power forms a substantial part of their total expenditure. The Ferro Alloy sector has its own peculiarities since its business is largely related to export import activities and therefore is subject to fluctuations in the International market. Further, the Ferro Alloy Units almost always operate their businesses with very thin margins and any variations in the prices of raw material/ finished product in the National/ International market adversely impacts their businesses. Most importantly, the Ferro Alloy Industries in the State of Andhra Pradesh offer direct and indirect employment to a very large segment of population. Keeping these factors in mind the APERC as well as the AP Govt, have in the past provided some sort of concessions to the Ferro Alloy Units mainly to ensure that such Units continue to have their survival, which is otherwise vital for the State and is in the larger public interest.

The tariffs for Ferro Alloy Units were separately fixed by the APERC since 2002 in comparison to other industries in general (Industry — General). Over the years many Ferro Alloy Industries still however could not survive and have since closed their Units. The AP State Govt, accordingly had approved subsidy in the past for survival of such units. The retail supply tariffs fixed by APERC used to treat the Fixed Charge as zero for this category. However, the APERC fixed a tariff for energy intensive consumers in FY 2023-24 wherein the Fixed Charge at the rate of Rs. 475/kVA/month was introduced. Through the present ARR petitions for FY 2024-25 the three DISCOMs have again proposed the said Fixed Charge at the rate of Rs. 475/kVA/month in respect of energy intensive industries.

We have extracted the related data from the ARR petitions filed by the three DISCOMs. The data furnished by APEPDCL indicates the contract demand (MVA) and the projected energy sale (MU) in respect cf various consumer categories. Such information is also presented voltage wise for different consumer categories. Based on such data we have calculated the Load Factor (LF) at which the consumers under HT Industry - General category would operate. The LF in respect of HT Energy Intensive Industry category is also calculated and the same is presented here under:

APEPDCL

HT INDUSTRY ■ GENERAL				
Voltage Level	Contract Demand	Projected Energy	Max Energy	Load Factor
11 KV	619.01	1713.69	5422.53	31.60%
33 KV	595.94	2486.46	5220.43	47.63%
132 KV	440.33	1869.97	3857.29	48.48%
220 KV	298.00	1436.96	2610.48	55.05%
Total	1953.28	7507.08	17110.73	43.87%

HT INDUSTRY ■ENERGY INTENSIVE (2024-				
Voltage Level	Contract Demand	Projected Energy	Max Energy	Load Factor
11 KV	0	0	0.00	0.00%
33 KV	27.37	225.91	239.76	94.22%
132 KV	331.40	2534.55	2903.06	87.31%
220 KV	259.00	1960.15	2268.84	86.39%
Total	617.77	4720.61	5411.67	87.23%

It may be seen that while the HT Industry - General consumers would operate at average LF of just 43.87%, the HT Energy Intensive Industry category consumers would operate their units at a very large average LF of 87.23%.

We have extracted similar information in respect of APSPDCL and APCPDCL and the same is as under:

APSPDCL

HT INDUSTRY - GENERAL				
Voltage Level	Contract Demand	Projected Energy	Max Energy	Load Factor
11 KV	483.68	979.76	4237.04	23.12%
33 KV	670.69	2462.37	5875.24	41.91%
132 KV	681.92	3482.13	5973.62	58.29%
220 KV	113.30	585.94	992.51	59.04%
Total	1949.59	7510.20	17078.41	43.97%

HT INDUSTRY - ENERGY INTENSIVE (2024-25)				
Voltage Level	Contract Demand	Projected Energy	Max Energy	Load Factor
11 KV	0.56	1.57	4.91	32.00%
33 KV	34.04	211.58	298.19	70.95%
132 KV	76.94	463.97	673.99	68.84%
220 KV	0.00	0	0.00	0.00%
Total	111.54	677.12	977.09	69.30%

APCPDCL

HT INDUSTRY - GENERAL (2024-25 (2024-25)				
Voltag e Level	Contrac t Deman d (MVA)	Projecte d Energy Sales (MU)	Max Energ y Sale (MU)	Load Factor (%)
11 KV	586.95	1048.96	514'1.6 8	20.4 %
33 KV	409.85	1591.92	3590.2 9	44.34%
132 KV	132.48	641.33	1160.5 2	55.26%
220 KV	0	0	0	0.00%

HT INDUSTRY - ENERGY INTENSIVE (2024-25)				
Voltag e Level	Contrac t Deman d (MVA)	Projecte d Energy Sales (MU)	Max Energ y Sale (MU)	Load Factor (%)
11 KV	0.27	1.17	2.37	49.47%
33 KV	0	0	0	0.00%
132 KV	0	0	0	0.00%
220 KV	0	0	0	0.00%
Total	0.27	1.17	2.37	49.47 %

The said data for all the above three DISCOMs is combined to make it on the State level, as under

AP STATE (Combined for all the three DISCOMs)

