



**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 S.Pratap, General Secretary,  
APSEB AEEs Association,  
APTransco,  
Gunadala, Vijayawada.

**Lr No. CGM/RAC&IPC/SPDCL/TPT/GM/RAC/F.ARR.Rep.(43) /D.No. 53 /24 dt. 17 -01-2024**

Sir,  
Sub :- APSPDCL/TPT – RAC – Replies to objections raised by Sri S.Pratap,  
Vijayawada on ARR & Tariff proposals - Regarding.

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

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AP DISCOMs have submitted aggregate revenue requirement and tariff proposal for their retail supply business for the FY 2024-25, with reference to the public notice dated 10.12.2024 APSEB Assistant Executive Engineers Association wishes to bring some suggestions/objections on the matter of ARR, Tariff proposal for FY 2024-25 of the AP Discoms.

In the submitted ARR proposal for the year 2024-25, APDISCOMs have projected a total energy requirement of 83118.13 MU and revenue requirement of 56,573.02Cr (Rs 22,859.24Cr for APSPDCL, Rs 21,161.86Cr for APEPDCL and Rs 12,551.92Cr for APCPDCL). It is also proposed the revenue deficit of Rs 13,876.87Cr (Rs 7,583.34Cr for APSPDCL, Rs 3,296.98Cr for APEPDCL and Rs 2,996.55 Cr for APCPDCL) without full cost recovery.

Further, APDISCOMs have shown Non-Tariff Income of Rs 2,213.48Cr. (i.e Rs 1,388.40Cr for APSPDCL, Rs 432.56Cr for APEPDCL and Rs 392.52 Cr for APCPDCL). In the non-tariff income the Delay Payment Surcharge from consumers is a major portion i.e. approximately 90% of NTI. But Late Payment Surcharge being paid by DISCOMs to the Generators is not considering in tariff determination, due to Delay in payment of charges by the consumer or delay in paying subsidy by the Government lead to delay in payments to the Generators which implies late payment surcharges.

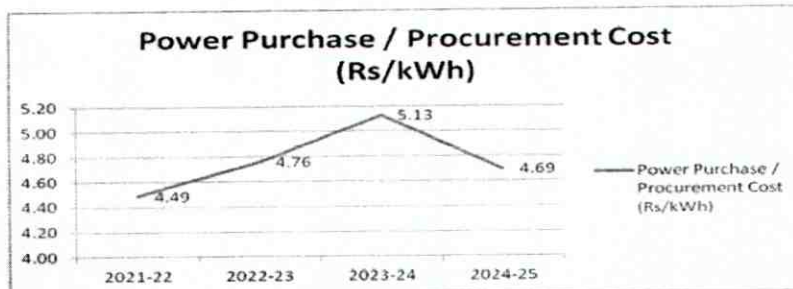
In this regard, APSEB AEEA requested the Hon'ble commission not to consider DPS as NTI, otherwise allow the interest on working capital loans which were taken to meet the delay in GOVT Subsidy Payments and LPS. And also requested to direct the Government to pay Late Payment Surcharge on the delay payment of Subsidy to the DISCOMs.

**Reply : Under the purview of the Honourable APERC**

As per the ARR proposals of DISCOMs the average cost of supply for FY 2023-24 is Rs 8.07/kWh (for Energy dispatch of 70491.92MU) and for FY 2024-25 is Rs 7.59/kWh (for Energy dispatch of 74522.67MU). Means DISCOMs have Projected Rs 0.48/kWh less COS for FY 2024-25 when compared to the FY 2023-24. But from 2019-20 to till now COS is increasing Year by Year. In view of the above it is clear that, the revenue gap for FY 2024-25 will further increase

It is to Submit that, the proposed ARR for FY 2024-25 and RE of 2023-24 are as follows:

