

CENTRAL POWER DISTRIBUTION COMPANY OF A.P. LIMITED



RESPONSES TO OBJECTIONS / SUGGESTIONS

On

FSA PROPOSALS of the 4th Quarter of FY 2012-13

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7	Sri Banda Surender Reddy, State Secretary, All India Forward Bloc	
8	Sri J Arun Kumar, State President, All India Progressive Students Union (PDSU)	
9	Sri P Prahalada, State Convener, United Trade Union Congress (UTUC)	
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11	Sri Jwvari Ramesh Nayak, State Vice President, All India Progressive Students Union(AIPSU)	
12	Sri Vallam Das Kumar, Secretary, Revolutionary Socialist Party (RSP)	
13	Sri Chinumulla Lenin, State President All India Revolutionary Youth Front (AIRYF)	
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27	M/s Saiguti Industries Ltd	
28	Chairman, Pashamylaram Notified Gram Panchayat Industrial Area Service Society	
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33	Sri N S Naidu, Gen Manager (Admin & Corporate Compliance), M/s Vasant Chemicals Pvt. Ltd.	
34	Sri Y Narendra Babu, Joint Secretary, FAPSIA, Administrative Building, Industrial Estate	
35	Sri L P R Vittal, Managing Director, M/s Sano High Grade Spectro Gastings Pvt Ltd. & 5 other firms	
36	Sri Vinnakota Ajoy Kumar, Proprietor, M/s Gayathri Granite	
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A	<ol style="list-style-type: none"> 1. Sri K.Narayana, Secretary, CPI-AP State Council 2. Sri T.Harish Rao, M.L.A., Siddipet Constituency-33 3. Comrade Janaki Ramulu, State Secretary, A.P.Committee, Revolutionary Socialist Party (RSP) 4. Sri M.Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation 5. Sri Karankot Naarender, Finance Secretary, All India Forward Bloc 6. Sri Kona Dayanand, State Secretary, All India Forward Bloc 7. Sri Banda Surender Reddy, State Secretary, All India Forward Bloc 8. Sri J.Arun Kumar, State President, All India Progressive Students Union (PDSU) 9. Sri P.Prahalada, State Convener, United Trade Union Congress (UTUC) 10. Sri Japapu Ram Reddy, State President All India Samyukta Kisan Sabha 11. Sri Jwvari Ramesh Nayak, State Vice President, All India Progressive Students Union (AIPSU) 12. Sri Vallam Das Kumar, Secretary, Revolutionary Socialist Party (RSP) 13. Sri Chinumulla Lenin, State President All India Revolutionary Youth Front (AIRYF) 14. Sri K.Yadaiah, District Secretary, Revolutionary Socialist Party (RSP) 15. Sri P.Pullaiiah, District Secretary, Revolutionary Socialist Party (RSP) 16. Mrs. Bnollavarapu Chaya Devi, Steering Committee Member, YSR Congress Party, 17. Sri D.V.Krishna, State Secretariat Member, CPI (ML) New Democracy 18. Sri K.Ragu, Certified Energy Manager and Auditor, Coordinator, TEEJAC 	
Sl.No	Objection/Suggestion	Reply
1	<p>2.2 APDISCOMs' FSA proposals show that while APERC approved procurement of 24,059 MU during the 4th quarter of 2012-13 DISCOMs were able to procure only 20,725 MU, a decline of 3,334 MU (13.86%). DISCOMs attributed the shortfall in power procurement to decline in hydel power and decline in gas supplies from ONGC and KG Basin. An examination of information provided by DISCOMs shows that DISCOMs failure to procure power from short term sources is also equally important reason for shortage in power during this quarter. While shortfall in power supply from hydel units was 715 MU it was 1,306 MU from short term purchases, even after crossing the unit price set by the Commission. The DISCOMs in their filings stated, "APDISCOMs were constrained to procure the power from short term sources through transparent tender procedure". But the fact as mentioned above they failed to procure the quantum of power approved by the Commission well in advance. In stead of being constrained they were given freedom to procure power from short term sources. Even with an advance approval they failed to procure the necessary quantum of power. The information provided by DISCOMs also shows that power</p>	<p>As indicated by the objectors, there is shortage of procurement power from IPPs and less generation from hydel station due.</p> <p>The short term power procurement to the extent of power allowed by Hon'ble APERC should be seen in relation to the over all demand in neighbouring states and availability of corridor linking SR.</p> <p>The procurement of power from PX & IEX again depends upon the corridor congestion and requirement of power by DISCOMs at a particular hour. Further, different prices are discovered by exchange in different spells, like low, high and average. Discoms could not procure power from</p>

	<p>was not procured from Power Exchanges. It is well known that prices from power exchanges are lower than that arrived through the so called competitive, transparent bidding procedure. There is need for close scrutiny of short term power purchases contracted by DSICOMs in the state during 4th quarter of FY 2013.</p>	<p>Exchnganes due to cost limitation.</p>																																											
<p>2</p>	<p>3.1 APDISCOMs submissions on FSA claims for 4th quarter of FY 2013 shows that out of total FSA claim of Rs. 1,137.70 crore Rs. 1,031.46 crore is towards variation in variable costs. In other words, 91% of the proposed FSA claim is because of increase in variable cost.</p> <p style="text-align: center;">Table: 1 Per Unit Variable Cost Burden</p> <table border="1" data-bbox="301 609 1284 1360"> <thead> <tr> <th rowspan="2">Plant</th> <th rowspan="2">Variable cost according to ARR 2012-13 (Rs/U)</th> <th colspan="3">Variable cost according to FSA Proposals for Q2 of 2012-13 (Rs/U)</th> </tr> <tr> <th>January 13</th> <th>February 13</th> <th>March 13</th> </tr> </thead> <tbody> <tr> <td>Coal based plants</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>NTPC (SR)</td> <td>1.74</td> <td>2.03</td> <td>1.89</td> <td>2.11</td> </tr> <tr> <td>Simhadri I</td> <td>2.10</td> <td>2.13</td> <td>2.32</td> <td>2.33</td> </tr> <tr> <td>KTPS – A, B, C</td> <td>1.35</td> <td>1.83</td> <td>1.78</td> <td>1.80</td> </tr> <tr> <td>VTPS – I, II, III</td> <td>1.94</td> <td>2.88</td> <td>2.97</td> <td>2.97</td> </tr> <tr> <td>VTPS – IV</td> <td>2.65</td> <td>3.06</td> <td>3.02</td> <td>3.28</td> </tr> <tr> <td>RTPP</td> <td>2.18</td> <td>3.12</td> <td>3.09</td> <td>3.24</td> </tr> </tbody> </table>	Plant	Variable cost according to ARR 2012-13 (Rs/U)	Variable cost according to FSA Proposals for Q2 of 2012-13 (Rs/U)			January 13	February 13	March 13	Coal based plants					NTPC (SR)	1.74	2.03	1.89	2.11	Simhadri I	2.10	2.13	2.32	2.33	KTPS – A, B, C	1.35	1.83	1.78	1.80	VTPS – I, II, III	1.94	2.88	2.97	2.97	VTPS – IV	2.65	3.06	3.02	3.28	RTPP	2.18	3.12	3.09	3.24	
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	KTPS VI	1.76	2.58	2.38	3.01		
	Kakatiya I	1.75	2.40	2.31	2.24		
	Gas based plants						
	APGPCL – St. 1	1.89	2.33	2.60	2.60		
	Reliance	1.72	2.01	1.99	1.99		
	Konaseema	1.80	2.04	2.02	9.99		
	Vemagiri	1.80	2.03	2.05	10.64		
	GVK	2.07	2.14	2.02	1.95		
	GVK Extn	1.80	2.05	2.07	--		
	Gautami	1.80	2.05	2.05	--		
	Spectrum	1.77	2.14	2.00	2.23		
	Lanco	2.04	2.19	3.45	4.43		
3	<p>3.2 The above table shows that in general the variable costs claimed to have been incurred by the generators is higher than that mentioned in the Commission’s tariff order for the year. Within this there is wide variation in increase in variable costs of coal based plants of central generating stations (CGS) and APGENCO plants. In the case of CGS plants variation in hike on higher side is in the range of 6 to 20 percent. In the case of APGENCO plants it is in the range of 36 to 71 percent. Here it is also to be noted that in the filings for the 3rd quarter of the financial year in the case of coal based plants of CGS (NTPC (SR) and Simhadri) variable costs reported under FSA proposals were lower than those mentioned the in</p>					<p>Genco: The variable cost is increased due to procurement of imported coal, procurement of additional coal by paying premium price and normal inflationary effect on the coal. IPP :</p>	

	<p>the Tariff Order for the year 2012-13. Both the CGS as well as GENCO plants obtain coal from the same sources. Like GENCO plants CGS plants are also using imported coal. Even then when variable costs of CGS declined that of GENCO plants increased. The use of imported coal may be one of the reasons! Even when local coal production is being neglected there is rush for imported coal. CGS also use imported coal. In the case of GENCO pit head plants like KTPS and Kakatiya Power plant also variable costs increased considerably. Their variable costs are higher than CGS plants. There appears to be some this seriously wrong with the GENCO plants. When the increase in coal prices did not affect CGS much how is it that variable costs of GENCO plants increase by nearly 70%? It is the responsibility of APERC to see that this puzzle is solved in a transparent manner, to the satisfaction of all stakeholders. We request APERC to direct DISCOMs and GENCO to make all facts public.</p>	<p>The variance in cost of gas is due to use of RLNG and increase in foreign exchange rate over period even domestic gas price is reimbursed to IPPs based on the dollar rate converted into rupee rate .</p> <p>The variance in variable cost with reference to Tariff Order is on account of proportionate usage of imported coal, location of plant etc.,</p>
	<p>3.2 Variable cost of gas based power plants also registered hike leading to the proposed FSA burden. The increase in variable cost of most of the gas based power plants ranged from Rs. 0.23 to Rs. 0.71 per unit. In the case of Lanco plant cost per unit increased by Rs. 2.39. in the case of Konaseema and GMR Vemagiri plants this hike is several times higher. While in the case of Konaseema plant cost per unit increased by Rs. 8.19 per unit it is Rs. 8.84 in the case of Vemagiri plant. The DISCOMs' proposals do no throw any light on the reasons for this hike. It may be because of use of costly imported RLNG. If the hike is because of use of RLNG how much of it is used to supply power to all consumers and how much of it is used for industrial units which subscribed for high cost power. It is also important o know on what basis particular plants were selected for use of RLNG. Lanco plant will be nearer to the gas pipeline with gas flowing from west compared to Konaseema and Vemagiri and this should have resulted in gas transmission cost by more than 15 paise per unit of electricity produced.</p> <p>3.3 In this context it is also important to question the need to import this costly RLNG when gas produced in the vicinity is more than the state's needs? Besides this there are also doubts on decline in gas production form RIL's KG Basin wells. While RIL attributed the decline to geological uncertainties, and water and sand ingress into the gas wells leading to closure of a number of wells the Ministry of Petroleum and Natural Gas and Director General of Hydrocarbons</p>	<p>The variance in cost of gas is due to use of RLNG and increase in foreign exchange rate over period even domestic gas price is reimbursed to IPPs based on the dollar rate converted into rupee rate .</p>

	<p>did not accept this explanation. At the same time they did not take any concrete steps to reverse this decline</p>																	
	<p>Coal Related Issues:</p> <p>4.1 One of the important reasons for increase in variable costs is the rise in coal prices both Coal India Ltd (CIL) and its subsidiaries and SCCL. Coal prices are increased even when the coal mining companies were reaping enormous profits. The mining companies in the country raised the coal prices by 25 to 40% even when they were reaping enormous profits. During the second quarter of the financial year 2012-13 Coal India Ltd., registered a net profit to Rs 3,078 crore. During the same period last financial year it earned a profit of Rs 2,593 crore. During this period while production increased by 11 percent profit increased by 18.7 per cent. CIL is said to be sitting on accumulated profits of over Rs. 62,000 crore. Even then it is increasing coal prices. Similarly SCCL is also increased coal prices from Rs. 2050 per ton to Rs. 2,700 per ton. Already SCCL is earning profit of more than Rs. 300 crore every year. With this price increase its profits will increase further. Consumers in the state have to bear this burden from increased prices of coal. We request the Commission to direct the DISCOMs and the state government to negotiate with coal companies as well as the Ministry of Coal.</p>	<p>The Coal policy is determined by GOI and DISCOMs does not have any option</p>																
	<p>4.2 Another important reason for the proposed FSA burden is the use of costly imported coal.</p> <p style="text-align: center;">Table: 2 Cost of Coal</p> <table border="1" data-bbox="298 1049 1325 1373"> <thead> <tr> <th>NTPC Plant</th> <th>Cost of Domestic Coal (Rs./MT)</th> <th>Cost of Imported Coal (Rs./MT)</th> <th></th> </tr> </thead> <tbody> <tr> <td>RSTPS St. I & II</td> <td>2489</td> <td>5869</td> <td>2.36</td> </tr> <tr> <td>Simhadri – I</td> <td>2059</td> <td>5108</td> <td>2.48</td> </tr> <tr> <td>Talcher St. II</td> <td>933</td> <td>5745</td> <td>6.16</td> </tr> </tbody> </table>	NTPC Plant	Cost of Domestic Coal (Rs./MT)	Cost of Imported Coal (Rs./MT)		RSTPS St. I & II	2489	5869	2.36	Simhadri – I	2059	5108	2.48	Talcher St. II	933	5745	6.16	<p>Imported coal is used by Generating station as per GOI guidelines and it is true that by usage of imported coal, there will be marginal increase in variable cost.</p>
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	VTPS IV	3219	5390	1.67		
	KTPS VI	3348	5390	1.61		
	As shown in the above table imported coal is two to six times costlier than domestic coal. Following this as consumption of imported coal increases cost of power generated also increases.					
	<p>4.3 But this need not be the case as GCV of imported coal is higher than domestic coal. While NTPC information provided combined GCV of imported + domestic coal GENCO information provided GCV of imported and domestic coal separately. The GENCO information shows that the higher price for imported coal is in commensurate with its higher GCV. In the case of VTPS IV plant while cost of imported coal is Rs. 5,390 per MT and its GCV is 6,052 Kcal/kg, in the case of domestic coal price is Rs. 3,219 per MT and its GCV is 2,840 Kcal/kg. Similarly, in the case of KTPS VI plant while cost of imported coal is Rs. 5,390 per MT and its GCV is 6,216 Kcal/kg, in the case of domestic coal price is Rs. 3,348 per MT and its GCV is 4,158 Kcal/kg. These price relations show that imported coal shall not lead to increase in power generation cost.</p>					The reduction in supply of domestic coal force DISCOMs to fill up with imported coal, therefore the overall generation may not increase but it can avoid reduction in generation on the ground of short supply of domestic coal.
	<p>4.4 But the information provided by DISCOMs show that the reported higher GCV of imported coal compared to domestic coal is not visible at the actual power generation stage. Imported coal is said to have 80% more GCV than domestic coal. 1.6 MT of imported coal is said to be equivalent to 2.88 MT of domestic coal.</p>					
	<p>4.5 The use of imported coal did not add significantly or make much difference to average GCV. During the month of January 2013 VTPS IV plant sourced one third of its coal from imports and achieved a GCV of 3561 Kcal/Kg. During the same month KTHP using domestic coal only achieved GCV of 3662 Kcal/Kg. Similarly, During the month of March 2013 also VTPS IV plant sourced one third of its coal from imports and achieved a GCV of 3508 Kcal/Kg and KTHP using domestic coal only achieved GCV of 3564 Kcal/Kg. information from NTPC plants also show similar trend. Use of imported coal did not significantly add to power generation. Take the case of NTPC's RSTPS I and II stages. During the three months of fourth quarter of 2012-13 when imported coal was used GCV of these plants stood at 3723,</p>					<p>Generally, the gross calorific value of indigenous coal and imported coal varies from time to time i.e. based on the grade of coal being received by respective thermal station from different mines.</p> <p>Further it is to submit that the variation in weighted average GCV of imported coal & indigenous coal only due to type of coal being received from respective months.</p>

