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

From
The Chief General Manager,
RAC & IPC, APSPDCL, 19-13-65/A,
Vidyut Nilayam, Srinivasapuram,
Tirupati – 517501.

To
Sri M.S.Krishna,
Vice President – Finance,
Electro Steel Castings Ltd.,
Rachagunneri, Srikalahasti (M),
Tirupati (Dt.),

Lr No.CGM/RAC&IPC/SPDCL/TPT/GM/RAC/F.ARR.Rep.(49) /D.No.91 /24 dt. 22-01-2024

Sir,

Sub :- APSPDCL/TPT – RAC – Replies to objections raised by Sri M.S.Krishna, Srikalahasti on ARR & Tariff Proposals - Regarding.

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

***

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

1. Penal charges for exceeding Contracted Maximum Demand (CMD): The penal charges proposed for exceeding CMD is too steep. The charges in AP are too high in comparison to other states. We request you to kindly rationalize these charges as under.

	Demand charges	Energy Charges
CMD up to 110%	Normal	Normal
CMD above 110 - 120%	125% demandcharges beyond 110%	Normal
CMD above 120%	150% demandcharges beyond 120%	Normal

Reply : The penal charges are essential to deter exceeding of contracted load by the consumers as such utilization has potential to damage the equipment of licensee at times and also the same is in excess of contracted load. Further, these charges are levied only on the demand exceeding the contracted load and proportionate energy corresponding to the excess demand. Hence, the suggestion to reduce penal charges is not justified.

2. Cross subsidy Surcharge (CSS) :

a) Demand charges have been added to the value of "T" while calculating CSS., due to which CSS value has increased. It is submitted that demand charges are payable irrespective of purchase or no purchase of power through open access. There is no loss to the DISCOM on account of demand charges, if the consumer purchase power through open access. Thus, this should not form part of value of "T" and value of "T" should be reworked.

Reply : The objector has filed Appeal No.302 of 2021 before Honourable APTEL stating that demand charges should not form part of 'T' in Cross Subsidy Surcharge formula among many other grounds and DISCOM has filed its detailed response before the Honourable APTEL.

b) As the tariff is separated based on TOD, the CSS should also to be calculated separately for different time slots.

c) The tariff of energy intensive units is categorized as concessional tariff because it is a subsidized tariff. If the consumer of subsidized tariff goes out of DISCOM to meet his requirement, then it should not give raise to any claim of CSS.

Reply (b&c) : The CSS is computed based on the formula in National Tariff Policy 2016. All the open access users are liable to pay cross subsidy surcharge as per Section 42(2) of Electricity Act, 2003.

d) As per the National Tariff Policy issued on 21.07.2016, the CSS should have been phased out by now. Moreover, the State Government is giving subsidy to the DISCOM for the losses suffered by it on account of supply of power to some of the consumers at subsidized rate. In view, there should not be any CSS.

Reply : There is no stipulation in the Tariff Policy that CSS should have been phased out by now. The Govt. of A.P is providing subsidy to categories such as free power agriculture in full, to some categories in part etc., Hence, cross subsidy surcharge is applicable.

3. Time of the Day (TOD): It is submitted that we are the continuous process manufacturing industry and require power equally throughout the day. It is not possible to plan the operation of the plant based on ToD tariff. It is therefore requested that ToD tariff should not be made applicable to continuous process industry.

Reply: The suggestion that ToD tariff should not be made applicable to continuous process industry is not justified in view of the availability of NCE power, market prices differential between peak and off peak periods etc.

4. Tariff for energy intensive industry – Ferro Alloy: The Government of AP have given a special status to this industry since last 10 years and as a result of this, the concessional tariff is being made applicable to this industry. It may kindly be noted that power is one of the raw materials for this industry and power constitutes 40 to 50% of total cost of manufacturing of ferro alloy products. In the last 10 years, the industry has increased its capacity from 80 MVA in 2012 to 715 MVA in 2022 i.e. a CAGR of 25%. This industry is providing direct employment to 12000 persons and with indirect employment, nearly 50,000 - 60,000 families are dependent on this industry. This industry is also contributing nearly Rs.2000 Crs. annually towards taxes to State and Central Governments.Hence in the context of ensuing ARR and Tariff exercise for the coming year, it is important and timely for GOAP to ensure that Ferro Alloy Industries which form a substantial industrial segment in Andhra Pradesh are provided Affordable Tariff and also should be facilitated to adopt Hybrid (Wind & Solar) Group Captive mode with banking facility for Sustainability.

During the year 2022-23, the following are the additional charges levied which increased the production cost to unsustainable levels and thereby making this industry loss making:

- MD Charges levied from Apr.'23
- FPPCA Charges levied for FY22and FY24

In the year of 2022-23, ED was increased from 6 paise to Rs. 1.0 per unit.

Fortunately based on our representations to AP Govt., we have been given a relief of 90% reduction in our MD charges and ED reduction to 6 paise. As Demand Charges of Rs.47.5/KV A and Electricity duty of Rs.0.06/Kvah been imposed form 01.10.2023 till the end of the FY as per G.O Dated 16.11.2023, the same needs to be continued for the FY 2024-25 also to facilitate operating Ferro Alloys industry under reasonable profits. From the proposal submitted by APSPDCL, it is seen that tariff changes are proposed only for "Energy Intensive Industry" and the underlying reason recorded is that one of the Ferro Alloys Unit have resorted to purchase through "Open Access". It is humbly submitted that as per the National Tariff Policy of 2016, the States should encourage development of open access market.We request that Honb'le Commission be guided by the spirit of National Tariff Policy and accordingly direct AP DISCOMS suitably.

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.

5. Banking of Power: Banking should be permitted to all renewable source of energy and should not be restricted to only wind, solar and mini hydel as mentioned by rules of 2022. The banking should be allowed for 30 days instead of up to monthly billing cycle. In case the banking is allowed up to billing cycle, then the consumer would be able to utilize the electricity banked during last days of billing cycle. Unused banked units be lapsed only after 30 days of the date of banking. Unutilized energy at the end of the cycle should be paid for at average pooled purchase price of renewable energy power. Also, the generator should be allowed to get renewable energy certificate for the unutilized energy at the end of banking cycle.The quantum of banked energy should be allowed up to 50 % of total monthly consumption of electricity from distribution licensee. Also, in arriving at total monthly consumption of electricity from distribution licensee, the electricity obtained through open access, during the month to be added. The discoms will be getting revenue in the form of CSS on the open access purchases and hence these consumptions should be considered from distribution licensee only.

Reply: Not related to the current ARR Application. It may be dealt separately.

6. Determination of Green Tariff: As per the Promoting Renewable energy through Green energy open access rules 2022 and its implementation dt. 13/5/23 issued by Ministry of Power that in no case the green tariff should be higher than Average power purchase cost of RE + Surcharge @ 20 % of ACOS + say a reasonable margin of 25 Paisa. Whereas now it is proposed to enhance to Rs. 1 / Unit as premium against the current premium of Rs.0.75/Unit which itself is much higher than Power Ministry suggestion of Rs.0.25/Unit. Request to follow the Power Ministry guidelines, thereby reducing green energy tariff.

Reply: The balancing cost and network charges are not captured in the formula proposed in the Green Energy Open Access Rules 2022 issued by the Ministry of Power, GoI and hence the reduction of green energy tariff is not justified.

Yours faithfully

Chief General Manager / RAC & IPC

Copy submitted to the Secretary, APERC, 11-4-660, 4th Floor, Singareni Bhavan, Red Hills, Lakdikapul, Hyderbad-04