HT INDUSTRY - GENERAL				
Voltage Level	Contract Demand	Projected Energy	Max Energy	Load Factor
11 KV	1689.64	3742.41	14801.25	25.28%
33 KV	1676.48	6540.75	14685.96	44.54%
132KV	1254.73	5993.43	10991.43	54.53%
220 KV	411.3	2022.90	3602.99	56.15%
Total	5032.15	18299.49	4408L63	41.51%

HT INDUSTRY - ENERGY INTENSIVE (2024-25)				
Voltage Level	Contract Demand	Projected Energy	Max Energy	Load Factor
11 KV	0.83	2.74	7.27	37.68%
33 KV	61.41	437.49	537.95	81.33%
132 KV	408.34	2998.52	3577.06	83.83%
220 KV	259	1960.15	2268.84	86.39%
Total	729.58	5393.9	6391.12	84.48%

From the above information it is clear that the consumers under the HT Industry - General category operate at a very low LF cf 41.51% but the consumers under the HT Energy Intensive Industry category operate their industrial units at a very high LF of 84.48%. It may be seen that the APDISCOMs would recover a very small quantum of revenue per kVA from the HT Industry - General category consumers while the same APDISCOMs would be recovering revenue per kVA at a very high level from the HT Energy Intensive Industry category consumers.

In this regard it is to state that the APDISCOMs through the present ARR petitions have proposed to continue Fixed Charge tariff @ Rs. 475/kVA/month for HT Category Energy Intensive Industry. Going by the high load factor the M D Charges cannot be more than Rs.233.40 per kVA/month. - General category consumers. The DISCOMs would recover their fixed cost at this rate from the Industry - General category consumers. The corresponding rate of Fixed Charge at the LF of 84.48% works out to just Rs. 233.40/kVA/month. However, despite the above position the AP DISCOMs have still proposed the Fixed Charge tariff @ Rs. 475/kVA/month for HT Energy Intensive Industry category consumers.

However, recognizing the difficulties of these Industries in the current year in view of simultaneous imposition of Demand Charges, Enhancement of Electricity Duty by 94 paise along with levy of past and current FPPCAs and Distribution True up charges, The Government of Andhra Pradesh on Representation of the Association has waived off 90% of the Demand Charges for the current year along with withdrawing the increase in Electricity Duty of 94 paise for Survival of the Industry. Hence keeping the above in view we humbly appeal to the Hon'ble Commission NOT TO LEVY ANY DEMAND CHARGES FOR THE ENSUING TARIFF YEAR and help recovery of the ailing Sector in the State.

Reply : The licensee incurs fixed costs on account of transmission, PGCIL, SLDC, ULDC , Distribution cost & fixed costs to be paid to the generators. For FY 2024-25, the fixed cost incidence is around Rs.14671 Crs. whereas recovery through demand charges is Rs.1852 Crs. Hence the objectors request for non levy of demand charges is not justified.

2. ***BILLING OF MINIMUM ENERGY ON DEMAND RECORDED:***

This is regarding the Specific Condition stipulated by the APERC vide its RST Order passed for FY 2023-24. Such condition at page no. 212 is applicable in respect of the HT - Energy Intensive Industries consumers. It stipulates that energy charges will be billed based on actual energy consumption or 50 kVAh/kVA/month of contracted demand, whichever is higher. As stated in the opening paras, the Ferro Alloy industries in AP are facing very tough times and some industries in this category have already closed down / operating at low loads. There would be certain occasions during FY 2024-25 as well wherein some industries from this sector may have to be closed down or may have to be operated at low loads during part of the year. Under such circumstances such Ferro alloy industries will be liable to pay the energy charge corresponding to the minimum energy consumption of 50 kVAh/kVA/month as stated herein above. This condition is also proposed by the APDISCOMs to be continued during FY 2024-25.

In this regard, it would be prudent to state that a similar condition also prevails in the State of Telangana, which was carved out of the then combined state of Andhra Pradesh. As per clause no. 10.29.5 of the RST Order passed by the TSERC for FY 2023-24, the energy charges will be billed based on actual energy consumption or 50 kVAh/kVA/month OF BILLING DEMAND, whichever is higher. Such condition stipulated by the TSERC appears quite transparent and practical.

You are therefore requested to please stipulate a similar condition for HT Energy Intensive Industries in the RST Order to be passed for FY 2024-25 by incorporating the condition that the energy charges will be billed based on actual energy consumption or 50 kVAh/kVA/ month OF BILLING DEMAND, whichever is higher and oblige us.

Reply : The decision on the minimum energy condition is under the purview of the Honourable APERC

3. CERTAINTY OF TARIFF:

We would like to bring to the notice of this Hon'ble Commission that in the recent past i.e. during the years 2012-13, the then FSA (Fuel Surcharge Adjustment) had been repealed by APERC in view of the widespread damage caused to several Industries in the State because of the Levy of cumulative FSAs of past leading to closure of number of units. After such Repealing, Annual True up was adopted in place of quarterly FSA much to the relief of Consumers of all categories. This improved the Certainty and Visibility of the Tariff for the year and provided the much needed 'Ease of Doing Business' as intended by Electricity Reforms. However in the name of delay in realizations and thereby the carrying costs suffered by DISCOMs, FPPCA was brought in again much to the discomfiture of the Consumers. Once again, simultaneous levy of several FPPCAs, True ups of high magnitude has again landed the Consumers in misery owing to successive Tariff Shocks much against the intent of the Electricity Act.