	<p>3660 and 3809 Kcal/Kg respectively. These plants during September, October and November 2012 when no imported coal was used achieved GCV of 4086, 3446 and 3746 Kcal/Kg respectively. Similar is the case with NTPC's Simhadri I plant. During the three months of fourth quarter of 2012-13 when imported coal was used GCV of this plant stood at 3376, 3340 and 3269 Kcal/Kg respectively. During the month of September 2012 when no imported coal was used GCV stood at 3297 Kcal/Kg. There is need to examine the actual GCV of imported coal is in relation to the price paid to it.</p>	
	<p>4.6 When compared to the cost of imported coal the actual GCV achieved do not hold any comparative advantage of depending on imported coal. This brings in to question the preference shown by some power developers to go in for imported coal. This shows that they are trying to benefit from the price differential at the cost of consumers in the country.</p>	
	<p>4.7 While the country has abundant coal reserves there is no logic in going for imported coal. Indian companies are showing more interest in developing imported coal fields than coal blocks allotted to them in the country. There is wide variance in the stated efficiency of imported coal and its cost in relation to domestic coal. It is more profitable to the power developers as well as consumers in the state to depend on domestic coal. But somehow all things "foreign" appears more attractive, including coal!</p>	<p>It is the policy of GOI to mix domestic and imported coal in view of dwindling coal resources in the country and likely effect of coal mining on environment.</p>
	<p>4.8 Coal India Limited produced 435 million tonnes of coal in 2011-12 from its reserves of 60 billion tones. At the same time public and private companies which are allotted coal blocks with aggregate reserves of 48 billion tonnes produced only 36 million tonnes of coal. The delay on the part of these companies may be deliberate as they planned to profit from import of costly coal.</p>	
	<p>4.9 Use imported coal was advocated on the ground that enough coal is not being produced within the country. But proper attempts are not made to increase coal mining within the country. APGENCO was allocated captive coal mines more than seven years back to mine coal for use in its power plants. But there was no initiative on the part of GENCO to use this for it's as well as state's advantage. This delay on its part led to dependence on costly imported coal. If the captive blocks allocated to it were operationalised as stipulated by the Ministry of Coal of GoI there would have been no need to depend on costly imported</p>	<p>! The coal from Tadicherla coal block is allotted to KTHP II which is under construction. APGENCO is taking all possible steps to complete the mining activity and commence production before completion of power project. APGENCO entrusted the mining</p>

	coal.	activity to m/s SCCL and waiting for Environmental clearance to commence the mining activity.
	<p>4.10 Tadicherla coal block was allocated by the Ministry of Coal, Government of India to APGENCO on 6th December, 2005 as a captive block for its power plants. Production of coal at this mine was expected to commence in December 2008. Similarly, Anisettypally, Punukula – Chilka and Pengadapa coal blocks were also allocated to APGENCO on 20th February, 2007 for captive consumption. But there was no movement on the part of APGENCO to start mining. According to the norms coal mining is expected to begin in three to four years from the date of allocation of coal blocks. As there was no progress either on paper or on ground the coal blocks of Anisettypally, Punukula – Chilka and Pengadapa were de-allocated by the Ministry of Coal. In the case of Tadicherla the Ministry of Coal issued a show cause Notice to APGENCO, dated 3rd May, 2012. According to this Notice, “In the review meeting held on 11/12.01.2012 it was noticed that no serious efforts have been made by the Company to develop the coal block, even after repeated assurances tendered by the Company during the period. It is also noted that all the important/critical milestones such as grant of previous approval, Forest clearance, EMP, Mining Lease and Land acquisition are pending for Tadicherla – I coal block. The Company has repeatedly failed to keep its promise made to the Ministry and is thus non-serious about timely development of the block”. They did not even procure relevant maps from SCCL.</p>	
	<p>4.11 Even when there is apparent and serious coal/fuel shortage no urgency was shown to utilize the resources made available to the GENCO. Rather it was stated that 30% of the coal is being imported at the directions of CEA. Because of inefficiency of GENCO consumers in the state are forced to bear the present FSA burden. Why shall consumers in the state pay for inefficiency of GENCO?</p>	
	<p>4.12 It is being alleged that delay in issuing environmental clearance for coal mining projects is coming in the way of mining enough quantity of coal. Environmental clearance is not an issue in delay in coal production. There appears to be deliberate delaying in coal production. Delay in environmental clearance is being shown as an important reason for lower coal availability in the country. But contrary to this the central Environment Ministry has already given enough clearances for coal mining. But there appears to be deliberate delay in commencing coal mining in the country to force imported costly coal on consumers</p>	Not in the purview of licensee. Govt. of AP shall be requested for pursue with central Govt. for speedy clearances

	<p>in the country. According to a report Down to Earth (dated 15th November 2012), “India is estimated to produce 575 million tonnes (MT) of coal in 2012-13. In the past five years, clearance has been given to almost double the existing capacity. This despite companies, including the Coal India Ltd, producing much less than their capacity. According to the Comptroller and Auditor General Report, of the 86 coal blocks slated to begin production by 2010-11, only 28 have commenced. Besides, these blocks produced only 34.64 MT against the target of 73 MT—a shortfall by 52%”.</p>	
	<p>4.13 We request the Commission to direct APGENCO to steps expeditiously to mine coal from Tadicherla-I block and also reclaim the three coal blocks de-allocated. This will go along way to reduce dependence of costly imported coal and in return reduce burden on electricity consumers in the state</p>	
	<p>4.14 GENCO is also using coal from its captive mines apart from supplies from SCCL and CIL. We would like to know how they price the coal from their captive coal blocks.</p>	
	<p>4.15 Another issue that needs attention is the wide variation in coal prices being paid by GENCO. While KTPS V plant paid Rs. 1,571 per MT of coal KTPS VI plant paid Rs. 3,349 per MT of coal. This is basically because high cost e-auction coal is being imposed by coal companies on GENCO plants. While it is the responsibility of the coal suppliers to supply quantities as agreed upon, they in the name of shortage of coal are imposing high cost coal on generators.</p> <p>4.16 Here it is also to be noted that while KTPS VI is located within the Singareni Collieries area for it coal linkage is being provided from Mahanadi Coal fields.</p>	<p>KTPS V plant has coal linkage and the coal used is E and F grade coal whereas for the KTPS VI plant, ‘C’ grade coal is used and linkage is from Mahanadi coal fields</p>
	<p>Gas related issues:</p> <p>5.1 One of the reasons for increase in variable cost of gas based power plants is the use of costly imported RLNG in these plants. These plants have to use RLNG as they were not allocated very meager amount of gas form KG Basin gas fields.</p>	<p>Issue is not in the purview of APDISCOMs</p> <p>The Gas allocation is not under the control of DISCOMs and pricing of gas and approval of investment etc is under the control</p>

<p>5.2 Though AP has access to more than 2700 MW gas based power generation capacity less than 500 MW capacity is only being operated due to shortage in natural gas availability. It is being alleged that this shortage is artificially created. There are two parts in the issue: low gas production and low gas allocation to power plants in AP. Gas production from KG basin declined from 60 MMSCMD to less than 20 MMSCMD. The RIL has attributed this decline to unexpected geological developments. Both the Director General of Hydrocarbons and central Ministry of Petroleum and Natural gas did not buy the argument of RIL related to decline in gas production from KG basin fields. Recently the Director General of Hydrocarbons demanded an explanation from RIL and its partners on various issues including not drilling the approved development wells and failing to adhere to the management committee approved plans. RIL attributed the decline in gas production to water and sand ingress in to the gas wells. The Director General of Hydrocarbons in its communication also pointed out that the work plan and budget submitted by RIL for the year 2012-13 did not contain any immediate firm plan for tackling issues of water and sand ingress. This clearly shows that increasing gas production is not the immediate concern of RIL. It is a clear case of hoarding on the part of RIL to benefit from hike in gas prices in future, and it is putting pressure on the central government to hike natural gas prices on the lines of RLNG. The power generation lost due to cut down on gas production from KG basin fields is nearly equal to peak power demand deficit. Had there been no decline in gas production there would have been no need for use of RLNG and purchases from open market at steep prices. Shortly after the Rangarajan Committee Report on gas prices, which recommended price of \$8 per MBTU of gas, was submitted Mr. Mukhesh Ambani, Chairman RIL and Mr. Bob Dudley, Chief Executive of BP Group met the Union Minister Petroleum and Natural Gas Mr. Veerappa Moily on 19th February, 2013 and expressed their readiness to invest \$5 billion on KG Basin gas production. With this investment they plan to develop around 4 TCF of discovered natural gas resources from the D6 block of KG Basin fields. Here it is also to be mentioned that one of RIL partners Nicky as a part of putting pressure on the central government to hike natural gas prices downgraded the gas potential of this field from 10 TCF to 3.5 TCF. As already nearly 1.5 TCF is already used only 2 TCF should have been left for exploration and development. But now RIL and its partners talk about developing 4 TCF. This itself speaks volumes about the artificial scarcity of gas created by RIL and its partners. In order to corner windfall RIL did not hesitate to subject people of Andhra Pradesh to serious</p>	<p>of the Central Govt and DISCOMs are only the end users purchasing gas based on the price fixed to GOI.</p>
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	<p>power cuts as well as unprecedented tariff hike. Morgan Stanley in its latest report has upgraded investment status of RIL and raised its target price to Rs 961 from Rs 798 earlier. The stock has the potential to gain nearly 19 per cent from 1st March, 2013's closing price of Rs 809.50 on the Bombay stock Exchange. Morgan Stanley viewed RIL's planned \$5 billion capital expenditure for domestic exploration and production and the Indian government's inclination to linking gas prices in the country to international prices as some of the key factors in the upturn of RIL's share price. What more evidence do we need to link decline in gas production in KG basin to RIL's greed? When all this is going on in broad day light the political leadership in the state did not move even a finger to protect the interests of people in the state. Even the state government of Maharashtra demanded the central government to nationalise KG basin gas fields. It is high time political as well as official circles in the state take up this artificial decline in gas production in RIL's KG basin gas fields seriously with the central government. There would have been no need for the present FSA proposals had the gas production at KG basin were maintained at earlier levels.</p>	
	<p>5.3 from the first week of March 2013 natural gas supply from RIL's KG Baisn fields was stopped to power plants in AP. Even when gas was supplied to these plants out of the total gas produced from RIL's KG basin fields power plants in AP were allocated a small portion. In the past out about 25 MMSCMD of gas produced from these fields gas based power plants in AP were allocated only about 2.8 MMSCMD of natural gas. That is only about 10% of the gas produced from these gas fields was allocated to power plants in AP. In 2003 the APERC approved PPAs with new gas based power plants with a total capacity of 1500 MW on the assurance that adequate gas would be available to these plants from KG basin fields. The Commission had given approval to the PPAs of gas based power plants on the basis of assurance given by GAIL that there would be no difficulty in ensuring uninterrupted supply of gas from the KG basin. As an example here we take the Order issued by the Commission on 12-04-2003 in the case of PPA with Gautami Power Ltd (O.P. No. 5/2002). According to Para 102 (ii) of the order "The conditions on fuel are as detailed in Para 96 (b) on Fuel tie-up". According to Para 96 (b) (ii) "The gas supply agreement between GPPL and GAIL was due to expire by December 31, 2010 while PPA term is for a period of fifteen years from the project CoD. This implied that for the balance period of the PPA, GPPL</p>	<p>Allocation and delivery of gas is not in the purview of APDISCOMs.</p>

	<p>had no fuel linkage from GIL. But GPPL has subsequently sought for extension of this date till December 31, 2018 based on assurance given by GAIL that they would enter into agreement with developers for supply of gas for the entire term of the PPA. APTRANSCO insists that the extension should take place before the signing of the PPA". Before this at Para 96 (a) (a) the Commission noted the clarification from GAIL, "GAIL does not envisage any difficulty in ensuring uninterrupted supply of gas to consumers in the KG Basin in the long-term". From this it is clear that the gas based power plants in AP are based on the availability of gas from KG Basin and the Commission had given approval to them on the basis of assurance given by GAIL and ONGC on availability of gas from KG Basin fields. This clearly implies that the gas based power plants in AP have come on the basis of availability of gas from KG basin. As such these power plants in AP shall have first right on gas available from these fields. But contrary to this, these power plants are getting less than 10% of the gas available from KG basin fields. But once gas production started the assurance given to these plants was forgotten. As these plants were approved on the assurance of availability of gas these plants should have first right on the gas produced from RIL's KG basin gas fields. If adequate quantity of gas was allocated to the gas based power plants in AP there would have been no need for RLNG purchases, no open market procurement at high rates and new FSA proposals. It is high time the assurance given to these plants is delivered by the central government.</p>	
	<p>5.4 The Commission as well as the Government of AP shall see to it that the gas from KG basin is transported outside AP only after meeting full requirement of gas based power plants in AP. It is a travesty of justice that while plants based on natural gas are being forced to import costly LNG the plants which are originally planned to run on imported LNG is being allocated natural gas from KG basin. The sooner this injustice ends it is better for the state as well as the country.</p> <p>5.5 Overall, steps shall be taken to see that adequate gas is allocated to AP gas based power plants to save electricity consumers in the state from frequent FSA burden. It is high time the rights of the AP plants were restored. Once this is done not only power generation cost will come down but also availability of power in the state will increase. The present FSA to a large extent is a result of shortage of power supply in the state.</p>	<p>A series of correspondence at highest level from GOAP is regularly being made with GOI for augmentation of gas supplies to the IPPs in the State for restoration of at least 75% as per the gas allocation made by EGoM, GoI.</p>

<p>Gas Allocation to Merchant Plants</p> <p>5.6.1 Even when gas based power plants with approved PPAs with DISCOMs are running short of natural gas two merchant plants belonging to Lanco and GMR groups were provided gas linkage with the recommendation of the state government, against the clear direction of the central government’s directive that this gas shall not be provided to the plants that sell power at market rate. Because of this high cost of power has to be procured from these two plants. Up to Rs. 5.60 per unit was paid for power procured from these two merchant plants, even violating APERC’s limit on price to be paid to open market purchases. If the same gas was made available to the plants with approved PPAs less than Rs. 2 per unit would have been enough to access the same power. 48.28 MU of power was purchased from these two plants during the fourth quarter of 2012-13 with an additional burden of Rs. 16.57 crore. This implies that Rs. 16.57 crore additional burden was imposed on electricity consumers in the state because of diversion of gas to merchant power plants. We request the Commission not to allow this additional burden.</p>	<p>Gas allocation is not under the purview of DISCOMs</p>
<p>5.6.2 During the first quarter of 2012-13 Rs. 155.72 crore additional burden was imposed on the consumers in the state by diverting gas from plants with PPAs to merchant plants of Lanco and GMR. During the second quarter of 2012-13 this amount stood at Rs. 97.33 crore. During the third quarter of 2012-13 this amount stood at Rs. 62.77 crore. During the years 2010-11 and 2011-12 Rs. 865 crore burden was imposed on the consumers in the state due to allocation of gas to these two merchant plants. Since 2010-11 the electricity consumers in the state have to pay Rs. 1200 crore additionally. The same shall be recovered from the merchant power plants. If this amount is recovered there will be no need to impose the FSA proposed by the DISCOMs. These payments made to merchant plants of Lanco and GM R can be recovered through retaining payments to be made to power produced from the older units of these plants.</p>	<p>MOP&NG, GOI during 2009 has allocated RIL D-6 gas to M/s GMR barge and M/s Lanco stage II as per the then policy of EGOM to allocate Natural Gas to projects ready to generate power with estimated KG D-6 production of 80 MMSCMD by 2011.</p> <p>The aforesaid merchant plants were commissioned in 2010. Since then supplying part of the capacity to APDISCOMs intermittently under short term contract. Currently these two projects are supplying power to APDISCOMs to the extent of gas availability under short term contract.</p>
<p>5.6.3 Natural gas from RIL’s KG Basin was allotted to merchant plants of Lanco and GMR on the recommendations of the GoAP. While allocating gas to these plants the EGOM laid down the condition that they should supply power produced from this gas to DISCOMs within the state at the rate determined by the Commission, through a long-term PPA. But for a considerable time they supplied power outside</p>	<p>In view of the scarcity of the domestic gas, during May 2011 MOP&NG, GoI decided that the current and future allocations of domestic gas will be subject to the condition that “the entire electricity produced from its gas shall be sold under long term</p>