Aggregate Revenue Requirement for Retail Supply Business of All DISCOMs				
Revenue Requirement Item (Rs. Crs.)	2021-22	2022-23	2023-24	2024-25
1 Transmission Cost	2,142.02	2,894.07	3,396.83	3,906.36
2 SLDC Cost	58.32	69.82	76.42	87.89
3 Distribution Cost	6,998.80	8,979.60	10,157.10	9,514.42
4 PGCIL Expenses	1,040.68	1,288.26	1,500.00	1,725.01
5 ULDC Charges	6.31	3.18	3.17	3.64
6 Network and SLDC Cost (1+2+3+4+5+6)	10,246.14	13,234.94	15,133.52	15,237.32
7 Power Purchase / Procurement Cost	30,061.28	34,289.74	40,214.20	39,017.60
8 Interest on Consumer Security Deposits	209.47	328.71	432.52	486.27
9 Additional Interest on Pension bonds of APGENCO Order	954.32	987.70	1,231.58	1,346.53
10 Supply Margin in Retail Supply Business	56.96	86.51	81.34	83.12
11 Other Costs, If any	233.86	70.52	112.72	402.21
12 Supply Cost (8+9+10+11)	31,515.88	35,763.19	42,072.36	41,335.73
13 Aggregate Revenue Requirement (7+12)	41,762.01	48,998.13	57,205.88	56,573.05
14 Total Energy (MU)	66,997.37	72,040.24	78,405.12	83,118.13
15 Power Purchase / Procurement Cost (Rs/kWh)	4.49	4.76	5.13	4.69
16 Network Cost (Rs/kWh) with 10% average T&D losses	1.70	2.04	2.14	2.04



From the above it is clear that, the Power procurement cost is increasing considerably, but for 2024-25 the PP cost has been deflated.

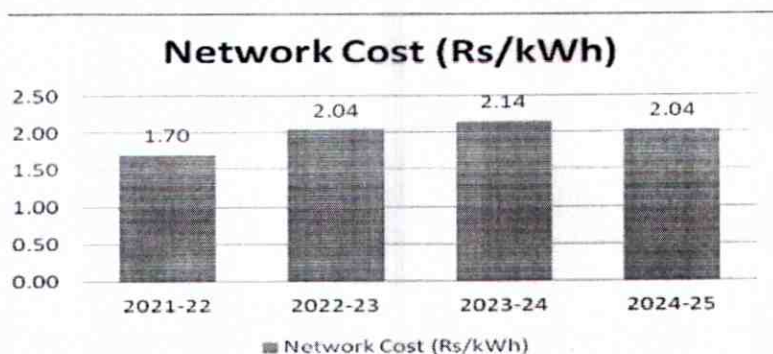
It is to submit that, by the addition of SECI-Solar Power of 3000MW the Power Procurement cost will further increase. This will lead to increase of revenue gap of the APDISCOMs. In this regard, APSEB AEEA is opined that, the addition of remaining 4000MW ( 2025-3000MW and 2026-1000MW) of SECI-Solar Power in the upcoming years will further increase the Power Procurement cost. Hence, the PSA of SECI Solar Power has to be reviewed.

Reply :

- A. 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 this energy will be fully borne by GoAP through a Govt. guaranteed payment security mechanism. GoAP is also a party in the PSA. Therefore there will be no burden on DISCOMs or on the end consumer. There will be no effect on the revenue gap of APDISCOMs. The Govt. of AP is also a party signatory in the PSA.



- B. Accordingly, the energy availability from SECI in a first tranche i.e., 3000 MW out of 7000 MW is considered w.e.f October-2024 in the ARR for FY2024-25 by APDISCOMs.
- C. No ISTS charges and losses from Injection/delivery point to the receiving substation(s) of Buying Entity as per the MOP order No.23/12/2016-R&R dated 23.11.2021 read with amendment dated 30.11.2021.
- D. It is to submit that, the total Solar Power of 7000 MW with a tariff of Rs 2.49/unit is being procured from SECI to supply 9 hrs day time uninterrupted sustainable free power to the Agriculture farming consumers through a separate nodal agency ( APRAPL -Andhra Pradesh Rural Agriculture Power Ltd) in the state of A.P.
- E. Further it is to inform that, the addition of remaining 4000 MW SECI- solar power may not affect the power procurement cost as the tariff of these projects (Rs.2.49/Kwh) is lower than the average power procurement cost by APDISCOMs.



From the above it is clear that, the Network cost is increased from Rs 1.70/kWh in the FY 2021-22 to Rs 2.14/kWh in the Year 2023-24. At this juncture Discoms are investing huge in the form of RDSS with inflated cost of materials. This will further increase the network cost inturn COS per kWh will throw the APDISCOMs into severe financial crisis.

Hence, APSEB AEEs' Association requesting the Hon'ble Commission to Direct the APDISCOMs to avoid unnecessary investments and also requested to direct the DISCOMs to make available the details of the investments of RDSS and the impact on COS in public domain.

