



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

**From**

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

**To**

Sri U.M. kumar, Secretary  
A P Textile Mills Association,  
2<sup>nd</sup> Floor, Manoharam Skin Clinic,  
4/2, Lakshmpuram, Guntur-07.

**Lr No. CGM/RAC&IPC/SPDCL/TPT/GM/RAC/F.ARR.Rep.(20) /D.No. 55 /24 dt. 17 -01-2024**

Sir,

Sub :- APSPDCL/TPT – RAC – Replies to objections raised by Sri U.M. Kumar, Guntur on ARR for Distribution Business Proposals - Regarding.

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

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Referring to the objections raised on ARR for Distribution Business for 5<sup>th</sup> control period, the reply is furnished as hereunder.

***Background and relevant facts of the Objector and its members***

1. The Objector herein is an association of textile mills in the State of Andhra Pradesh.
2. Some of the members of the Association have wind and/or hydel captive generating plants. The energy generated by the captive generated plants is wheeled under open access to the industrial units. In view of the inherently infirm nature of the wind/hydel captive power plants, the captive user industrial undertakings invariably have a CMD with the distribution licensee to meet the full extent of the demand of their loads. The demand charges are paid. The wheeling of captive energy does not entail any increase in the recorded demand of the industrial units. The wheeled captive energy only substitutes for energy otherwise drawn from the licensees as and when, and to the extent, wind / hydel generation is available varying from time to time.

**Reply:** Demand charges being collected by the distribution licensee would fulfill the part of fixed cost obligations of the licensee such as fixed charges of generators, transmission charges and distribution charges. As the tariff is not rationalized based on fixed cost obligations and variable cost obligations of the licensee, the licensee recovers the remaining portions of the fixed cost obligation from the energy charges determined by the Hon'ble commission. If the consumer avails the supply other than the licensee using the licensee's network by paying only demand charges determined by the commission, the licensee will under recover the distribution cost incurred by it, which include O&M expenses, Return on Capital Employed, depreciation etc. Hence, it is justifiable to levy wheeling charges to recover the distribution cost from the consumer who avails open access using the licensee's network.

***Some Observations and Queries on the ARR/FPT filed***

3. The methodology for arriving at the wheeling charges for each voltage at 33 and 11 kV is to divide the Distribution business ARR as allocated to each voltage by the aggregated contracted demand at each voltage adjusted for losses.

For Long term OA agreement, purportedly on this basis the wheeling charges, say for FY 2024-25 at 33 kV, has been computed as Rs. 83.02 /KVA/month considering the ARR for the 33 kV as Rs. 33 crs and the adjusted contracted demand at 33 kV as 329 MW.

For Short Term OA Agreements, the charge is proposed for 33 kV consumer for FY 24-25 at Re. 0.12 per unit. This is presumably arrived at by dividing the amount of Rs. 83.02/KVA/month by 720 hours in the month.

4. It is noticed that the charges for 11 kV are as much as over 8 times the charges for 33 kV. This is truly astonishing and unbelievable. The inordinately wide divergence requires to be explained by the licensee.

5. There is lack of clarity on the manner in which the proposed wheeling charges will be applied and levied. The licensee may clarify.

**Reply( 2 to 5) : For the 5<sup>th</sup> control period, the licensee adopted the methodology used by the Hon'ble APERC while determining the wheeling tariff for the 4<sup>th</sup> control period. Further, the licensee computed the wheeling charges considering the aggregate revenue requirement for the distribution business, consumers' contracted load, network asset value of the particular voltage level and its usage by 33 kv, 11 kv and LT consumers, cost apportionment to respective voltage consumers based on the no of consumers, DTRs, substations and lines. As the 33 kV level asset base and consumer bases are lower as compared to 11 kV and LT voltage base, the corresponding wheeling charges are lower.**

6. In CPDCL filing on page 20, the following statements are found  
Since all the consumers including those connected at EHT network (132kV & above) are in the fold of the APDISCOMs and drawals of consumers from Open Access sources i.e Third Party Generators / Traders or Exchanges is included in the DISCOM drawals, the wheeling service is supposed to be provided by the DISCO Ms only. The DISCOMs are already paying Transmission Charges for their peak drawal which includes drawls pertaining to intra state and interstate open access transactions.  
For availing the wheeling service by an EHT consumer, he has to refer the Transmission Tariff order for the purpose of applicable charges and losses. Since Wheeling service is not privy to the voltage level and is relevant to the consumer / consumption, APDISCOMs felt it appropriate to indicate the wheeling charges for availing the network service at EHT level also in the Wheeling Tariff Order from the 5th Control period, issued by the Hon'ble Commission for the convenience of the Consumer.  
As per clause 18 of APERC Open Access Regulation regarding payment terms & conditions, the Distribution Licensee has to invoice an User in respect of the Open Access charges. By indicating transmission charges also in the Wheeling order, facilitation is provided such that the prospective consumers need not refer the transmission order for the purpose of availing the sendee.

What can be understood from the above is as follows -

- (a) Wheeling and transmission charges will be levied and collected only by the Discom in which the consumer is located.
- (b) Since the Discom is paying Transmission charges with respect to its entire consumer demand, no transmission charges will apply to on the OA energy delivered within the Discom.
- (c) If the OA energy is injected in, say SPDCL, for drawal by a consumer in CPDCL, the wheeling charges will be levied only by CPDCL and no transmission charges will apply.
- (d) If OA energy is injected at EHT for drawal by a consumer in a Discom, no transmission charges will apply and only the wheeling charges of the Discom of the consumer will be levied.
- (e) If OA energy is injected anywhere at below 33 kV for drawal by an EHT consumer, only the transmission charges will apply which is to be paid to the Discom of the drawal consumer.