	<p>the state in violation of conditions laid down by the EGOM. After a hue and cry in the state they started supplying power in the state but at the open market. This entailed huge burden on the consumers in the state.</p>	<p>PPAs to the grid/ Distribution companies at regulated Tariffs approved by the regulator”</p>
	<p>5.6.4 Even when the EGOM terms clearly state that these merchant plants shall enter in to long term PPAs to be eligible for gas allocation all these while they avoided entering in to long term PPAs and selling power at open market prices. There is reported to be a short term PPA with these merchant plants. As far as we know Commission has not approved these. There is no proceeding approving these short term PPAs. There were only mentions that DISCOMs approached the Commission to determine the price for these plants.</p>	<p>During December 2011, both M/s GMR Barge and M/s Lanco Stage-II have agreed before MoP, GoI to participate in the medium term bidding to enable to continue their domestic gas allocation.</p>
	<p>5.6.5 EGOM was reported to have decided on 24-02-2012 “that as M/s Lanco Kondapalli (Expansion) and GMR Tanir Bawi have signed the short term PPA till 30-05-2012 ... after which the supply would be suspended if they fail to comply with the conditions specified by the EGOM for supply of domestic gas”. This implies that gas supply to these plants should have been suspended from 01-06-2012. But these two plants continue to get gas and sell power at open market rates, of course in the garb of Case 1 Bidding.</p>	<p>During March 2012, MOP, GOI communicated the EGoM decision to not to suspended the RIL D-6 gas allocation to these two projects till 30.05.2012. Further, it was stated that after the said period the supply would be suspended if they fail to comply with the condition <i>that the entire electricity produced from the allocated gas shall only be sold to the Distribution Licensees at tariffs determined or adopted (in case of bidding) by the tariff regulator of the power plant.</i> The PPA should be for medium term or long term.</p>
	<p>5.6.6 In the case of Lanco’s coal based thermal power plant at Amarkantak in Jharkhand coal linkage was cancelled as it does not have long term PPA with Chhattisgarh utilities. But in AP even after repeated reminders over the years nothing is being done. It is nothing but an open collusion among the Utilities, state and central governments. Commission also seems to have contributed to it by increasing the ceiling price to Rs. 5.50 per unit.</p>	<p>As per the stipulation of MOP, GOI, the aforesaid projects are required to supply entire power to APDISCOMs either by entering long term PPAs at tariffs determined by APERC or at tariff adopted by APERC arrived through bidding process.</p>
	<p>5.6.7 Even after all this, controversy there are doubts whether Lanco and GMR were selling all the power produced by their merchant power plants in AP only. If we take in to account the quantum of power supplied by these two merchant plants outside the state the actual burden from allocation gas to these merchant plants would be more than Rs. 1200 crore!</p>	<p>Pending finalization of medium term bidding, the aforesaid projects were selected in short term bidding for the period from 01.06.2012 to 30.05.2013. The LoIs were issued with a condition that, the tariff for these two projects would be determined by APERC in line with the GoI directive.</p>
	<p>5.6.8 As far as Lanco II and GMR Barge mounted the ceiling price cannot be the standard, it is not the regulated price meant for these two plants specifically, is meant for short term power purchases from open</p>	<p>M/s GMR barge and M/s Lanco have participated in case-I medium term bidding initiated by APCPDCL during December’2011. During the finalisation of bids, during July’ 2012, the offer of M/s GMR bid was disqualified, being</p>

	<p>market. These two plants are not green field projects, they got various facilities for their earlier projects and that is being used now. Gas was also allocated with the condition that power generated shall be made available to AP only at the price determined by the Commission. The Commission did not determine price for these two plants.</p>	<p>conditional, where as M/s Lanco bid was not accepted as they had quoted high rate of Rs 6.898/unit (L14) as against the L1 rate of Rs.4.29/unit.</p> <p>As per the directions of GOAP, APDISCOMs during November' 2012 requested these two projects to enter long term PPA in line with initialled PPAs of M/s Silkroad, M/s RVK and M/s Sriba, who have got similar EGoM allocation. However, both M/s GMR Barge and M/s Lanco Stage-II did not accept the draft PPAs communicated by APDISCOMs and desired to enter long term PPAs as per Regulation 1 of 2008. In response APDISCOMs informed M/s GMR Barge and M/s Lanco Stage-II that the DISCOMs are not in a position to enter into long term PPA based on Regulations 1 of 2008.</p> <p>APDISCOMS informed to GOAP that APDISCOMs have decided to enter long term PPAs with M/s.GMR Barge & M/s. Lanco Stage-II at the tariff i.e., fixed cost around Rs 1.00 per unit as is being paid to existing new IPPs together with variable cost being pass through at the rate as is being determined by EGOM, GOI from time to time. It was also informed that no negotiations in this regard will be done by APDISCOMs with M/s GMR Barge and M/s Lanco Stage-II.</p> <p>MOP&NG, GOI vide letter dt. 01.01.2013 communicated the guidelines on clubbing/diversion of gas between power plants, applicable to power plants of common owner ship. As per the above guide lines both M/s GMR barge and M/s Lanco stage II were requested vide letters dt. 24.01.2013 to communicate their concurrence for diversion of gas from for diversion of natural gas from Lanco stage II (supplying power under short term) to</p>
	<p>5.6.9 We have brought to the notice of the Commission as well as the Utilities in the state a provision in the National Electricity Tariff Policy which allows procurement of power from extension plants of existing plants with the approval of the Commission. The Commission had directed the DISCOMs submit their response on this. DISCOMs wrote to the state government. And we did not hear after wards either from the DISCOMs or the GoAP. But now everybody is after Lanco and GMR to sign long-term PPA, with questionable motives.</p>	

		<p>Lanco stage I (supplying power under long term) and GMR barge (supplying power under short term) to GMR Vemagiri (supplying power under long term). However, both the plants have not accepted APDISCOMs proposal for clubbing of gas. Several letters were addressed to APERC for fixation of Tariff to these two projects in view of the allocation of domestic gas by EGOM, GOI. So far APERC has not fixed the Tariff.</p> <p>APDISCOMs have made all the possible efforts to fulfil the directive of GOI for continuation of KG D-6 gas to Lanco Stage II and GMR Barge. However, the aforesaid projects have not accepted to any of the proposals made by APDISCOMs i.e; (i) Medium term bidding (ii) Long term PPA and (iii) Clubbing/diversion of Gas.</p> <p>In light of the above, notices were issued to GMR Barge & Lanco Stage-II to restrict the short term power purchase rate for these two projects on par with long term PPAs of New IPPs (M/s Gautami, M/s Konaseema & M/s Vemagiri) with immediate effect. Further it was also informed that pending tariff determination by APERC to these two projects, to recover the differential amount (Unit rate paid under short term – Unit rate paid to New IPP under long term so far paid for the power supplied under short term. After fixation of Tariff by APERC, necessary truing up would be made. After Truing up, if any benefit accrued to APDISCOMs would be passed on to the consumers.</p> <p>GoAP was requested by APDISCOMs to recommend for diversion of RIL D-6 gas of GMR Barge and Lanco Stage-II to</p>
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		<p>the AP IPPs which are supplying power to APDISCOMs under long term PPAs.</p> <p>The aforesaid projects have approached Hon’ble AP High Court against the notices issued by APDISCOMs. The matter came-up for hearing on 12.02.2013. Hon’ble AP High Court directed APDISCOMs to file counter Affidavit by 18.02.2013.</p>
	<p>Gas Price:</p> <p>5.7.1 Per unit variable cost of power from gas based power plants increased from Rs. 1.85 some time back to Rs. 2.20 at present. No explanation was given for this hike. There is no transparency in the way gas prices are determined. Increase in gas price has adversely impacted the consumers. The price of gas from KG basin fields of RIL was increased from \$ 2.52 to \$ 4.2 per MBTU in a questionable manner. When natural gas price was in the range of \$ 1.79 to 2.52 per MBTU variable cost of these plants stood below one rupee. This increased to Rs. 1.85 per unit once gas price increased to \$4.2 per MBTU.</p>	
	<p>5.7.2 This gas price increase to \$4.2 per MBTU is mired in controversy. The Prime Minister’s Economic Advisory Council also found fault with the mechanism adopted in this price discovery. But still the GoI went ahead and gave clearance to this hike.</p>	<p>Natural gas being natural resource, MOP & NG, GOI through competitive bidding route under New Exploration & Licensing Policy (NELP) route selected the prospective developers and allocated the gas wells in KG Basin for production natural gas. Accordingly, MoP&NG, GoI has entered Production Sharing Contract (PSC) with selected bidders.</p>
	<p>5.7.3 RIL sought gas price hike in the name of increased capital cost. It increased capital expenditure from \$2.5 billion to \$8.8 billion. CAG which audited these expenditures questioned the reasonableness of these expenditures. It found that ten contracts were awarded in questionable manner and wanted an in depth review of these contracts. Eight contracts were awarded to Aker Group on a single bid basis, without any competition. A contract of \$1.1 billion was given to Aker Group against estimated original cost of \$ 300 million. Following these findings CBI launched an inquiry in to Mr. V.K. Sibal who was the Director General of Hydrocarbons (DGH) when these expenditures were approved. The new DGH also found that while 22 wells need to be drilled by March 2011 to be able to produce 61.8 MCMD of gas only 18 wells were drilled. The GoI also came to a conclusion that \$1.85 billion out of \$5.694 billion already claimed to have been invested should be disallowed. As gas price was hiked in the name of increased capital cost and as it was found that the claimed capital expenditure by RIL was not real but inflated gas prices shall be brought down.</p>	<p>Since 2007 it was requested that the price of natural gas to the power and fertilizer sector should not be higher than US\$ 2.5/MMBTU. In spite of the above request, EGOM, GOI fixed the RIL KG D-6 gas price @ 4.205 US\$/MMBTU and the price is valid up to March’2014, based on the International crude oil price.</p> <p>Hon’ble Supreme Court in its judgment on dispute between RIL & RNRL clearly indicated that “the PSC and constitutional provisions on natural resources override private agreements and</p>

	<p>5.7.4 But now as if the above gas price increase is not enough the Committee a headed by Prof. Rangaragan, Chairman of the Prime Minister’s Economic Advisory Committee recently recommended hiking gas price to \$8 per MBTU. This Committee followed unheard of method to increase domestic natural gas prices primarily to benefit RIL. Even before RIL other domestic gas companies like ONGC and Cairn will reap enormous profits. Nowhere in the world is the domestically produced natural gas priced like this. The conditions of gas production change from country to country. In the past the RIL before the Bombay High court mentioned the cost of gas production as \$0.60. In response to an international bid floated by NTPC RIL won a bid to supply gas at the rate of \$2.3 per MBTU. The proposed hike in gas price will add to the electricity consumers’ burden enormously. If a comparison has to be done it should be with well head price of natural gas where natural gas is being produced, but not with RLNG. As the proposed hike is not based on any proper methodology it shall be opposed.</p>	<p>the Government retains the power to control price”.</p> <p>EGoM, GoI is only the competent authority to revise the price of natural gas beyond 2014.</p> <p>As replied above the fixation of Natural Gas price is under the purview of EGOM, GOI.</p> <p>With regard to the capital expenditure of RIL, and awarding of contracts to the successful bidder under NELP policy, the same is within the purview of MOP&NG, GOI</p>
	<p>5.7.5 Following Prof. Rangarajan Committee report the Petroleum and Natural Gas Ministry has recommended a @6.7 per MBTU for domestically produced gas. And this is slowly expected to increase to \$ 12 per MBTU. Nowhere in the world domestically produced gas is priced this high. Even in USA the RIL is reported to be selling gas at below\$ 3 per MBTU from the wells operated by it. We request the DISCOMs as well as the GoAP to take up this issue with the GoI and see that the above arbitrary price is not imposed on the consumers in the state.</p>	
	<p>Other issues:</p> <p>6.1 The Commission has put the limit of Rs. 5.50 per unit as the price for open market purchases. But the present FSA proposals of DISCOMs show that nearly 40% of the open market purchases were paid more than this limit. The DISCOMs are covering the above high price behind the so called market discovered price. We request the Commission not to approve higher prices. As the whole open market, short term power purchases are mired in controversies we request the Commission to conduct a detailed enquiry in to these purchases.</p>	<p>The short term power procurement are in a most transparent manner and the rate except one or two sources the rate is fixed at Rs. 5.60 Per Kwh</p>

	<p>6.2 In the FSA claims for the fourth quarter of 2012-13 the DISCOMs included claims to the extent of Rs. 9.64 crore towards SLDC charges. As these are not related with power purchases admissible under FSA the same shall be rejected.</p>	<p>Since DISCOMs have already paid this amount, Hon'ble commission is requested to allow this amount</p>
	<p>6.3 The DISCOMs also claimed Rs. 43.86 crore towards STOA during fourth quarter of 2012-13. The Commission in its order on FSA for third quarter of 2012-13 observed, "The Commission is of the view that the STOA charges claimed by DISCOMs are not part of fixed cost as per Tariff Order for Fy 2012-13. Hence, the same is not being allowed in determination of FSA". We request the Commission to treat DISCOMs' claim for STOA during fourth quarter of 2012-13 similarly.</p>	<p>STOA is the part of the power purchase cost procured from short term sources and the cost incurred on STOA is a part of total cost incurred to deliver the power to the consumer</p>
	<p>6.4 The DISCOMs claimed Rs. 44.32 crore towards variation in fixed costs for the period of fourth quarter of 2012-13. They did not provide any explanation for this claim. We request the Commission to closely scrutinize their claim for additional fixed cost payments.</p>	<p>The details are filed along with FSA application</p>
	<p>6.5 DISCOMs in the state in their annual audited accounts are declaring that they are earning huge profits. These profits are higher than the margins allowed by the Commission. If they are really earning these profits where is the need for the present FSA proposal? What is true – deficits or profits?</p>	<p>There are no cash profits to DISCOMs and all the DISCOMs put to gather have earned only around Rs 30 Crs and that to after making provision of FSA receivable from consumers in that financial years .</p>
	<p>6.6 Commission itself is contributing to hike in power purchase costs – increase in ceiling of open market price to Rs. 5.50 per unit and recent increase in wind energy tariff are just two examples. And these decisions were also characterized by lack of transparency, and meant to benefit a section at the cost of electricity consumers in the state. In this context we would like to draw attention of the Commission to Section 86 (3) of the electricity Act, 2003 which stipulates that "The State Commission shall ensure transparency while exercising its powers and discharging its functions."</p>	
	<p>7.1 We request the Commission to provide us an opportunity to be heard in person during the public hearing on the above FSA claims of DISCOMs.</p>	

B	<ol style="list-style-type: none"> 1. Sri R.K.Agarwal, Hon. Chairman, A.P. Spinning Mills Association 2. Smt. P.Vydehi, Secretary (I/c), FAPCCI 3. Sri Suresh Kumar Singhal, Chairman, M/s All India Induction Furnaces Association, South Central Region 																																																																	
Sl.No	Objection/Suggestion							Reply																																																										
1	<p>In the fourth quarter (Q4) of 2012-13, the Petitioners have proposed to collect Fuel Surcharge Adjustment (FSA) amount of Rs. 1,138 crores for the purchase of 20725 MUs and against a quantum of 16872 MUs of sales. This has percolated into a charge of Rs.1.0271 per unit of non-agricultural sales. The following Table 1 summarizes the trend of FSA claimed for FY 2012-13.</p> <table border="1" data-bbox="357 581 1623 1336"> <thead> <tr> <th rowspan="2"></th> <th rowspan="2">Formula</th> <th rowspan="2">Q1</th> <th rowspan="2">Q2</th> <th rowspan="2">Q3</th> <th rowspan="2">Q4</th> <th colspan="3">% Change (QoQ)</th> </tr> <tr> <th>Q2</th> <th>Q3</th> <th>Q4</th> </tr> </thead> <tbody> <tr> <td>FSA (Rs. Cr)</td> <td>A</td> <td>2161.48</td> <td>985.97</td> <td>1068.28</td> <td>1138.00</td> <td>- 54.4%</td> <td>8.3%</td> <td>6.5%</td> </tr> <tr> <td>Purchases (MUs)</td> <td>B</td> <td>21017</td> <td>19029</td> <td>19259</td> <td>20725</td> <td>-9.5%</td> <td>1.2%</td> <td>7.6%</td> </tr> <tr> <td>Total Sales (MUs)</td> <td>C</td> <td>12635</td> <td>15978</td> <td>16013</td> <td>16872</td> <td>26.5%</td> <td>0.2%</td> <td>5.4%</td> </tr> <tr> <td>Sales (Excl. Agriculture)</td> <td>D</td> <td>13352.51</td> <td>11922.77</td> <td>11175.55</td> <td>11076.00</td> <td>- 10.7%</td> <td>-6.3%</td> <td>- 0.9%</td> </tr> <tr> <td>FSA per unit (Rs./kWh) (C= A/B)</td> <td>E = A*10 /D</td> <td>1.619</td> <td>0.827</td> <td>0.956</td> <td>1.027</td> <td>- 48.9%</td> <td>15.6%</td> <td>7.5%</td> </tr> </tbody> </table> <p>In order to understand the apportionment of FSA between various consumer categories, a brief about purchases</p>								Formula	Q1	Q2	Q3	Q4	% Change (QoQ)			Q2	Q3	Q4	FSA (Rs. Cr)	A	2161.48	985.97	1068.28	1138.00	- 54.4%	8.3%	6.5%	Purchases (MUs)	B	21017	19029	19259	20725	-9.5%	1.2%	7.6%	Total Sales (MUs)	C	12635	15978	16013	16872	26.5%	0.2%	5.4%	Sales (Excl. Agriculture)	D	13352.51	11922.77	11175.55	11076.00	- 10.7%	-6.3%	- 0.9%	FSA per unit (Rs./kWh) (C= A/B)	E = A*10 /D	1.619	0.827	0.956	1.027	- 48.9%	15.6%	7.5%	<p>APDISCOMs have claimed FSA for 4th quarter as per the regulation in vogue.</p>	
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and sales of the consumers has been analysed. The summary of the same is given in the Table 2 below.

