



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 B. Raja Sekhar General Secretary,
A.P.Chamber of Commerce & Industry Federation,
40-1-144, 3rd floor, Corporate Centre,
Beside Chandana Grand, Brindavan Colony,
M.G. Road, Vijayawada-520010.

Lr No.CGM/RAC&IPC./SPDCL/TPT/GM/RAC/F.ARR.Rep.(41) /D.No. 83 /24 dt. 19 -01-2024

Sir,
Sub :- APSPDCL/TPT – RAC – Replies to objections raised by B. Raja Sekhar on ARR & Tariff Proposals - Regarding.
Ref:- Party's representation received dt.08-01-2024

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.

1.0 PRELIMINARY NOTINGS The above three petitions of the three APDISCOMS are together 680 pages of reading material, tables and RSF Formats. And yet regrettably short of information in spite of a lot of formats, for meaningful analysis and is not conforming to the requirements of Regulation 4 of 2005.

1.1 CLAUSE 5 of the Regulation states about “Segregation of Accounts into Distribution and Retail Supply “The Honorable Commission in several of previous T.O.’s have given directions to separate accounts and confirm. It’s not understandable why, 18 years after the Regulation, this is not being adhered to or enforced. We Industrial consumers apprehend that we are carrying the burden of disproportionate fixed cost in our two-part tariff in the form of Demand charges. We request that Commission in fixing the MYT for 5TH Control period for distribution direct the 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 apprehension that industrial consumers are carrying the burden of disproportionate fixed cost in the form of demand charges is not warranted.

1.2 CLAUSE 6.4 (a) &6.4(b) stipulates that ‘.....The power purchase costs shall also include the transfer price of own generation for the supply business in line with the power procurement Plan approved by the commission as part of the Distribution Licensee’s Resource plan .” The DISCOMS have it appears presumed approval to their Petition on “Load forecasts, Resource plans, and Investment plans and State Electricity Plan”. THERE IS NO APPROVAL FROM THIS COMMISSION for this primary BASIS for arriving at the ARR FY 2024-25.

Reply : The licensee has filed the load forecast, resource plan & investment plan before the Honourable APERC and approval is under consideration of the Honourable APERC.

1.3 CLAUSE 11 lays down “The principles for computation of Aggregate Revenue Requirement (ARR). MAIN ITEMS OF ARR > a. Cost of power procurement. > b. Transmission charges

➤ c. SLDC cost. ➤ d. Distribution cost. ➤ e. PGIL AND ULDC Costs. (b to e are the Network costs) We pray and submit the Network costs are only the opening balance figures of the DISCOMS which have NOT BEEN TRUED UP as these costs are based on 4TH CP & NOT TRUED UP. The power purchase costs are based on the Load forecasts, based on IN CORRECT AND UNSATISFACTORY SALES FORECASTING METHODS and for reasons cited in paragraph 1.2 and also the basis suffers from a presumption of approval of this COMMISSION.

1.3 CLAUSE 16.1 AND 16.2 INVESTMENT PLAN requirements have not been met in this petition by the DISCOMS, thus the basis of cost of capital, capitalization, depreciation costs are at best a presumption.

Reply : The licensee has filed the load forecast, resource plan & investment plan before the Honourable APERC on 30-04-2023 and approval is under consideration of the Honourable APERC. The opening balance figures of gross fixed assets are taken as per Audited reports in the filings for Distribution Business filed the Honourable APERC. The true-up of distribution business is to be filed after the end of the control period only. Hence, the objectors contention regarding requirements not being met is incorrect.

1.4 CLAUSES 21. PERIODIC REVIEW. The clause highlights its need and read with CLAUSE 10; the purpose is clearly for Performance review and efficiency drive. We are unaware of any such compliance and we request the DISCOMS to present in their website any such report.

1.5 CLAUSE 22.END OF THE PERIOD REVIEW. We have raised this matter of LACK of review of PREVIOUS PERIOD /PLANS in our submissions on LOAD FORECASTS, SALES FORECASTING and we PRAY AND HOPE that this matter is getting the necessary attention of this HONORABLE COMMISSION.

We submit that these ARR PETITIONS in OP 71,72,73 suffers the vice of non compliance of REGULATION 4 of 2005 AND THUS Vitiating the essential requirements and we PRAY that this commission would order the DISCOMS to submit their 4th CP TRUE-UP and the STATUS OF 4TH CP INVESTMENT PLAN AND APPROVED PROJECT WISE STATUS AS PER CLAUSE 22.1 AND 22.2. AND SUBSEQUENTLY THE ARR for FY 2024-25 & MYTs for 5th CP MAY BE HEARD. This we pray would serve the interests of justice to the consumers at large. We are handicapped to make meaningful analysis of the data submitted as they all are infirm, for reasons cited. We shall submit a few observations which are not clear and seem questionable to us.

Reply : As per Regulation No.4 of 2005, the true-up of distribution business is to be filed after the end of the control period only. Hence, the contention of the objector regarding non compliance of regulation no.4 of 2005 is incorrect.

2.0 AGRICULTURAL SALES IN THE STATE We submit that there is cause for AGRICULTURE SALES TO BE MANAGED by a separate DISCOM, call it AGRI-DISCOM. Our arguments are

- Our submissions herein are with respect to LT Agriculture Sales or consumption. We submit that, as per the DISCOMS revised estimate of sales for FY2023-24, LT Agricultural sales for all the DISCOMS is 12457 MU ,17.67% of the total sales of 70,491 MU.
- It will be stating the obvious that at Agriculture Sales is the best, an estimate, OR PERHAPS A GUESS WORK. We have noted that each of the DISCOM have adopted different method to estimate the quantum of LTV Agriculture sales. We request this Honorable Commission to direct the DISCOMS adopt a uniform methodology. In- fact As the DISCOMS will agree that the directive of THIS COMMISSION FOR 100% METERING IS LONG OVERDUE.
- More so now since the government policy of DBT to Farmers, metering is mandatory.