**Reply :**

- It is to submit that the RDSS Scheme was launched by MoP, Govt. of India in July, 2021 with a total outlay of Rs.3,03,758 Crores across India with an estimated GBS (Govt. Budgetary Support) of Rs.97,631 Crores with an aim to improve the operational efficiency and financial sustainability of power utilities through deployment of smart prepaid metering and strengthening of distribution infrastructure.
- The scheme implementation period is 5 years and sunset date for the scheme will be 31.03.2026.
- The Monitoring committee in its 5th meeting held on 10.02.2022 has approved the Action plan and DPR of APSPDCL for an amount of Rs.6742.03 Crs. (Rs. 1657.66Crs towards

Smart metering works and Rs.5084.37Cr towards Loss reduction works) under Phase-I of RDSS and sanction communicated by M/s. PFC Ltd., New Delhi on 17.03.2022. The RDSS sanctioned amount details of APSPDCL are submitted below.

Amount in Rs. Crores

S. No.	Name of the Project	Sanctioned Cost	GoI grant Sanctioned	Additional Incentive (GoI Grant)
1	Smart Metering Works	1657.66	248.65	88.7
2	PMA Grant for Metering Works	6.22	3.73	NA
	Total	1663.88	252.38	88.7
3	Loss Reduction Works	5084.37	3050.622	NA
4	PMA Grant for Loss Reduction Works	76.27	45.762	NA
	Total	5160.64	3096.384	0
	Grand Total	6824.52	3348.764	88.7

- Consequent to the sanction, the tenders were finalised for Prepaid Smart Metering works in single package (other than Agl) and Loss Reduction works (Segregation of Agricultural Feeders and Bifurcation of overloaded Feeders) in four packages on Partial Turnkey Basis. Accordingly works are awarded with the successful bidders to take up the works.
- As per Guidelines issued under RDSS, for implementation of Modernisation Distribution Infra works MoP/GoI has issued guidelines for preparation of DPRs for System Strengthening/ Modernization works under RDSS.
- The Draft Detailed Project Report (DPR) is prepared with an estimation of Rs.11,330 Cr (as per the 2023-24 Cost Data and SSR with 5% excess) towards System Strengthening & Modernisation (SCADA, New 33/11kv Substations, Augmentation of PTRs, Replacement of old aged VCBs, DTRs & PTRs etc.) balance components of Loss Reduction works (Capacitor Banks, Replacement of LT Conductor with AB Cable in theft prone areas, 33KV & 11KV Overloaded feeders, Replacement of Old /Frayed Conductor (33KV & 11KV) etc.) and cost component of allied materials of Agl-DBT scheme, IT/OT works, Covered conductor as per the guiding principles for preparation of Detailed Project Report (DPRs) for System Augmentation and Modernisation works under RDSS duly taking in to consideration of the following.
  - i. Peak load of the existing substation reached about 80% of the installed capacity.
  - ii. Considering the expected load growth up to 2030.
  - iii. To Curtail length of long 11 kV feeders supply power to upcoming load centers.
  - iv. Replacement of existing HT network with bare conductor has outlived its life (25 years) and giving frequent troubles in operation.
  - v. Replacement of existing DT, incase DT has been repaired/rewinded more than 5 times and is causing huge losses and frequent failure.
  - vi. To improve Quality & Reliability of Supply with safety Standards.

The grant in the RDSS Phase-II is 60%.



In the proposed ARR, DISCOMs have procured 5929.56MU in the FY 2023-24 till October 2023 with an average of Rs 9/kWh which costs around 5336Crs. The Market procurements can be minimized by keeping the coal stocks at APGENCO generating stations as per norms and by following the proper O&M practices at APGENCO Generating stations and by avoiding excess VRE integration.

**Reply :** As ascertained by APGENCO, APGENCO is making all the efforts to get the required coal quantities from MCL/SCCL and planning to procure imported coal to run the units at normative capacity. To review coal supply and to look into the issues of critical power houses, a Sub Group Committee was constituted by Infrastructure Constraints Review Committee for allotment of rakes to the power plants as per production of coal at mines. During every sub group meeting, APGENCO has been appraising to increase the supply of rakes from MCL and SCCL to enhance the coal stocks at Dr. NTTPS and RTPP. In addition to the All Rail Route ( ARR) Transportation to Dr. NTTPS, Alternate measures for transportation from MCL to Dr NTTPS through Rail-Sea-Rail (RSR) mode was also finalized (Talcher-Paradeep Port-Kakinada Port - Dr. NTTPS) to increase the coal stocks in view of addition of 800 MW Dr. NTTPS-Stage-V. As per the directions of MoP, GoI, approval was also obtained from Hon'ble APERC to procure 7.5 lakh Tons of Imported coal. Accordingly, Tenders were floated for procurement 5.0 Lakh Tons of imported coal to meet the ensuing summer peak demand and to build up required coal stocks. APGENCO is making all the efforts to get the required coal quantities from MCL / SCCL and planning to procure imported coal to run the units at normative capacity.

*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.*



**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