	Formula	As approved in T.O 2012-13 (A)	As filed by Discoms (B)	Variation in approved and filed (MUs) (C=B-A)	Variation as a % of approved (D=C/A)
Total Purchases (MUs)	A	24059.4	20724.6	-3334.8	-13.9%
Total Sales (MUs)	B	20344	16872.3	-3472.2	-17.1%
Non-agriculture	C	14760	11076.2	-3683.9	-25.0%
Agriculture	D	5584	5796.1	211.7	+3.8%
% of Agriculture	E = D/A	27.4%	34.4%	+7% points	
% of Non-agriculture	F = C/A	72.6%	65.6%	-7% points	

It can be observed from the above table that in Q4, 2012-13, there have been considerable deviations of the actuals claimed by the Petitioner than the numbers approved in the Tariff Order 2012-13. For example, agricultural sales' share in total sales has been 34.4% as compared to 27.4% approved in T.O 2012-13. This implies that a portion of power consumed by non-agricultural consumers has been diverted to meet the needs of agricultural sector. This makes it pertinent that the share of agriculture in FSA claimed by Petitioners has also increased.

However, the Regulation 1 of 2003 provides that agricultural sales would be excluded for the computation of FSA. This has made it inevitable that the share of agricultural FSA would be borne by the non-agricultural consumers,

	<p>thus increasing their burden still further. The Objector is of the view that it is not prudent for the Hon’ble Commission to pass on the burden of agricultural FSA on to the non-agricultural consumers. In addition to this, some more contentions are being raised by the Objector that need to be considered before any further proceedings. Analyses of the same have been detailed in the subsequent sections</p> <p>Lastly, the Objector requests the Hon’ble Commission to consider all the listed arguments, carefully scrutinize computation of FSA and help reduce burden on the non-agricultural consumers.</p>	
2	<p><i>Analysis of FSA formula</i></p> <p>The Andhra Pradesh Electricity Regulatory Commission (Conduct of Business) Amendment Regulation, 1 of 2003, Clause 45-B defines Fuel Surcharge Adjustment (FSA) as</p> <p><i>“...Unless otherwise agreed by the Commission, the amount eligible for recovery towards Fuel Surcharge Adjustment (FSA) for the price and mix variations in the quantity of energy purchased as per the tariff order during a quarter “i””.</i></p> <p>As understood from the definition, variable cost and fixed cost form the two main components of FSA that have to be read in conjunction with the Andhra Pradesh Electricity Regulatory Commission (Terms and conditions for determination of tariff for supply of electricity by a generating company to a distribution licensee and purchase of electricity by distribution licensees) Regulation, 2008. Some of the salient features of the FSA formula are as follows:</p> <p><i>(1) Automatic pass-through:</i></p> <p>The initial FSA formula, which was amended by Regulation 8 of 2000, had provided for a pass through for variations only in variable charges or total tariff on account of variations in cost of fuels from various sources. This was later amended through Regulation 1 of 2003 to include variations in variable cost as well as fixed cost. The Commission was of the view that the formula would provide a cushion to the Licensees against the uncertainties in power availability from sources such as hydro power stations.</p> <p><i>(2) Exclusion of Agricultural Sales:</i></p>	<p>The APDISCOMs have claimed FSA for 4th quarter as per the existing regulation .</p>

FSA for a period is calculated based on the actual consumption of various consumer categories covered under different voltage levels. However, sales of agricultural sector, which is heavily subsidised, are completely excluded from sales, while computing FSA per unit. The Commission is of the view that agricultural sales are to be excluded from such computation until they have reached to a satisfactory level of metering. However, this boon for agricultural sector has further burdened the industrial and domestic consumers, who are charged with the additional agricultural FSA. It is also important to understand that since the notification of metering of agricultural sales in the FSA formula, till date, the LT category is still not metered.

(3) Distribution losses:

According to the formula, FSA per unit is calculated based on the actual consumption (sales in MUs), which is net of purchases and distribution losses. Since FSA is a provision to recover changes in the power purchase cost, the total quantum of purchases/units despatched should be included, which includes distribution losses. As a result, the distribution losses as approved by the ERC are being ignored for the purpose, thus increasing the burden further.

(4) Comparison of FSA formula:

The formula used by the APERC to calculate FSA has been compared with the formulas adopted by some other states in India. Following Table 3 gives an overview of the major differences that can be drawn prima facie.

Table 3: Comparison of FSA formula used by different states

Variables	Andhra Pradesh	Maharashtra	Karnataka	Haryana	Gujarat	Punjab
Variable Cost¹	Considers the per unit change in weighted average variable cost of APGENCO, CGS and IPPs against the variable cost approved in T.O-2012-13	Considers the absolute sum of change in fuel cost due to own generations and power purchased from other sources	Considers the absolute sum of change in variable cost due to own generations, CGS and IPPs	Considers the weighted average cost of power purchase from all the sources	Considers the absolute sum of change in fuel cost due to own generations, CGS and IPPs	Considers the absolute sum of change in fuel cost due to own generations, CGS and IPPs

	Fixed Cost	Considers fixed charges of the generating stations	—	—	—	Considers the fixed cost of power purchase from all sources	—		
	Energy Sales	Only non-agriculture sales (excludes agricultural sales)	Metered sales+ estimate of unmetered sales+ distribution losses	Actual metered sales+ estimated unmetered sales	Total sales of all consumer categories	Actual metered sales+ estimated unmetered sales+ excess T&D losses incurred over % T&D loss norm approved by Commission	FAC calculated separately for metered and unmetered sales		
	Adjustment Factor	—	Adjustment due to over/under recovery	Adjustment due to over/under recovery	Adjustment due to over/under recovery	—	—		
	Interest on Working Capital	—	Considers interest on working capital	—	—	—	—		
	Energy Purchased	The units considered are as determined by ERC after reviewing the filled units by Discom	—	—	—	—	—		
	Z	changes in cost of rupees	—	—	—	—	—		
	Merit order violation	Considers adjustment due to merit order violation	—	—	Considers adjustment due to merit order violation	—	—		

The above comparative analysis can be summarized as given in the following Table 4

Variables	Comment
Variable Cost	The state of AP considers weighted average variable cost, while the other states such as Karnataka, Haryana, Punjab and Gujarat consider the absolute variable costs incurred by the respective Discoms.
Fixed Cost	Unlike the other states, AP considers the variations in fixed charges of generating stations for the computation of FSA.
Energy Sales	AP considers the energy sales of all consumer categories except agricultural sector while other states take actual metered energy sales and estimated unmetered sales of all consumer categories. Thus making sure that the non-agricultural consumers are not being burdened by additional claims.
T&D Losses	The best practice is being followed by Maharashtra wherein the state includes T&D losses to the total sales. This way, it is made sure that the burden of T&D losses is not passed on to the consumers and puts the onus on to the Discoms to reduce their losses in order recover costs.
Z	Changes in cost of rupees as allowed by the Commission for a period extending in the past beyond the relevant quarter is considered by AP. Other states do not consider this factor.

In view of the above comparison, **the Objector prays to the Hon’ble Commission to reconsider the components of FSA formula and include unmetered sales, T&D losses and exclude fixed costs from the formula, to calculate FSA charges that are fair and are borne equally by all consumer categories.**

3

Fixed Cost

The Petitioner in Q4, 2012-13 has claimed for total fixed cost of Rs.2,173 crores against purchases of 20,725 MUs. The summary of the fixed costs by source for the period as filed by the Petitioner is given below in Table 5.

Station	As approved in T.O 2012-13	Actual filed by Discoms in 2012-	Q-o-Q Change	% Variation
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The details of fixed cost and claims of APGENCO is **annexed** . Further , the claims like Income Tax and incentives will be firmed up at the end of the financial year which falls in the 4th quarter .

	13				13				(%)	from TO
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Q4
APGENCO – Hydel	293	293	293	293	314	338	337	402	19%	37%
APGENCO – Thermal	975	975	975	975	975	975	965	1,047	8%	7%
CGS	474	474	474	474	546	414	502	535	7%	13%
IPPs	346	346	346	346	415	420	365	138	-62%	-60%
Non-Conventional Energy	-	-	-	-	-	-	-	-	-	-
Other Market Purchases	11	11	11	11	450	101	76	52	-32%	373%
Total Fixed Cost	2,098	2,098	2,098	2,098	2,700	2,248	2,245	2,173	-3%	4%

** Figures rounded off for convenience

It can be observed that fixed costs for APGENCOs have increased compared to the fixed cost approved in T.O 2012-13. In Q4, 2012-13, fixed costs for APGENCOs amounted to Rs.1,449 crores and reflects an increase of 11% over the last quarter. While the hydel power stations accounted for Rs.402 crores (Q-o-Q increase of 19%), thermal power stations incurred the rest of Rs.1,047 crores (Q-o-Q increase of 8%) in Q4 2012-13.

It can also be observed that fixed costs for APGENCO hydel and thermal plants have deviated considerably from approved numbers in T.O 2012-13. **Hydel plants registered a variation of over 37%** and **thermal plants registered a variation of over 7%** than the amount of fixed cost approved in T.O 2012-13. The costs incurred in the quarter have been further broken down by month and by generating station in order to understand the deviations incurred. The following Table 6 gives a gist for the months of January, February and March, showing the variations of claimed fixed costs from numbers approved in T.O 2012-13.

Table 6: Monthly fixed cost variation of actuals from that of T.O 2012-13

Station	Variation of filed numbers from T.O 2012-13	Filed Fixed Cost March
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	(%)			2012 (Rs. Crores)
	January	February	March	
APGENCO – Hydel	0.0%	0.0%	111.1%	206.3
APGENCO – Thermal	0.0%	0.0%	22.1%	396.7
KTPS A	0.0%	0.0%	0.0%	10.1
KTPS B	0.0%	0.0%	0.0%	10.1
KTPS C	0.0%	0.0%	0.0%	10.1
KTPS V / D	0.0%	0.0%	23.3%	22.6
Kakatiya Thermal Power Plant Stage I	0.0%	0.0%	23.7%	71.1
KTPS Stage VI	0.0%	0.0%	35.9%	67.3
VTPS I	0.0%	0.0%	43.7%	19.3
VTPS II	0.0%	0.0%	43.7%	19.3
VTPS III	0.0%	0.0%	43.7%	19.3
RTS B	0.0%	0.0%	6.3%	4.6
RTPP I	0.0%	0.0%	0.0%	18.7
RTPP Stage-II	0.0%	0.0%	25.7%	44.5
RTPP Stage-III	0.0%	0.0%	1.4%	27.2
VTPS IV	0.0%	0.0%	20.3%	52.5

The above table clearly indicates that there has been a significant increase in fixed costs in the month of March

<p>especially for hydel station and other stations such as KTPS V-stage, Kakatiya, VTPS, etc. as identified.</p> <p>The Objector likes to raise a few contentions regarding the calculation of fixed charges that are being claimed by Petitioners.</p> <p>1.1 Lack of transparency:</p> <p>The Objector believes that the information provided by the Petitioner is incomplete. The publication of just a consolidated number without any supporting facts and figures of the various components makes it very ambiguous to ascertain the authenticity of the fixed cost that are being considered for the calculation of FSA for the quarter.</p> <p>As we understand from the existing regulations, the determination of fixed costs payable is dependent on the following parameters. According to the Andhra Pradesh Electricity Regulatory Commission (Terms and conditions for determination of tariff for supply of electricity by a generating company to a distribution licensee and purchase of electricity by distribution licensees) Regulation, 2008, Clause 10.5:</p> <p><i>“...The annual fixed charges of a thermal generating station or of a hydro power generating station, as the case may be, shall consist of recovery of the following:</i></p> <ul style="list-style-type: none"> <i>(a) Return On Capital Employed (RoCE);</i> <i>(b) Depreciation ;</i> <i>(c) O&M Expenses ;</i> <i>(d) Income-tax as per actuals;....”</i> <p>The Objector, however, intends to bring to the notice of the Commission, that information regarding the above mentioned parameters is unavailable for us to understand the genuineness of the claims that are being proposed by the Petitioners.</p> <p>The Objector requests the Hon’ble Commission to provide the required information as stated above and make the system more transparent to help consumers in ascertaining the genuineness of the costs being claimed by the Petitioners</p>	<p>1.1 The APDISCOMs have filed entire information alongwith a copy of the bill paid during 4th quarter .</p>
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3.2

3.4 Generation Tariff for Gencos:

In the T.O 2012-13, the Commission has determined and approved fixed costs for APGENCO's power stations based on the information provided by them. However, these values are yet to be trued up to determine the generation tariff. The Commission states that:

".....Pending determination of generation tariff for APGENCO's power stations for FY 2012-13, the fixed cost is determined based on information provided by APGENCO in its application for determination of generation tariff and updates on subsequent information in accordance with the Regulation 1 of 2008.

The fixed cost for APGENCO Thermal and Hydel stations is estimated at Rs.5071.10 Cr., i.e. the same amount as filed by Licensees for FY 2012-13. The fixed cost computed here is subject to corrections to be carried out upon the determination of generation tariff for APGENCO stations....."

According to the above statement, it is very clear that fixed costs for Gencos have been estimated according to the information provided by them. However no clarity is provided by the Gencos about the methodology adopted to estimate costs. Moreover, the Commission has not yet completed the exercise of truing up the actual values to determine generation tariffs. In the absence of a valid generation tariff or any distinct information, it is not prudent to consider the increase in fixed charges that are being claimed by the Petitioners. The following Table 7 shows the effect of disallowing the excess fixed costs being claimed by the Petitioners.

Table 7: Estimated reduction in Fixed Costs of APGENCOs for Q4, 2012-13

	Unit	Formula	January	February	March	Q4
Fixed Cost Filed – APGENCOs	Rs. Crores	A	422.59	422.59	603.00	1448.19
Fixed Cost allowed in T.O 2012-14 – APGENCOs	Rs. Crores	B	422.59	422.59	422.69	1267.78
Estimated difference in Fixed Cost to be disallowed (FC-I)	Rs. Crores	C = A-B	0.0	0.0	180.31	180.31

All the payments are provisional to APGENCO till the final fixed cost is approved by Hon'ble Commission and any increase /decrease will be considered in the next filing.

The fixation of Tariff is based on the regulation and Hon'ble APERC will determine the tariff for APGENCO.

The DISCOMs have recognized claims as per the approval of APERC in the tariff order 2012-13.

Estimated Fixed Cost – APGENCO	Rs. Crores	422.59	422.59	422.69	1267.78
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From the above table it can be deduced that there would be a considerable reduction in the total fixed costs being claimed by the Petitioners. The estimated **reduction of Rs. 180.31 crores would result in 8% reduction of the total fixed costs** being claimed by the Petitioners.

Therefore, **the Objector prays to the Hon’ble Commission that the increase in the fixed costs being claimed by the Petitioner shall be disallowed until true generation tariff for the Gencos has been determined.**

1.2 Recovery of fixed costs:

The Generation Regulation 2008, **Clause 11.1.1** and **Clause 11.2.1** provide norms for full recovery of annual fixed costs of thermal and hydro power stations respectively. The Regulations states that the recovery of such costs is dependent on the availability factor of the generation plants. The attainment of the target availability factors would qualify the power plants to recover full fixed costs, failing which would result in pro-rata recovery based on the achieved availability factor.

The Regulation’s **Clause 11.2.1** states as under:

“....There shall be pro rata recovery of annual fixed charges in case the generating station achieves capacity index below the prescribed normative levels. At Zero capacity index, no fixed charges shall be payable to the generating station....”