- Further as can be seen in the tables in the next page, LT –V Sales are skewed across the state with 65% (8048 MU) of the total of 12,457 MU is in SPDCL, the other two DISCOMS sharing the balance almost equally. Consequently, it appears that the distribution losses is disproportionately high in SPDCL at 2317 MU (42.9%) of the total 5398 MU COLLECTIVELY AMONGST THE DISCOMS. As IS STATED ELSEWHERE IN THIS DOCUMENT AGRICULTURE SALES IS NOT 100% Metered and thus at best a guess, a situation where inefficiency of technical and commercial losses (an euphemism for theft? Pardon me) can be swept and hidden under the corporate carpet.
- Presently the Distribution losses for FY 2023-24 are estimated at 7.1% of the input at the DISCOM periphery. For efficiency and transparency besides DBT policy, there is urgency for 100% metering. For every 500 MU losses reduced by close measured monitoring, saving are Rs350 CR and consequential CO2 emissions OF 0.82 KGS/KWH. Thus 500 MU of energy saved thus not generated means 410 Million KGS of CO2 not emitted into the atmosphere, thereby avoiding Ozone layer depletion to that extent.
- One of the major objectives of electricity reforms was/is enabling regulation conducive for a competitive environment. One major outcome of separating metered sales and unmetered sales into separate DISCOMS, will creating be a uniform level playing field for the metered sales DISCOMS. Thus, DISCOMS can be subject to scrutiny for performance on same indexation, an efficiency driver.

Reply : The metering of agricultural services for implementation of DBT to farmers is being done under YSR Vyavasaya Uchita Vidyut Scheme.

3.0 The mystery of Constant tariff but ever increasing power purchase cost and network costs. We are showing a table given by APSPDCL in page vi of their petition tabled as “Average Revenue Realized VS Average CoS break up for APSPDCL in FY2023-24. This Table is specific for APSPDCL, BUT equally applicable for all DISCOMS with inexplicable burgeoning CoS.

- The Power purchase cost is projected (or is it estimated?) to increase from the approved Rs4.32 to Rs 5.13, a 18.75% increase. There is no explanation for this. Is this FPPCA or some other factor? Even the PP for FY2024-25 at Rs 4.69 per unit appears high.
- The T&D cost increase of 37.77% is an increase in “controllable cost” and but should consumers be victimized despite even increasing asset creation and increasing O&M. This requires scrutiny and without a TRUEUP PETION for 4th CP, WE SUBMIT, SHOULD BE REJECTED.
- Even the proposed T&D cost at Rs 0.57 is a claim that requires scrutiny and on the face of it appears exaggerated.
- We had pointed that the Network costs are too high even last year. We are trying to make sense of no data, no true-up and will try to reason our objections with facts in our additional submissions.
- The mystery of CoS Going up but no Tariff hike in the Tariff order continues, but not surprised as we know hikes in Tariff from FPPCA and disproportionately high demand charges are being foisted on the INDUSTRIAL CONSUMERS.

Reply : Due to adverse weather conditions, the demand is very high during this year and the generation from committed sources is insufficient to meet the demand. The availability of Hydel sources is also less than the approved. Due to non-availability of gas, the generation from GGPP is also NIL. Due to these factors, the licensees have resorted to market purchases for which the cost is high. Further the fuel cost has increased for coal power plants. Further, reasons for increase in power purchase costs along with the FPPCA computations for FY 2023-24 month wise are placed in the website of APSPDCL.

As ascertained by APGENCO, the Hon'ble Commission has determined variable costs of APGENCO stations with the 2019 coal Landed cost. However, the notified coal base price has been increased several times by the coal companies. Due to this the landed cost of coal has been increased abnormally. FCA claims for the FY 2018-19 to 2023 was already filed before the Hon'ble Commission and also requested to revise the base rate of variable costs for the FY 2023-24 with revised coal landed cost. Considering the above facts, the power purchase cost projected for FY 2023-24 & FY 2024-25 are reasonable.

4.0 Petitioners proposal gives an impression to overlook the compliance requirement of MYT for the 5TH Control period for RST.

- The very purpose of MYT Regulation is to provide a certain degree of predictability and regulatory certainty in Tariff. However, over the years the DISCOMs have avoided the multiyear tariff principles for reasons of uncertainty of power purchase cost, demand and several other reasons.
- The Honorable have given the permission to file ARR for RST yearly which is in their powers to do so. But the purpose of Multiyear Tariff regulation was defeated.
- We have pleaded even last year that at least from 5TH CP including RST, ARR Should be under multiyear tariff principles as provided for under the Regulation 4 of 2005.
- But it have quoted previous years permissions' and say that as per proceedings No8/T-100/2023 DATED 10-10-2023 they filing the ARR & FPT filing for retail supply for FY 2024-25.
- If indeed such a permission was granted, it is extremely regrettable and to the Honorable we can only express our anguish that again a regulatory requirement is being condoned. We request that this be reconsidered.

Reply : The proceedings referred to by the objector pertains to ARR & FPT filings for Retail Supply Business for FY 2024-25 and not previous years permission as contended by the objector.

5.0 We some more objections for which we request permission to file our detailed objection in next few days as the data provided is not in EXCEL but PDF, so requires some data tracing from the voluminous data

Reply : The Excel data is available in APSPDCL & APERC websites.

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 the Secretary, APERC, 11-4-660, 4th Floor, Singareni Bhavan, Red Hills, Lakdikapul, Hyderabad-04