It is necessary for the Discom to confirm the above for a clearer understanding of the proposal. If otherwise, the licensee may clarify in detail.

**Reply: As per Definition 76 of the Electricity Act 2003, the definition of wheeling is as follows:**

***"wheeling" means the operation whereby the distribution system and associated facilities of a transmission licensee or distribution licensee, as the case may be, are used by another person for the conveyance of electricity on payment of charges to be determined under section 62.***

As the transmission of electricity covers under the definition of wheeling, the licensee indicated the EHT charges in the filing of Multi Year Tariff for the 5<sup>th</sup> control period and the wheeling charges for the 5<sup>th</sup> control period. Further, the distribution licensee arrived its transmission cost for the anticipated co-incident peak load of the licensee excluding the load pertaining to open access consumers. Further, the distribution licensee passed on the distribution cost for the Retail supply ARR duly deducting the anticipated wheeling revenue from the Gross Distribution ARR.

In this regard, the obligated open access entities have to pay the requisite charges pertaining to the transmission and distribution licensees, as per the applicable regulations of the Hon'ble APERC, as those charges pertaining to the open access entities were not embedded in the transmission and distribution costs shown in the retail supply ARR of the licensee.

#### ***Scope and Basis of levy of Wheeling Charges on Open Access Transactions***

7. In the case of LTOA, it is not stated as to what capacity the proposed wheeling charge is to be applied. Further, where there is more than one drawl point in different Discoms, it is not clear as to how is the charge to be levied.

If the basis is so-called "contracted capacity", the question then arises as to what is meant by "contracted capacity"

In the case of renewable energy generators, the licensees have been wrongly and unjustly asserting that the installed capacity of the power plant is the contracted capacity.

Because of the inherent infirm nature of wind / hydel energy generation, the installed capacity of such generating stations is never fully reached. The CUF of wind generation is of the order of 20% to 25%. The CUF of the hydel generation is ordinarily around 30% but it may be substantially less during periods of droughts. The levy of wheeling charges on the installed capacity is an unjust extortion. It is tantamount to levy of a high and unjust charge on much of the capacity known and expected to be idle. It is also gross unjust enrichment of the licensee. This issue requires urgent and remedial action.

8. The Hon'ble Commission may consider the levy of wheeling charges on wind/hydel LTOA on the basis of the actual average demand for each month computed on the basis of the energy injected during the month. This may be done with separately with respect to each point of drawal by a consumer.

Alternatively, the wheeling charge for wind/hydel generation, irrespective of whether it is LTOA or STOA, may be on a reasonable and fair per kWh basis applied on the number of units actually injected from time to time.

9. There is another aspect that merits serious consideration so far as the quantum of open access to the consumer is within the CMD of the consumer with the Discom. The consumer pays demand charges every month which covers the network usage cost for the entire demand within the CMD. Therefore the Discom is already receiving the charges and its ARR is met. There is therefore no case for levy of wheeling charge again on the open access energy that is within the CMD of the consumer with the Discom. There must not be multiple charging on the same account which leads to unjust enrichment of the licensee.

10. All the submissions hereinabove may be considered without prejudice to one another and/or as in the alternative.

**Reply:** Demand charges being collected by the distribution licensee would fulfill the part of fixed cost obligations of the licensee such as fixed charges of generators, transmission charges and distribution charges. As the tariff is not rationalized based on fixed cost obligations and variable cost obligations of the licensee, the licensee recovers the remaining portions of the fixed cost obligation from the energy charges determined by the Hon'ble commission. If the consumer avails the supply other than the licensee using the licensee's network by paying only demand charges determined by the commission, the licensee will under recover the distribution cost incurred by it, which include O&M expenses, Return on Capital Employed, depreciation etc. Hence, it is justifiable to levy wheeling charges to recover the distribution cost from the consumer who avails open access using the licensee's network.

As the licensee develops the distribution infrastructure considering the peak demand of the consumers, it is pertinent to levy demand charges for the contracted/generation capacity of the consumer. Further, regardless of their CUF, the NCE generators can inject power in to the grid up to their peak generation capacity, for which the licensee's network shall support wheeling of power up to injection capacity of the generator. Hence, it is justifiable to levy wheeling charges on OA consumers based on contracted capacity.

***Participation at Public Hearing - Oral Submissions***

The Objector desires to be heard at length through counsel, Sri K. Gopal Choudary and Sri T. Sri Charan, Advocates, at the Public Hearing. It is requested that the hearing of the Objector herein be scheduled for the 30<sup>th</sup> or 31<sup>st</sup> January in the post-lunc session, and prior intimation of the date and time for hearing the Objector herein may be intimated in advance.

***Further, it is to inform that, the Honorable APERC is conducting public hearings on ARR filings for FY 2024-25 & Distribution Business for 5<sup>th</sup> 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 the Secretary, APERC, 11-4-660, 4<sup>th</sup> Floor, Singareni Bhavan, Red Hills, Lakdikapul, Hyderabad-04