The following Table 8 summarises the availability norms as defined in the regulation.

Table 8: Availability as defined by Generation Regulation No 1 of 2008

	Target Availability
Thermal (Coal)	80%
Thermal (Lignite)	75%

The Annual Fixed Cost is paid as per the provisional approval of APERC.

Hydro	
- During first year of commissioning	
o Purely Run-of-River power station	85%
o Storage type and Run-of-river	80%
- After first year of commissioning	
o Purely Run-of-River power station	90%
o Storage type and Run-of-river	85%

However, due to lack of any information on availability factor, plant load factors (PLF) for the APGENCO power plants have been assumed to be the absolute availability factors for the plants. PLFs have been calculated using the actual energy despatched by the stations on the assumption that they have abided by the operating norms set by the Regulation. Calculated PLFs for all the APGENCO thermal power plants are tabulated as below:

Table 9: PLFs for APGENCO Thermal Power Stations, Q4 2012-13

Name of the Power Plant	Capacity	January (Filed)	February (Filed)	March (Filed)
VTPS-I	420 MW	81.7%	90.2%	97.5%
VTPS-II	420 MW	81.7%	90.2%	97.5%
VTPS-III	420 MW	81.7%	90.2%	97.5%
VTPS-IV	500 MW	99.6%	94.5%	106.7%
RTPP-I	420 MW	92.9%	87.7%	98.6%
RTPP-II	420 MW	98.2%	91.4%	104.3%

RTPP-III	210 MW	94.5%	90.9%	81.3%
KTPS-Station A	240 MW	87.2%	79.6%	82.6%
KTPS-Station B	240 MW	87.2%	79.6%	82.6%
KTPS-Station C	240 MW	87.2%	79.6%	82.6%
KTPS-Station D	500 MW	84.5%	91.7%	99.1%
KTPS-Stage VI	500 MW	95.5%	98.9%	108.2%
RTS-B	62.5 MW	98.2%	95.5%	94.0%
Kakatiya Stage-I	500 MW	91.1%	97.3%	97.7%

From the above table, it can be observed that three plants KTPS – Stations A, B and C have achieved PLFs of less than 80% in the month of February. The Regulation provides that the fixed costs shall be reduced pro-rata based on the availability factor of the generation stations. Therefore, fixed costs that are being claimed by the Petitioner for the identified stations have to be reduced proportionately. This would reflect in a reduction of fixed charges by an amount of Rs.0.15 crores for the month of February. The Objector would like to illustrate the same in Table 10 below:

Table 10: Calculation of actual fixed cost recovery – assuming Availability Factor <80% in February 2013

Name of the Power Plant	Units	Formula	KTPS – Station A	KTPS – Station B	KTPS – Station C	Total Fixed Cost
Fixed Cost filed for full recovery	Rs. Crores	A	10.1	10.1	10.1	30.3
PLF Norm	%	B	80%	80%	80%	
Actual PLF as calculated	%	C	79.6%	79.6%	79.6%	
Estimated fixed cost recovery	Rs. Crores	$D = (A/B) \times C$	10.05	10.05	10.05	30.15
Estimated fixed cost to be disallowed	Rs. Crores	$E = A - D$	0.05	0.05	0.05	0.15

(FC-2)

Considering the above observations, **the Objector prays to the Hon'ble Commission that fixed cost recovery as claimed by the Petitioner is to be scrutinized closely in conjunction with the norms specified and disallow the amount, which the Gencos are not eligible for.**

3.4

STOA:

The Petitioners in the current quarter have claimed fixed cost of Rs.43.86 crores for STOA. The details of the monthly claims are given in the following Table 11:

Table 11: Fixed Cost for STOA

	Units	Formula	January	February	March	Total
STOA (FC-3)	Rs. Crores	A	16.68	11.31	15.87	43.86
Total Fixed cost filed	Rs. Crores	B	687.30	638.32	847.41	2,173.03
STOA as a% of Total Fixed cost claims	%	C = A/B	2.4%	1.8%	1.9%	2.0%
Revised Fixed cost for STOA	Rs. Crores	D	0.0	0.0	0.0	0.0

However, in FSA Order passed for Q3, 2012-13 (Pg 29), the Commission has stated that:

“...The Commission is of the view that the STOA charges claimed by DISCOMs are not part of fixed cost as per Tariff Order for FY 2012-13. Hence, the same is not being allowed in determination of FSA...”

In view of the above statement passed, **the Objector humbly requests the Hon'ble Commission to completely disallow fixed charges of Rs.43.86 being claimed by the Petitioners under the head of STOA.**

Summary

In view of the above discussion and facts, the Objector likes to quantify and summarize the total reduction in fixed costs that would be effective for the months of January, February and March. The same is represented as

STOA is the part of the power purchase cost procured from short term sources and the cost incurred on STOA is a part of total cost incurred to deliver the power to the consumer.

under:

Table 12: Estimated reduction in Total Fixed Costs claimed by Discoms, Q4 2012-13

	Reference	Units	Formula	January	February	March	Total
Total Fixed Cost filed		Rs. Crores	A	687.30	638.32	847.41	2173.03
Excess fixed cost filed by APGENCOs	Table 7, FC-1	Rs. Crores	B	0.0	0.0	180.31	180.31
Estimated fixed cost to be disallowed	Table 10, FC-2	Rs. Crores	C	0.0	0.15	0.0	0.15
STOA	Table 11, FC-3	Rs. Crores	D	16.68	11.31	15.87	43.86
Estimated reduction		Rs. Crores	E= B+C+D	16.68	11.46	196.28	224.42
Revised Fixed Cost		Rs. Crores	F = A-E	670.62	627.01	651.23	1948.86
Actual Fixed cost per unit of Purchases		Rs./kWh	G	0.99	1.02	1.12	1.05
Estimated Fixed cost per unit of Purchases		Rs./kWh	H	0.97	1.00	0.86	0.94
Difference in Fixed Cost per unit		Rs./kWh	I = G-H	0.02	0.02	0.26	0.11

Considering the calculations done in the above table, there can be a reduction of Rs. 224.42 crores in the total fixed costs claimed, resulting in a **net reduction of Rs.0.11 per unit of purchase.**

In consideration of the above observations, **the Objector prays to the Hon'ble Commission to scrutinize all the relevant facts and accordingly approve appropriate and proportionate fixed costs of Rs. 1,948.86 crores for Q4 2012-13.**

4

Variable Cost

APGENCO

The Petitioner in Q4, 2012-13 has claimed for total variable cost of Rs.5,568.8 crores. The summary of the variable cost incurred by source for the period as filed by the Petitioners is given below in Table 13.

Table 13: Variable Costs by Generation Station (in Rs. Crores)

Station	As approved in Tariff Order 2012-13				Actual filed by Discoms in 2012-13				Q-o-Q Change (%)	% Variation from TO
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Q4
APGENCO – Thermal	1730.6	1595.5	1705.7	1737.1	2204.9	2168.9	2177.9	2400.7	10%	38%
CGS	1248.8	1132.3	1317.3	1374.5	1278.0	994.0	1191.4	1402.3	18%	2%
IPPs	427.5	430.4	408.7	430.7	1119.4	683.8	566.3	785.2	39%	82%
Non-Conventional Energy	92.0	85.0	98.8	158.2	124.9	93.2	90.3	138.4	53%	-13%
Other Market Purchases	-	-	-	-	706.2	896.9	977.4	842.2		
Total Variable Cost	3499	3243	3531	3701	5433	4837	5003	5569	11%	50%

*** Figures rounded off for convenience*

Variable cost, one of the main components for computation of FSA, majorly includes fuel cost and related transportation costs. Variable cost is majorly dependent on aspects such as cost of fuel, transit losses, handling charges and operating parameters of the plant. The Andhra Pradesh Electricity Regulatory Commission (Terms and conditions for determination of tariff for supply of electricity by a generating company to a distribution licensee and purchase of electricity by distribution licensees) **Regulation, 2008, Clause 9.1** defines Variable cost and operating norms as:

“.....(ii) **Variable Costs**

(a) *Landed cost of fuel including transit and handling charges, in case of thermal stations*

(b) *Royalty on coal and water rates, if any*

The variable cost is increased due procurement of imported coal, procurement of additional coal by paying premium price and normal inflationary effect on the coal .Further APGENCO station like RTPP is located far off from the coal mines and the huge amount of transportation is incurred.

IPP :

The variance in cost of gas is due to use of RLNG and increase in foreign exchange rate over period even domestic gas price is reimbursed to IPPs based on the dollar rate converted into rupee rate .

Further, the details of calculation of variable cost, depicting weighted average cost of coal, cost of secondary fuel, SHR & GCV etc. is filed along the FSA proposals.

(c) Others (to specify)

(iii) Norms of operation

(a) Target Availability for recovery of full capacity (Fixed) charges

(b) Target Plant Load Factor (PLF) for incentive

(c) Gross Station Heat Rate – (i) during stabilisation period; (ii) subsequent period

(d) Secondary fuel oil consumption

(e) Auxiliary Energy Consumption...”

The Regulation, in **Clause 11**, states various plant operating norms for different types of fuel, which have been in the below Table 14.

Table 14: Norms of Operation for Thermal Power plants

Clause	Operating Parameters	Type of Station	Norms of Operation	
11.1.1	Target Availability Factor	Coal	80%	
		Lignite	75%	
11.1.2	Auxiliary Energy Consumption	Coal	With cooling tower	Without cooling tower
		(i) 200/210/250 MW	9.0%	8.5%
		(ii) 500 MW series		
		Steam driven boiler feed pumps	7.5%	7.0%
		Electrically driven boiler feed pumps	9.0%	8.5%
		Gas Turbine/Combined Cycle		

			(i) Combined cycle	3.0%	
			(ii) Open cycle	1.0%	
			Lignite-fired	0.5 percentage point more than the auxiliary energy consumption norms of coal-based generating stations	
	11.1.3	Gross Station Heat Rate (SHR) (After Stabilization Period)	Coal		
			(i) 200/210/250 MW	2500 kcal / kWh	
			(ii) 500 MW series	2450 kcal / kWh	
			Lignite-fired	SHR for coal-based generating stations shall be corrected, using multiplying factors	
			(i) For lignite having 50% moisture	Multiplying factor of 1.10	
			(ii) For lignite having 40% moisture	Multiplying factor of 1.07	
			(iii) For lignite having 30% moisture	Multiplying factor of 1.04	
			Gas turbine/combined cycle	Advanced Class Machines	E/EA/EC/E2 Class Machines
			- Open cycle	2685 kCal/kWh	2830 kCal/kWh
			- Combined cycle	1850 kCal/kWh	1950 kCal/kWh
			Small gas turbine	With Natural Gas	With Liquid Fuel
			- Open cycle	3125 kCal/kWh	1.02x3125 kCal/kWh
			- Combined cycle	2030 kCal/kWh	1.02x2030 kCal/kWh

	<table border="1"> <tr> <td data-bbox="352 196 454 326">11.1.4</td> <td data-bbox="454 196 693 326">Secondary fuel oil consumption</td> <td data-bbox="693 196 1104 258">Coal</td> <td data-bbox="1104 196 1580 258">2.0 ml/kWh</td> </tr> <tr> <td data-bbox="352 258 454 326"></td> <td data-bbox="454 258 693 326"></td> <td data-bbox="693 258 1104 326">Lignite</td> <td data-bbox="1104 258 1580 326">3.0 ml/kWh</td> </tr> <tr> <td data-bbox="352 326 454 526">11.1.5</td> <td data-bbox="454 326 693 526">Transit Losses</td> <td data-bbox="693 326 1104 391">Coal</td> <td data-bbox="1104 326 1580 391"></td> </tr> <tr> <td data-bbox="352 391 454 456"></td> <td data-bbox="454 391 693 456"></td> <td data-bbox="693 391 1104 456">Pit head generating stations</td> <td data-bbox="1104 391 1580 456">0.3%</td> </tr> <tr> <td data-bbox="352 456 454 526"></td> <td data-bbox="454 456 693 526"></td> <td data-bbox="693 456 1104 526">Non-pit head generating stations</td> <td data-bbox="1104 456 1580 526">0.8%</td> </tr> </table>	11.1.4	Secondary fuel oil consumption	Coal	2.0 ml/kWh			Lignite	3.0 ml/kWh	11.1.5	Transit Losses	Coal				Pit head generating stations	0.3%			Non-pit head generating stations	0.8%		
11.1.4	Secondary fuel oil consumption	Coal	2.0 ml/kWh																				
		Lignite	3.0 ml/kWh																				
11.1.5	Transit Losses	Coal																					
		Pit head generating stations	0.3%																				
		Non-pit head generating stations	0.8%																				
	<p>The above mentioned plant operating parameters are very crucial for understanding the authenticity of the variable costs that are being claimed by the Petitioners. However, lack of adequate information such as actual Station heat rate (SHR), cost of secondary fuels, transit losses, etc which determine the efficiency of the plants are unavailable. In addition, the Objector likes to bring forward the following points of concern:</p> <p>1.3 Lack of transparency</p> <p>1.3.1 <u>Operating Parameters</u></p> <p>(a) <u>Station Heat Rate (SHR):</u></p> <p>SHR is one of the main parameters in determining the efficiency of thermal power stations. Efficiency of thermal power stations is a function of station heat rate and it is inversely proportional to SHR. It is also helpful in determining the actual quantities of coal that has been used in the power plants. However, this information is not made available by the Petitioners, thereby making it difficult for the Objector to determine if the generating stations are conforming to the norms set by the Regulation as mentioned above.</p> <p>(b) <u>Transit losses:</u></p> <p>According to the proposals submitted to the Commission, the Petitioner has provided information about coal consumption, which includes quantum of coal used, mix of imported and domestic coal and price per metric ton for import as well as domestic coal. However, the Objector is unable to gauge, whether the given quantities of coal include transit losses or not. The Objector is of the view that transit losses over and above the approved norms will result in increased cost burden as there would be an increased quantum of coal procurement to</p>																						

accommodate losses and in turn increase in the transportation cost.

1.3.2 *Disproportionate increase in cost*

In Q4 2012-13, it has been observed that most of the APGENCO power stations have incurred incremental variable costs than that in the previous quarters and also against the cost incurred by Central Generation Stations (CGS). A comparison of variable costs incurred by APGENCO and CGS has been summarised in the below Table 15. The table also shows a comparison of increase in variable cost in APGENCO and CGS stations of comparable unit sizes.

Table 15: Variable cost of APGENCO stations vs. CGS, Q4 2012-13

State Owned Generation Stations (in Rs./kWh)	Variable Cost (Approved in T.O 2012-13)	Variable Cost (filed)	Actual VC as a % of Variable Cost approved in T.O 2012-13	Range
Weighted Average APGENCO – Thermal	1.90	2.63	38%	1.1% to 52.1%
Weighted Average CGS – Thermal	2.05	2.16	2%	-1.1% to 15.9%

In the above table, it can be observed that the variation in variable costs of APGENCO when compared to that of CGS is very significant. While, the maximum variation for CGS is 16%, APGENCO's plants have shown a variance as high as 52%. In order to further understand these variances, monthly increase in quantum of purchase has been compared in the following table.