In line with the Government's policy for supply of power 24x365 discoms are procuring the power at available rate in the market to meet the consumer meets. However, the high cost of power is being passed on to the consumers in the form of FPPCA and Ferro Alloys Sector is not in a position to absorb this high cost as all the orders of this sector from consumers is at a fixed price. Hence, there is no scope to absorb this additional burden. This sector requires certainty in tariff without any hike. Keeping the above in view, we suggest:-

1. As Ferro Alloys Sector is not in a position to absorb any additional burden on power tariff as the power component constitutes 35-75% of variable cost the industry is ready to reduce their loads based on prior intimation thereby reducing their production. We are fully aware there is no such mechanism available as on date and we humbly request to Hon'ble Commission to evolve a mechanism so that the industry operates at a visible tariff and do not bleed their working capital by paying true up/FPPCA charges.

Alternatively,

2. We humbly appeal to this Hon'ble Commission to review the harsh FPPCA mechanism by limiting all kinds of Charges like FPPCA and True ups of all kinds to 10% of the Energy Charges throughout the year and balance to be made a part of ARR to become a part of ensuing year's Tariff so that there is Certainty in Tariff to ensure visibility of costs in the interest of Natural Justice and Ease of Doing Business.

Reply : The FPPCA and true-ups are essential in order to recover the cost incurred by the licensee and the same are claimed as per the Regulations.

4 .REQUEST FOR RECOMMENDATION TO REDUCE ELECTRICITY DUTY:

To further reduce the burden of the Industrial Consumers in this hour of transition, we request Hon'ble Commission to kindly advise the Government of Andhra Pradesh to continue the exemption from Increase in Electricity Duty of 94 paise for the ensuing years also keeping its Energy Intensive and Price Sensitive nature.

Reply : Under the purview of Govt. of A.P

5 .DE-RATION/RE-RATION OF CMP:

Reduction of notice period from 30 days to 7 days for de-ration will help the Industry run efficiently. At present as per GTCS conditions 30 days notice is required for de-ration and for re-ration proposal has to go to the Transco and their approval is required for reration. As

Ferro Alloys market is most volatile, we request a suitable mechanism may please be developed for this Industry either foi de-ration or re-ration in one week time so that Industry need not pay demand charges when the plant is stopped and when the circumstances are favourable, the Industry can operate continuously. In case our request for withdrawal of demand charges is considered, this request need not be considered.

Reply : The issue is not related to the current ARR proceedings and related to amendment of GTCS which needs to be dealt with separately. Further, deration / reration in certain cases requires change in metering as well due to which implementation of deration / reration within a week is not feasible.

6 GREEN ENERGY OPEN ACCESS:

The World is facing extreme climate events in view of increased Greenhouse Gases and the Heads of Nations have made several International Commitments towards mitigation of Climate Change and Adoption of Renewable Energy is one of them. In line with this Central Government has launched 'Green Energy Open Access ' and this Hon'ble Commission also has published the Draft ' Green Energy Open Access , Charges and Banking Regulations-2023'. As the window period for ISTS charges waiver is time bound, we request Hon'ble Commission to kindly adopt this Regulation expeditiously in the spirit of Promotion of Renewable Energy and to give a Fillip to Make in India Program without insisting on the ceiling limit of 30% of DISCOM consumption for Banking. This would go a long way in not only providing Power to the Industries but also help in decarbonizing Manufacturing so that we can be globally competitive in face of implementation of 'Carbon Tax' by several Countries.

Reply : The issue is not related to the current ARR proceedings and needs to be dealt with separately.

Finally, the Association is only looking for a fixed tariff for a period of one year so that the Industry can take a decision whether TO RUN the Industry or NOT. With this uncertain demands like FPPCA & True Up charges industry will bleed and this gives raise to Industry becoming NPA. The Industry at present is bleeding heavily and Plants are getting closed. If the above steps are implemented this will help the Industry to restart and revive their operations.

Reply : Already replied above

Further, it is to inform that, the Honorable APERC is conducting public hearings on ARR filings for FY 2024-25 & Distribution Business for 5th control period through video conference from Conference Hall, APEPDCL, Visakapatnam. The hearings will be held in respect of all the three DISCOMs on 29-01-2024, 30-01-2024 and 31-01-2024 from 10.30 AM to 1.00 PM and from 2.00 PM to 4.30 PM. APSPDCL has facilitated Video Conference at all offices of Superintending Engineer / Operation at district headquarters and at all remaining offices of Executive Engineer / Operation. Specification of the date and time for objector is under the purview of Honourable Commission.

Yours faithfully

Chief General Manager
RAC & IPC

Copy submitted to

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