Table 16: % Change in Power Despatch and Variable Cost (Rs. Crores) as filed by DISCOMs by month

State Owned Generation Stations	MoM % change in Variable Cost				MoM % change in Power Despatch (MUs)			
	January	February	March	Q4	January	February	March	Q4
KTPS (A)	14.5%	-17.4%	12.7%	22.0%	22.9%	-14.8%	11.2%	34.6%
KTPS (B)	14.5%	-17.4%	12.7%	22.0%	22.9%	-14.8%	11.2%	34.6%

KTPS (C)	14.5%	-17.4%	12.7%	22.0%	22.9%	-14.8%	11.2%	34.6%
KTPS V / D	-3.2%	1.9%	19.5%	10.0%	0.0%	1.3%	15.8%	8.2%
Kakatiya Thermal Power Plant Stage I	-8.1%	-3.8%	4.3%	-3.5%	-1.4%	-0.3%	7.6%	6.5%
KTPS Stage VI	-11.1%	-10.8%	48.0%	-4.1%	-10.4%	-3.3%	17.2%	1.9%
VTPS (I)	15.4%	6.2%	15.9%	26.8%	-0.3%	3.1%	15.8%	9.9%
VTPS (II)	15.4%	6.2%	15.9%	26.8%	-0.3%	3.1%	15.8%	9.9%
VTPS (III)	15.4%	6.2%	15.9%	26.8%	-0.3%	3.1%	15.8%	9.9%
RTS B	6.6%	-7.2%	6.5%	47.3%	0.7%	-9.3%	5.5%	35.6%
RTPP (I)	-4.5%	-12.9%	26.5%	1.0%	-1.2%	-11.9%	20.5%	8.5%
RTPP (II)	73.8%	-14.1%	28.5%	15.1%	79.8%	-13.1%	22.3%	25.2%
RTPP (III)	-7.5%	-11.2%	0.6%	2.2%	-4.3%	-10.2%	-4.2%	10.0%
VTPS IV	28.6%	-12.5%	31.2%	3.0%	13.8%	-11.4%	21.0%	5.8%
Total APGENCO	9.8%	-6.7%	21.2%	10.2%	9.7%	-5.2%	17.5%	11.3%

In the above table, it can be observed that there is a considerable difference in variable costs vis-a-vis power despatched from stations such as VTPS stations – I, II and III. It can be observed that in January, despite of a reduction in the quantum of power despatched from these stations, there has been an increase in their variable costs, reasons of which could be procurement of expensive fuel, increase in quantum of fuel consumed, etc. **In order to validate this, an analysis of the coal consumptions of the generating stations has also been done based on the norms approved by the Commission. Information on imported as well as domestic coal consumption has been provided by the Petitioner in the Filing.**

Variable cost incurred by each APGENCO plant has been estimated based on the information given by the Petitioners and assuming that the GENCOs have fulfilled the operating parameters such as SHR, etc as per norms of the Regulation. The following tables 17 shows the variations of actual variable cost from

Table 17: Estimation of Total Variable Cost of APGENCO plants

Station	Filed Variable cost per Unit (Rs./kWh)			Estimated Variable cost per Unit (Rs./kWh) *			Difference between Estimated and Actual (Rs./kWh)			Estimated Excess Variable Cost (Rs. Crores)		
	Jan	Feb	Mar	Jan	Feb	Mar	Jan	Feb	Mar	Jan	Feb	Mar
VTPS	2.88	2.97	2.97	2.63	2.68	2.70	0.26	0.29	0.27	17.41	20.15	21.95
VTPS IV	3.06	3.02	3.28	2.76	2.78	3.12	0.30	0.24	0.16	9.78	6.99	5.60
RTPP	3.12	3.09	3.24	2.98	2.91	2.92	0.14	0.18	0.32	9.10	10.45	21.89
KTPS	1.83	1.78	1.80	1.51	1.47	1.49	0.33	0.31	0.32	13.51	10.98	12.35
KTPS V	1.67	1.46	1.29	1.28	1.35	1.42	0.39	0.12		10.87	3.33	
KTPS VI	2.58	2.38	3.01	2.32	2.19	2.95	0.26	0.19	0.06	8.30	5.92	2.04
RTS B	2.43	2.49	2.51	2.13	2.17	2.20	0.31	0.32	0.31	1.24	1.17	1.22
KTPP	2.40	2.31	2.24	2.39	2.31	2.24						
Excess Variable Cost (Rs. Crores) (VCI)										70.21	58.99	65.05

Note: * Calculated as per standard operating norms of APERC regulations

The below table gives a gist of the total consumption of APGENCO plants.

Table 18: Imported Coal consumption of APGENCO

Station	Quantum of Coal Consumption (Metric Tonnes), Q4 2012-13			Weighted average Price of Coal (Rs./MT), Q4 2012-13			% of Imported Coal
	Domestic	Import	Total	Domestic	Import	Total	
VTPS	1,786,337	31,900	1,818,237	3150.25	5,390	3,190	1.75%
VTPS IV	500,605	152063	652,668	3702.95	5,390	4,096	23.30%
RTPP	1,437,578		1,437,578	3707.66		3,708	
KTPS	1,144,238		1,144,238	1644.72		1,645	
KTPS V	763,350		763,350	1554.45		1,554	
KTPS VI	577,937	49535	627,472	3536.35	5,390	3,683	7.89%
RTS B	93,110		93,110	2784.09		2,784	
KTPP	614,737		614,737	3070.22		3,070	

From the above table, it can be observed that the variable costs of most of the plants have not been in line with the estimated variable cost as per operating norms. Based on this information, it can be deduced that these **plants have not fulfilled the desired operating norms** as set by the Hon'ble Commission, thus resulting in increased variable costs.

The inefficiencies of these plants have resulted in an **excess variable cost of Rs.194.25 crores** for Q4, 2012-13 and this would be passed on to burden the consumers further. As it is the responsibility of the GENCOs to abide by the norms and reduce their expenses, the onus of bearing the excess costs also lies with them. Therefore, it is requested that, variable costs to the extent of excess claims be disallowed and not be passed on to the consumers.

UI Charges

The UI cost is filed in FSA of the 4th quarter as this

4.2	<p>In Q4, 2012-13, the Petitioner has claimed for UI charges of Rs. 15.95 crores (VC-2) against purchases of 46.9 MUs from NTPC and SRPC. However the Merit Order given in the T.O 2012-13 does not provide for any expenses to be claimed as UI charges for any purchases. It is also to be noted that the Hon'ble Commission has disallowed such cost in FSA order released for Q3 2012-13.</p> <p>Therefore, the Objector prays to the Hon'ble Commission, that UI charges of Rs.15.95 crores and purchases of 46.9 MUs be disallowed for the quarter.</p> <p>Summary</p> <p>In view of the above discussion and facts, the Objector likes to quantify and summarize the total reduction in variable costs that would be effective for the months of January, February and March. The same is represented as under:</p> <p>Table 19: Estimated reduction in Total Variable Costs claimed by Discoms, Q4 2012-13</p> <table border="1"> <thead> <tr> <th></th> <th>Reference</th> <th>Units</th> <th>Formula</th> <th>January</th> <th>February</th> <th>March</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Total Variable Cost filed</td> <td></td> <td>Rs. Crores</td> <td>A</td> <td>1811.7</td> <td>1653.1</td> <td>2104.0</td> <td>5568.8</td> </tr> <tr> <td>Excess Variable cost claimed due to plant inefficiencies</td> <td>Table 17, VC-1</td> <td>Rs. Crores</td> <td>B</td> <td>70.21</td> <td>58.99</td> <td>65.05</td> <td>194.25</td> </tr> <tr> <td>UI Charges</td> <td>VC-2</td> <td>Rs. Crores</td> <td>C</td> <td>6.33</td> <td>4.32</td> <td>5.30</td> <td>15.95</td> </tr> <tr> <td>Additional power purchased due to more system losses</td> <td>Table 25, VC-3</td> <td>Rs. Crores</td> <td>D</td> <td>76.03</td> <td></td> <td>291.02</td> <td>367.05</td> </tr> <tr> <td>Estimated reduction</td> <td></td> <td>Rs. Crores</td> <td>E= B+C+D</td> <td>152.57</td> <td>63.31</td> <td>361.36</td> <td>577.25</td> </tr> <tr> <td>Revised Variable Cost</td> <td></td> <td>Rs. Crores</td> <td>F = A-E</td> <td>1659.15</td> <td>1589.78</td> <td>1742.61</td> <td>4991.54</td> </tr> <tr> <td>Actual Variable cost per unit of Purchases</td> <td></td> <td>Rs./kWh</td> <td>G</td> <td>2.62</td> <td>2.64</td> <td>2.79</td> <td>2.69</td> </tr> <tr> <td>Estimated Variable cost per</td> <td></td> <td>Rs./kWh</td> <td>H</td> <td>2.40</td> <td>2.53</td> <td>2.31</td> <td>2.41</td> </tr> </tbody> </table>		Reference	Units	Formula	January	February	March	Total	Total Variable Cost filed		Rs. Crores	A	1811.7	1653.1	2104.0	5568.8	Excess Variable cost claimed due to plant inefficiencies	Table 17, VC-1	Rs. Crores	B	70.21	58.99	65.05	194.25	UI Charges	VC-2	Rs. Crores	C	6.33	4.32	5.30	15.95	Additional power purchased due to more system losses	Table 25, VC-3	Rs. Crores	D	76.03		291.02	367.05	Estimated reduction		Rs. Crores	E= B+C+D	152.57	63.31	361.36	577.25	Revised Variable Cost		Rs. Crores	F = A-E	1659.15	1589.78	1742.61	4991.54	Actual Variable cost per unit of Purchases		Rs./kWh	G	2.62	2.64	2.79	2.69	Estimated Variable cost per		Rs./kWh	H	2.40	2.53	2.31	2.41	power procured for meeting the total demand.
	Reference	Units	Formula	January	February	March	Total																																																																			
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unit of Purchases						
Difference in Variable Cost per unit	Rs./kWh	I = G-H	0.22	0.11	0.48	0.28

In view of the above discussions, the Objector prays to the Hon'ble Commission to scrutinize the operating efficiencies of the plants and provide such information to the consumers to minimize their ambiguity. And also that the Hon'ble Commission disallow the excess variable cost being claimed by the Petitioners as it is not prudent to burden the consumers for GENCO's inefficiencies. The Hon'ble Commission may also compel GENCOs to meet with the standards set by the Commission and reduce their inefficiencies.

As per the above calculations, the Objector prays to the Hon'ble Commission that a excess variable cost of Rs.588.73 crores be disallowed, which would in turn result in a reduction of Rs.0.28 per unit of purchase.

5 ***Purchases from IPPs and Other sources***

The Petitioner during Q4, 2012-13 has purchased 2206.8 MUs from IPPs against a variable cost of Rs.794.95.2 crores. The summary of monthly purchases and variations thereon are tabulated in the below Table 22.

Table 20: Power purchased from IPPs for Q4 2012-13

Consumer Category	Formula	Actuals filed by Discoms				% Change (M-o-M)		
		January	February	March	Q4	February	March	Q4/Q3
Purchases of IPPs (MUs)	A1	632.8	550.7	1005.5	2189.0	-13.0%	82.6%	13.8%
Purchases of Other Sources (MUs)	A2	13.0	4.4	0.4	17.8			
Total Purchases (MUs)	A = A1+A2	645.80	555.10	1005.90	2206.80			

As a % of Total Purchases		9.4%	8.87%	13.14%				
Variable Cost (Rs. Crores)	B	208.98	197.45	388.4	794.95	-3.3%	99.0%	38.7%
As a % of Total Variable Cost		11.5%	11.9%	18.5%				
Variable Cost per Unit (Rs./kWh)	C = Bx10/A	3.24	3.56	3.86	3.60	9.9%	8.6%	21.8%

The above table shows that there has been a significant increase in the quantum of power procured from IPPs and that the corresponding variable cost has also increased. Average variable cost per unit of purchases has also increased from Rs.3.24 per unit in January to Rs.3.86 per unit March. Also, it has to be noted that in the month of February, though there has been a considerable reduction in the power purchased from IPPs, a variable cost of Rs.3.56/per unit was incurred registering an increase of over 11% in the same month.

When variable cost per unit for all the IPPs listed in the petition were calculated, it was observed by the Objector that there were considerable variations for some of the IPPs such as Vemagiri, Tata Power and Konaseema power stations. The following is summary of the same:

Table 21: Calculation of Variable Cost per unit for identified IPPs

IPP	Formula	Variable Cost as filed (Rs. Crores)				Actual Variable Cost/Unit as filed (Rs./Unit)			
		January	February	March	Q4	January	February	March	Q4
Konaseema	A	5.4	2.2	12.5	20.1	2.04	2.02	9.99	4.02
Tata Power	B	22.4	20.8	56.0	99.2	5.25	5.50	5.62	5.51
Vemagiri	C	6.0	2.8	55.1	63.9	2.03	2.05	10.64	6.74
GMR Energy Trading Ltd	D	7.28	2.45	0.12	9.85	5.60	5.58	3.10	5.54

Total	E=A+B+C+D	41.08	28.25	123.72	193.05					
Total VC filed	F	1811.7	1653.1	2104.0	5568.8	3.19	3.54	3.86	3.59	
% of total VC	G = E/F	2.27%	1.71%	5.88%	3.47%					

It is observed in the above table that the Petitioner has procured power from IPPs such as Konaseema, Tata Power and Vemagiri at a relative higher cost ranging between Rs.5.6 to 10.64 per unit. According to the T.O 2012-13, the Commission has already allowed the Petitioner to purchase of 2,295 MUs from IPPs against a ceiling price of Rs.5.50/unit. However, it is very evident from the above table that the Petitioner has procured power at a price that is much higher than the ceiling price.

Despite procuring power from expensive resources, the Petitioners are still not in position to avoid power cuts and are still imposing R&C measures on the non-agricultural consumers. Hence, the quantum of power procured and the corresponding variable cost has to be disallowed proportionately for the month March. The following Table 24 gives a summary of the same.

Table 22: Illustration of expensive power procurement from IPPs

IPP	Formula	Variable cost per unit (Rs./kWh)	Actual Power Purchase (MUs)	Total Variable Cost (Rs. Crores)
		(1)	(2)	
		March	March	
Konaseema	A	9.99	12.5	12.48
Tata Power	B	5.62	99.7	56.03
Vemagiri	C	10.64	51.8	55.12
GMR Energy Trading Ltd	D	5.60	17.39	9.73
Total of IPPs and Other	E = A+B+C+D		181.4	133.4

		Sources																																																																	
		Total	F		7540.73	2104																																																													
		% of power purchased for >Rs.5.50 per unit	G = E/F		2.4%	6.3%																																																													
	<p>Therefore, the Objector prays to the Hon'ble Commission that blatant defying of the ceiling price, which is already high, needs to be scrutinized by the Commission. The Petitioner also seeks exclusion of apportioned variable cost for above mentioned IPPs for the sake of the computation of FSA for the quarter.</p>								<p>APDISCOMs are generating power by use of RLNG and there by the cost is increased , the procurement cost of RLNG is around \$26 per Mmbtu .</p>																																																										
6	<p>System Losses</p> <p>The Petitioner in Q4, 2012-13, has incurred losses of 3,852.32 MUs, which forms 18.6% of total purchases. A monthly summary of T&D losses is given as follows:</p> <p>Table 23: Distribution Losses, Q4 2012-13</p> <table border="1"> <thead> <tr> <th rowspan="2">Consumer Category</th> <th rowspan="2">Formula</th> <th colspan="4">Approved by T.O 2012-13</th> <th colspan="4">Actuals claimed by Discoms</th> </tr> <tr> <th>January</th> <th>February</th> <th>March</th> <th>Q4</th> <th>January</th> <th>February</th> <th>March</th> <th>Q4</th> </tr> </thead> <tbody> <tr> <td>Total Purchases (MUs)</td> <td>A</td> <td>7542.81</td> <td>7695.30</td> <td>8821.33</td> <td>24059.44</td> <td>6912.08</td> <td>6271.83</td> <td>7540.73</td> <td>20724.63</td> </tr> <tr> <td>Total Sales (MUs)</td> <td>B</td> <td>6379.08</td> <td>6520.60</td> <td>7444.77</td> <td>20344.45</td> <td>5701.96</td> <td>5315.58</td> <td>5854.77</td> <td>16872.31</td> </tr> <tr> <td>Distribution losses (MUs)</td> <td>C = A-B</td> <td>1163.73</td> <td>1174.70</td> <td>1376.56</td> <td>3714.99</td> <td>1210.12</td> <td>956.25</td> <td>1685.95</td> <td>3852.32</td> </tr> <tr> <td>Distribution losses (%)</td> <td>D = C x 100/A</td> <td>15.4%</td> <td>15.3%</td> <td>15.6%</td> <td>15.4%</td> <td>17.5%</td> <td>15.2%</td> <td>22.4%</td> <td>18.6%</td> </tr> </tbody> </table> <p>As observed above, the Petitioners have incurred losses of 18.6% for Q4 2012-13, while the Commission in T.O 2012-13,</p>								Consumer Category	Formula	Approved by T.O 2012-13				Actuals claimed by Discoms				January	February	March	Q4	January	February	March	Q4	Total Purchases (MUs)	A	7542.81	7695.30	8821.33	24059.44	6912.08	6271.83	7540.73	20724.63	Total Sales (MUs)	B	6379.08	6520.60	7444.77	20344.45	5701.96	5315.58	5854.77	16872.31	Distribution losses (MUs)	C = A-B	1163.73	1174.70	1376.56	3714.99	1210.12	956.25	1685.95	3852.32	Distribution losses (%)	D = C x 100/A	15.4%	15.3%	15.6%	15.4%	17.5%	15.2%	22.4%	18.6%	
Consumer Category	Formula	Approved by T.O 2012-13				Actuals claimed by Discoms																																																													
		January	February	March	Q4	January	February	March	Q4																																																										
Total Purchases (MUs)	A	7542.81	7695.30	8821.33	24059.44	6912.08	6271.83	7540.73	20724.63																																																										
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Distribution losses (%)	D = C x 100/A	15.4%	15.3%	15.6%	15.4%	17.5%	15.2%	22.4%	18.6%																																																										

has approved losses of 15.5% for the year 2012-13. The Petitioners have been unable to meet the loss trajectory as set by the Commission. Therefore the Objector requests the Hon'ble Commission to disallow the excess losses incurred by the Discoms and gross them up to sales to ensure that the Petitioners would bear the cost of losses and take up the responsibility of curtailing them with much more diligence.

Below is the calculation of the losses that can be grossed up to sales.

Table 24: Estimated reduction in Distribution Losses, Q4 2012-13

Consumer Category	Formula	Distribution Losses			
		January	February	March	Q4
Total Purchases (MUs)	A	6912.08	6271.83	7540.73	20724.63
Approved % of Distribution Losses (%)	B	15.4%	15.3%	15.6%	15.4%
Estimated Distribution Losses (MUs)	C = A x B	1066.42	957.40	1176.72	3200.07
Revised Sales (MUs)	D = A-C	5845.66	5314.42	6364.00	17524.57

The Discoms are thus claiming for excess losses of 652.25 MUs for the quarter, over and above the T.O 2012-13.

Table 25: Estimated savings from controlled distribution losses, Q4 2012-13

Consumer Category	Power Purchase (MUs)				Variable Cost (Rs. Crores)			
	January	February	March	Q4	January	February	March	Q4
Konaseema			12.49	12.49			12.48	12.48
TATA Power	29.06		99.72	180.12	15.26		56.02	99.18
Vemagiri			51.82	51.82			55.12	55.12
Sarada			17.64	17.64			9.66	9.66

Aravali	101.65		133.47	235.12	53.50		66.83	120.33
Reliance			77.73	210.28			38.86	105.14
GMR Power Trading Ltd	12.99		4.40	17.39	7.27		2.45	9.72
Lanco (Kondapalli)			111.96	111.96			49.57	49.57
Total Variable Cost(VC3)	143.70		509.23	652.93	76.03		291.02	367.05

As can be seen from the above table, a variable cost of Rs.376.05 cr (per unit cost of Rs. 5.62) has been spent to purchase 652.93 MUs of power, which is essentially the additional loss claimed by the Discoms over and above the approved losses as per T.O 2012-13. Such additional purchase could have been avoided if the Commission specified loss levels were maintained.

In view of the above discussions, **the Objector prays to the Hon'ble Commission that the excess distribution losses of 652.93 MUs and the corresponding purchase cost of Rs.367.05 crores that have been incurred by Petitioners shall be disallowed and shall not be passed on to the consumers.**

DISCOMs have procured power from different sources and from outside SR periphery, therefore transmission losses will be on high from certain sources.

7 ***Agricultural Sales***

The Petitioner has claimed total sales of 16,872 MU during Q4, 2012-13. The summary of monthly sales and variations thereon are tabulated in the below Table 18.

Table 26: Actual Sales mix for Q4 2012-13 vs. Approved in T.O 2012-1

Consumer Category	Approved in T.O 2012-13				Actual filed by Discoms in 2012-13			
	Jan	Feb	Mar	Q4	Jan	Feb	Mar	Q4
Domestic	19.1%	18.9%	22.6%	20.3%	20.8%	21.5%	21.7%	21.3%
Industrial	53.5%	54.8%	48.9%	52.2%	43.9%	48.1%	41.4%	44.3%

	% change for Industrial					-9.6%	-6.7%	-7.5%	-7.9%
	Agriculture	27.4%	26.2%	28.5%	27.4%	35.3%	30.4%	37.0%	34.4%
	% change for Agriculture					+7.9%	+4.2%	+8.5%	+7.0%
	Total Sales (MUs)	6379.1	6520.6	7444.8	20344.5	5702.0	5315.6	5854.8	16872

From the above table, it can be observed that the Petitioners has claimed a change in the sales mix, as has been approved in T.O 2012-13. The share of agricultural consumption has increased considerably in Q4 when compared to that in T.O 2012-13, while share of industrial consumption has dipped significantly. This very clearly shows that the Petitioners have diverted most of the power procured to agricultural sector by compromising on industrial sector.

The Objector with regard to agricultural sales likes to bring to the notice of the Hon'ble Commission the following points of contention.

7.1 Diversion of expensive power

The following Table 19 gives details of the power procured from various sources and variations on a monthly basis for Q4, 2012-13.

Table 27: Purchases by Generation station, Q4 2012-13

Consumer Category	Actual filed by Discoms				M-o-M % Change in Purchases			
	January	February	March	Q4	January	February	March	Q4
APGENCO – Hydel	275.8	273.8	392.9	942.5	62.4%	-0.7%	43.5%	5.6%
APGENCO – Thermal	3017.6	2848.5	3275.2	9141.3	6.6%	-5.6%	15.0%	11.9%
CGS	2299.6	1981.7	2193.0	6474.3	6.1%	-13.8%	10.7%	6.4%

IPP	632.8	550.7	1005.5	2189.0	1.3%	-13.0%	82.6%	13.8%
NCE	117.8	124.5	104.0	346.3	-1.9%	5.6%	-16.5%	29.9%
Market Purchase	568.3	492.7	570.1	1631.2	-13.6%	-13.3%	15.7%	-15.2%
Total Purchases	6912.1	6271.8	7540.7	20724.6	5.2%	-9.3%	20.2%	7.6%

The above tables – 18 and 19, when read together, show that there have been corresponding variations in sales against variations in purchases. However, there has been a sudden rise in purchases from IPPs in the month of March and have registered the highest growth of almost 14% in the quarter. The Objector draws an inference that additional power bought from IPPs at a relatively higher cost is not meeting the requirements of the industrial consumers, who relatively pay a higher tariff than other categories. As this relatively expensive power is not supporting the industrial segment, it is not prudent to burden them with the additional cost incurred to procure such power.

Therefore, **the Objector prays to the Hon’ble Commission, that such diversion of relatively expensive to agricultural sector should be controlled and not compromise on meeting the needs of industrial sector.**

7.2 Inclusion of agricultural sales in the formula:

According to the provisions of Regulation 1 of 2003, agricultural sector is exempted from the burden of FSA charges, until the Commission is satisfied with the metering of agricultural consumption is complete. The following table shows the estimation of agricultural FSA that would further burden non-agricultural consumers.

Table 28: Estimated Agricultural FSA as per Discom filings, Q4 2012-13

Parameter	Units	Formula	January	February	March	Q4
Estimated FSA	Rs. Crores	A	348.61	199.66	589.42	1137.69
Sales	MUs	B	5701.96	5315.58	5854.77	16872.31

Hon’ble APERC in the past FSA approval has allowed only to the extent of actual agriculture consumption or APERC approved quantity whichever less. The concern of the objectors is already addressed by Hon’ble APERC.

Agriculture sales	MUs	C	2015.57	1616.82	2163.71	5796.10
FSA/Unit	Rs./Unit	D = Ax10/B	0.6114	0.3756	1.0067	0.6743
Estimated Agricultural FSA	Rs. Crores	E = CxD/10	123.23	60.73	217.83	390.83
Agricultural FSA as % of total FSA	%	F = E/A	35.3%	30.4%	37.0%	34.4%

As per the above calculations, agricultural FSA for the quarter would amount to Rs.377.05 crores, which accounts for over 34% of the total FSA claimed. This would in turn be passed on to the non-agricultural consumers, increasing their burden by almost one-third of their actual FSA charge.

However, agricultural sales are excluded from the purview for the computation of FSA/kWh (sale unit). Though the Hon'ble Commission includes metered HT agriculture sales, LT sales that are unmetered are still not included. Also, there exists no methodology to ascertain unmetered agriculture sales and be included in the formula. However, the Commission in T.O 2012-13, restricts agriculture sales to actual sales or sales approved by the Commission, whichever is lower. This would at least ensure that, excess consumption on account of agriculture, if any, over and above the quantum specified in the relevant months of the Tariff Order, is not loaded to the admissible FSA.

Accordingly, the revised sales that would be considered for computation of FSA per unit will be as under:

Table 29: Revised Sales Estimate (MUs), Q4 2012-13

Parameter	Formula	January	February	March	Q4
Actual Sales	A	5701.96	5315.58	5854.77	16872.31
Actual Agriculture Sales	B	2015.57	1616.82	2163.71	5796.10
Agriculture Sales approved by in T.O	C	1749.20	1710.66	2124.55	5584.41

2012-13					
Revised Agriculture sales eligible for FSA	D = least of B and C	1749.20	1616.82	2124.55	5490.57
Revised Sales eligible for FSA	E = A-B+D	5435.59	5315.58	5815.61	16566.78

Based on the methodology adopted by the Hon'ble Commission in determining the agricultural sales, the revised agricultural FSA numbers have been extrapolated as below:

Table 30: Revised Estimate of Agricultural FSA, Q4 2012-13

Parameter	Units	Formula	January	February	March	Q4
Estimated FSA	Rs. Crores	A	348.61	199.66	589.42	1137.69
Revised Sales	MUs	B	5435.59	5315.58	5815.61	16566.78
Revised Agriculture sales	MUs	C	1749.20	1616.82	2124.55	5490.57
Revised FSA/Unit	Rs./Unit	D = Ax10/B	0.6248	0.3757	0.9319	0.6607
Revised Estimated Agricultural FSA	Rs. Crores	E = CxD/10	109.30	60.74	197.99	362.78
Revised Agricultural FSA as % of total FSA	%	F = E/A	31.4%	30.4%	33.6%	31.9%

IN view of the above contentions, the **Objector prays to the Hon'ble Commission to reconsider power purchase procedure and include unmetered agriculture sales for the computation of FSA charges per unit. Failing which, the burden of agricultural FSA shall be borne either by the agricultural consumers or by the government in the form of subsidies. Also, the Commission shall insist the Discoms to follow strict time lines to set meters to all unmetered agricultural consumers.**

8	<p><i>Penalties</i></p> <p>The Objector prays the Hon'ble Commission to adjust the penalties of approximately Rs.300 crores, collected from industrial consumer during the R&C period, to the total FSA claimed.</p> <p>Since the exact amount of penalty claimed is unavailable, the Objector prays the Hon'ble Commission to direct the Petitioners to disclose the details</p>	<p>Hon, APERC is requested to approve FSA for the 4th quarter based on the existing regulation only. The adjustment of penalties is not envisaged in the regulation.</p>
	<p><i>Prayer to Honourable Commission</i></p> <p>The Objector with averments made above prays that the Hon'ble Commission may please consider the objections made on the APDISCOMs FSA Proposal for 4th Quarter of FY 2012-13 Petition and consider the following submissions:</p> <p>(a) To include agricultural sales, which include metered as well as unmetered sales, in the denominator of the formula of the Regulation 1 of 2003.</p> <p>(b) To insist the Discoms to complete the process of installation of meters for the agricultural sector at the earliest and make a prudent decision of including agricultural sales for the computation of FSA charged per unit to avoid passing of the burden inappropriately on to the non-agricultural consumers.</p> <p>(c) The Objector requests the Commission not to consider the increase in fixed costs of APGENCOs due to the existence of ambiguity in the methodology adopted to ascertain them and absence of trued-up generation tariff. The disallowance of such amount would decrease fixed cost by Rs.180.31 crores for the quarter.</p> <p>(d) To closely monitor the operations of APGENCO plants and make available their operating statistics. And insist that any deviations from regulatory norms would result in reduction in fixed cost recovery. Under this head, an amount of Rs.0.15 crores can be disallowed from fixed costs for the quarter.</p> <p>(e) To disallow fixed costs claimed by the Petitioner for short term purchases under STOA. An amount of Rs.43.86 crores would be reduced from fixed costs.</p> <p>(f) The sum of the points (c), (d) and (e), sum to a total of Rs.224.42 crores, resulting in decrease of Rs.0.11 per unit of purchase.</p>	

	Reference	Units	Formula	January	February	March	Total
Total Fixed Cost claimed		Rs. Crores	A	687.30	638.32	847.41	2173.03
Excess fixed cost claimed by APGENCOs	Table 7, FC-1	Rs. Crores	B	0.0	0.0	180.31	180.31
Estimated fixed cost to be disallowed	Table 10, FC-2	Rs. Crores	C	0.0	0.15	0.0	0.15
STOA	Table 11, FC-3	Rs. Crores	D	16.68	11.31	15.87	43.86
Estimated reduction		Rs. Crores	E= B+C+D	16.68	11.46	196.28	224.42
Revised Fixed Cost		Rs. Crores	F = A-E	670.62	627.01	651.23	1948.86
Actual Fixed cost per unit of Purchases		Rs./kWh	G	0.99	1.02	1.12	1.05
Estimated Fixed cost per unit of Purchases		Rs./kWh	H	0.97	1.00	0.86	0.94
Difference in Fixed Cost per unit		Rs./kWh	I = G-H	0.02	0.02	0.26	0.11

- (g) To advocate transparency regarding information on plant operating parameters such as availability factor, fuel consumption, station heat rate, transit losses, etc. And insist that the Discoms should make such information available at least by the time or at the time of filing petitions to claim FSA.
- (h) To insist on improving the operating efficiencies of APGENCOs to bring them on par with that of CGS stations of comparable capacities, thereby reducing their variable costs.
- (i) Considering the APERC operating regulations of thermal power stations, the excess variable cost has been calculated to be Rs.194.25 cr. The Objector seeks the Commission to do a prudence check and disallow it accordingly.
- (j) To disallow UI charges of Rs.15.95 crores and purchases of 46.9 MUs for the quarter.

(k) To disallow excess distribution losses of 652.93 MUs and the corresponding amount of Rs.367.05 crores that could have been avoided by the Petitioners to substitute for the losses incurred during the quarter.

(l) The reductions as mentioned in the above points (i), (j) and (k) add up to an amount of **Rs.577.25 crores**, thus resulting in a reduction of **Rs.0.28 per unit** of purchase. Therefore, the Hon'ble Commission is requested to disallow the same.

	Reference	Units	Formula	January	February	March	Total
Total Variable Cost filed		Rs. Crores	A	1811.7	1653.1	2104.0	5568.8
Excess Variable cost claimed due to plant inefficiencies	Table 17, VC-1	Rs. Crores	B	70.21	58.99	65.05	194.25
UI Charges	VC-2	Rs. Crores	C	6.33	4.32	5.30	15.95
Additional power purchased due to more system losses	Table 25, VC-3	Rs. Crores	D	76.03		291.02	367.05
Estimated reduction		Rs. Crores	E= B+C+D	152.57	63.31	361.36	577.25
Revised Variable Cost		Rs. Crores	F = A-E	1659.15	1589.78	1742.61	4991.54
Actual Variable cost per unit of Purchases		Rs./kWh	G	2.62	2.64	2.79	2.69
Estimated Variable cost per unit of Purchases		Rs./kWh	H	2.40	2.53	2.31	2.41
Difference in Variable Cost per unit		Rs./kWh	I = G-H	0.22	0.11	0.48	0.28

(m) To conduct a prudence check on the diversion of expensive power to agricultural sector and avoid passing it on to non-agricultural consumers.

Consumer Category	Approved in T.O 2012-13	Actual claimed by Discoms in 2012-13
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	Jan	Feb	Mar	Q4	Jan	Feb	Mar	Q4
Domestic	19.1%	18.9%	22.6%	20.3%	20.8%	21.5%	21.7%	21.3%
Industrial	53.5%	54.8%	48.9%	52.2%	43.9%	48.1%	41.4%	44.3%
% change for Industrial					-9.6%	-6.7%	-7.5%	-7.9%
Agriculture	27.4%	26.2%	28.5%	27.4%	35.3%	30.4%	37.0%	34.4%
% change for Agriculture					+7.9%	+4.2%	+8.5%	+7.0%
Total Sales (MUs)	6379.1	6520.6	7444.8	20344.5	5702.0	5315.6	5854.8	16872

The below table shows an illustration of the costly power that has been purchased from IPPs.

IPP	Formula	Variable cost per unit (Rs./kWh)	Actual Power Purchase (MUs)	Total Variable Cost (Rs. Crores)
		(1)	(2)	
		March	March	
Konaseema	A	9.99	12.5	12.48
Tata Power	B	5.62	99.7	56.03
Vemagiri	C	10.64	51.8	55.12
GMR Energy Trading Ltd	D	5.60	17.39	9.73
Total of IPPs and Other Sources	E = A+B+C+D		181.4	133.4

Total	F	7540.73	2104
% of power purchased for >Rs.5.50 per unit	G = E/F	2.4%	6.3%
% of Power purchased from IPP		82.6%	

(n) To disallow excess distribution losses that resulted in an increased power purchase quantum for the quarter, thus increasing the total variable cost being burdened on the consumers

Consumer Category	Formula	Approved by T.O 2012-13				Actuals claimed by Discoms			
		January	February	March	Q4	January	February	March	Q4
Total Purchases (MUs)	A	7542.81	7695.30	8821.33	24059.44	6912.08	6271.83	7540.73	20724.63
Total Sales (MUs)	B	6379.08	6520.60	7444.77	20344.45	5701.96	5315.58	5854.77	16872.31
Distribution losses (MUs)	C = A-B	1163.73	1174.70	1376.56	3714.99	1210.12	956.25	1685.95	3852.32
Distribution losses (%)	D = C x 100/A	15.4%	15.3%	15.6%	15.4%	17.5%	15.2%	22.4%	18.6%

(o) To adjust the estimated penalties (Rs.300 crores approx.) collected from industrial consumers against the increase in the total cost in the quarter.

REVISED FSA CALCULATIONS

		FSA Calculation as Filed				
			Jan	Feb	March	Q4
VC/ unit as per Filing	Rs./kwh	A	2.621	2.636	2.790	2.687
VC/ unit as per TO 2012-13	Rs./kwh	B	2.089	2.204	2.269	2.189

Pi	Rs./kwh	C = A-B	0.532	0.432	0.521	0.498
Ei	Units	D	6912079433	6271828523	7540725017	20724632973
Pi x Ei	Rs. Cr	E=C x D	367.85	270.91	392.69	1031.45
FC as per Filing	Rs. Cr	F	687.30	638.32	847.41	2173.03
FC as per TO 2012-13	Rs. Cr	G	709.57	709.57	709.57	2128.72
Fci	Rs. Cr	H=F-G	-22.27	-71.25	137.84	44.32
Z	Rs. Cr	I	3.03	0.00	58.89	61.92
FSA	Rs. Cr	J=E+H+I	348.61	199.66	589.42	1137.69
Sales for FSA Calculation	Mus	K	3686.39	3698.76	3691.06	11076.21
FSA per Unit	Rs./kwh	L=I x 10/K	0.9457	0.5398	1.5969	1.0271
			FSA Calculation as per Revised estimates			
			Jan	Feb	March	Q4
VC/ unit as per Filing	Rs./kwh	A	2.459	2.539	2.483	2.493
VC/ unit as per TO 2012-13	Rs./kwh	B	2.089	2.204	2.269	2.188
Pi	Rs./kwh	C = A-B	0.371	0.336	0.214	0.305
Ei	Units	D	6746018457	6260545046	7018215632	20024779135
Pi x Ei	Rs. Cr	E=C x D	249.97	210.08	149.90	609.95
FC as per Filing	Rs. Cr	F	670.63	626.86	651.13	1948.61
FC as per TO 2012-13	Rs. Cr	G	709.57	709.57	709.57	2128.72
Fci	Rs. Cr	H=F-G	-38.95	-82.72	-58.44	-180.11
Z	Rs. Cr	I	3.03	0.00	58.89	61.92
FSA	Rs. Cr	J=E+H+I	214.06	127.37	150.35	491.77
Sales for FSA Calculation	Mus	K	3686.39	3698.76	3691.06	11076.21
FSA per Unit	Rs./kwh	L=I x 10/K	0.5807	0.3444	0.4073	0.4440

C

1. M/s Rocksand Minerals Pvt. Ltd.,
2. Sri V.V.Prasad, Executive Director, M/s Vimta Labs Ltd
3. Sri Challa Gunaranjan, Counsel for M/s Thermal Systems (Hyderabad) Pvt. Ltd.
4. Sri Dhulipala V.A.S.Ravi Prasad, Advocate
5. Er. J.S.Rao, Managing Director, M/s Keerthi Industries Ltd
6. M/s Salguti Industries Ltd
7. Chairman, Pashamylaram Notified Gram Panchayat Industrial Area Service Society
8. M/s S.R.Drugs & Intermediates (P) Ltd
9. M/s Sri Chaitanya Chlorides Pvt. Ltd
10. M/s Arene Life Sciences Ltd
11. M/s AVR Prganics Pvt. Ltd
12. Sri N.S.Naidu, Gen. Manager (Admin & Corporate Compliance), M/s Vasant Chemicals Pvt. Ltd.
13. Sri Y.Narendra Babu, Joint Secretary, FAPSIA, Administrative Building, Industrial Estate
14. Sri L.P.R.Vittal, Managing Director, M/s Sano High Grade Spectro Gastings Pvt. Ltd. & 5 other firms
15. Sri Vinnakota Ajoy Kumar, Proprietor, M/s Gayathri Granite
16. M/s Vinnakota Enterprises

Sl.No	Objection/Suggestion	Reply
1	<p>It is respectfully submitted that consumers had filed Writ Petition before the Hon'ble High Court of AP to issue an appropriate order for following reliefs:</p> <ul style="list-style-type: none"> i) Declaring the Fuel Surcharge Adjustment Formula specified in Clause 45-B of The Andhra Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations, 1999, being Regulation No. 2 of 1999 as substituted by Regulation No. 1 of 2003, insofar as it provides for any variations other than variations arising out of fuel costs alone, and insofar as it does not distribute all or any of the variation in costs on all the energy sold to all categories of consumers in the quarter by the exclusion of consumption by the agriculture sector under condition No.1 or otherwise, as void being ultra vires of the provisions of the Act(s), unreasonable, irrational and / or otherwise contrary to law: and / or. ii. declaring Condition No. 1 of the said Clause 45-B of the said Regulation providing for exclusion of consumption by the agriculture sector until the Commission is satisfied that the metering of agriculture consumption is complete or otherwise, and in any case after the period of two years from 10.06.2003, is void being ultra vires of the provisions of the 2003 Act, unreasonable, irrational and / or otherwise contrary to law: and / or. iii. declaring Conditions 5,10 and 11 of the said Clause 45-B of the said Regulations providing for inclusion of consideration of fixed costs of any kind of determining the FSA are void being ultra vires of the provisions of the Act(2), unreasonable, irrational and / or otherwise contrary to law: and / or consequently or otherwise. iv. declaring Clause 45-B of The Andhra Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations, 1999, being Regulation No.2 of 1999 as substituted by Regulation No.1 of 2003 as void being ultra vires of the provisions of the Act(s), unreasonable, irrational and / or otherwise contrary to law: and / or. v. declaring that Clause 45-B of Regulation 2 of 1999 as amended by Regulation 1 of 2003 has ceased to be in force and effect 	<p>There is no provision of law warranting to adjourn the approval or otherwise of FSA until final adjudication on the issue of validity or otherwise of the Regulation 45-B pending in the High Court.</p>

	<p>and is consequently inapplicable after 10.06.2004, and / or in any case after the coming into force of Regulation 4 of 2005.</p> <p>It is respectfully submitted that above Writ Petition is pending for adjudication before the Honorable High Court as such: it is just and necessary to adjourn the proceedings till the disposal of the above Writ Petition.</p>	
2	<p>It is respectfully submitted that except stating that they have authorized respective managers to file the application before the Commission they have not filed the resolution filed by their Board of Directors.</p>	<p>The DISCOMs are registered under Companies Act but are wholly owned by the Govt. of A.P. The respective DISCOMs have already authorized the concerned the Chief General Managers to sign the pleadings and file the same in the Commission in respect of all the proceedings including the FSA proceeding time to time before the Hon'ble Commission. Therefore, the objection is unsustainable.</p>
3	<p>For the reasons stated above and also, further grounds and reasons as may be discovered and urged later, either on the Consumer's own effort or from the papers and information submitted by the Discoms, during the course of prosecution of the cases, we pray that the Learned Commission may consider the above objections and pass appropriate orders to the FSA Claims submitted by the DISCOMS which is numbered as O.P.No.27of 2013 in the interest of justice and to mitigate the hardships to already suffering power consumers</p>	

D	<p>1. Sri Payyavula Keshav, MLA, Urvakonda Constituency</p> <p>2. Sri Y.Sesha Saibaba, Chartered Accountant</p>	
Sl.No	Objection/Suggestion	Reply
1	<p>రాష్ట్రంలో విద్యుత్ వినియోగదారులపై 2008 నుండి ఇంధన సర్దుబాటు చార్జీల పేరుతో అధిక భారం మోపుతోంది. ప్రతి త్రైమాసికానికి వినియోగదారులమీద మోపుతున్న ఎఫ్ ఎస్ ఎ లు మోయలేని భారంగా పరిణమించాయి ఇప్పటికే కొన్ని త్రైమాసికాలకు సంబంధించిన ఎఫ్ఎస్ఎ ల వసూలుపై రాష్ట్ర హైకోర్టు 'స్టే' విధించింది. ప్రస్తుతం మరోసారి 2012-13 ఆర్థిక సంవత్సరం నాలుగవ త్రైమాసికానికి సంబంధించిన ఎఫ్ఎస్ఎ పై అభ్యంతరం వ్యక్తం చేస్తున్నాము. ఎఫ్ఎస్ఎ అదనపు భారం ఎంత విధిస్తున్నారు? ఇందులో ప్రభుత్వం ఎంత మొత్తం భరిస్తుంది? వ్యవసాయ, గృహ విద్యుత్ సరఫరాలకు సంబంధించి ప్రభుత్వం ఏమైనా రాయితీ ఇస్తోందా? రాయితీ ఇస్తే ఎంత మొత్తం ఇస్తోంది? ఈ వివరాలను తెలియజేయాలని కోరుతున్నాము. ఎఫ్ఎస్ఎ విషయంలో 2013 జూన్ 12న జరిగే సమావేశానికి హాజరై మా వాదనలు</p>	<p>గౌరవనీయ కమిషన్ వారిచే జారీ చేయబడిన రెగ్యులేషన్ ప్రకారం, లైసెన్సీ వారు ప్రతి త్రైమాసికమునందు కమిషన్ వారిచే అమోదించబడిన అస్థిర విద్యుత్ కొనుగోలు చార్జీలకు మరియు వాస్తవ అస్థిర విద్యుత్ కొనుగోలు చార్జీలకు మధ్య గల వ్యత్యాసమును ఇంధన వ్యయ సర్దుబాటు ద్వారా వసూలు చేయడం జరుగుతున్నది.</p> <p>2012-13 ఆర్థిక సంవత్సరం నాలుగవ త్రైమాసికానికి సంబంధించి ఇంధన వ్యయ సర్దుబాటు విలువ Rs 1.0271/యూనిట్ గా గౌరవనీయ కమిషన్ వారికి ప్రతిపాదించడమైనది.</p> <p>2012-13 ఆర్థిక సంవత్సరం నందు ప్రభుత్వం వారు మొత్తం రాష్ట్రానికి కలిపి గృహ అవసరాల వినియోగదారులకు Rs 1909.68 Cr మరియు వ్యవసాయ వినియోగదారులకు Rs 3,620.43Cr రాయితీ ఇస్తున్నది.</p> <p>ప్రస్తుత రెగ్యులేషన్ ప్రకారం వ్యవసాయ వినియోగదారుల నుండి ఇంధన వ్యయ సర్దుబాటు ను వసూలు చేయడం లేదు.</p> <p>2012-13 ఆర్థిక సంవత్సరం గృహ అవసరాల కు గాను ఇంధన వ్యయ సర్దుబాటు నిమిత్తం ప్రభుత్వం వారు ఎటువంటి రాయితీ ఇవ్వడం లేదు</p>

	వినిపించేందుకు అనుమతించవలసిందిగా కోరుతున్నాము.	
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E	<ol style="list-style-type: none"> 1. Sri M.Venugopala Rao, Convener, Centre for Power Studies 2. Sri B.V.Raghavulu, Secretary, AP Committee, CPI (M) 	
Sl.No	Objection/Suggestion	Reply
1	The four Discoms have sought consent of the Commission for collecting a sum of Rs.1137 crore towards fuel surcharge adjustment (FSA) from non-agricultural consumers for the fourth quarter of 2012-13 - CPDCL Rs.527 crore, EPDCL Rs.223 crore, SPDCL Rs.250 crore and NPDCL Rs.137 crore. The amounts claimed by the Discoms consist of variance in variable and fixed costs exceeding the limits determined by the Commission in its tariff order and prior period expenditure	The claim made by the DISCOMs is as per the regulation in vogue , the FSA is the variance of cost due to pre-determine rate in the tariff order at the time of fixing the tariff while issuing the order.
2	The Commission had permitted the Discoms to purchase 13,280 mu on short-term basis during 2012-13 in the open market at the enhanced ceiling price of Rs.5.50 per unit, without considering alternatives and without even holding any public hearing. In its earlier orders, the Commission had made it clear that the “Commission, while scrutinizing the month-wise FSA amount in the merit order dispatch, proposes to limit the power purchase rate at R.5.50/unit if the short term power purchases are made over & above the marginal ceiling price and also ascertain that such purchases are made through competitive ceiling price and also ascertain that such purchasea are made through competitive bidding process.” Despite such categorical assertion by the Commission, that the Discoms are seeking ratification of their blatant violation of the decision of the Commission is indicative of their contempt for the regulatory process of the Commission and their belief that they can get such post-purchase ratifications even at the cost of making a mockery of the regulatory process itself. In effect, the Discoms are seeking removal of ceiling on prices for purchasing power on short-term basis. I once again request the Commission not to consider such additional power purchases in toto made by the Discoms exceeding the already high ceiling price fixed by it for the	Since it is the cost actually incurred by the Licensee, and being the market discovered price, the licensee requested the Hon’ble Commission to approve the cost from short term power purchase. The market which the Hon’ble APERC fixed in the first instant does not reflect the prevailing market price and dynamic power market changes the price frequently depending upon multiple factors. The price discovery by the DISCOMs is done in a most transparent process.

	purpose of FSA claims and reject their claim for the same.	
3	For the year 2012-13, the Commission had not permitted the Discoms to purchase power generated by using RLNG. Therefore, I request the Commission to reject the request of the Discoms to allow purchase of power generated by using RLNG exceeding the ceiling price fixed by it for the purpose of FSA.	AP Discoms are paying Fixed cost to IPPs. Due to corridor constraints, the short term energy purchase from outside is limited. To meet the power demand , at least to the extent possible to reduce the gap, RLNG was procured as an alternative source.
	The Discoms have shown a prior period expenditure of Rs.61.92 crore towards prior period expenditure. I request the Commission to reject the claims that are not permissible.	Prior period expenditure was claimed as per the Regulation. As it is the actual cost incurred by the Licensee, it is requested to allow.
	We have repeatedly pointed out the deficiencies in the methodology of FSA being adopted by the Commission and requested it to rectify the same by holding public hearing. Despite the Commission's repeated claims that it is in the process of taking a holistic look in the entire methodology of levy of FSA in order to bring about a suitable structural mechanism of FSA, it has not come forward to make specific proposals in that direction and hold public hearing. In its order dated 23.4.2013 on the FSA claims of the Discoms for the 3 rd quarter of 2012-13, the Commission has again repeated casually that "the matter is in the active consideration of the Commission." Though the Commission has proposed to amend some of its regulations and hold public hearings on the same, FSA does not figure among them. Therefore, I once again request the Commission to come forward with its proposals relating to FSA and hold public hearing forthwith.	

I	ANDHRA PRADESH FERRO ALLOYS PRODUCERS ASSOCIATION (Represented by its Secretary General)	
Sl.No	Objection/Suggestion	Reply
2	<p>ON THE MAINTAINABILITY</p> <p>The Petitioners have filed a Writ Petition in WP No. 22086 of 2012 before the Hon'ble High Court of Andhra Pradesh challenging the validity of the Condition No.4 of Clause 45-B of Regulation 2 of 1999. This being the case, the Petitioners have no authority to file the FSA Claims as the Petitioner cannot be allowed to blow hot and cold by simultaneously challenging the very Regulations enabling them to file the FSA Claims and on the other hand filing the Claims before this Hon'ble Commission</p>	
3	<p>1. This challenge by the Petitioner attains importance as none of the impugned Petitions are signed by the Directors of the Petitioner companies and no material is produced to evidence that the Board of Directors of these companies have authorised the filing of the Petitions. Hence, the Petitions are contrary to the law declared by the Hon'ble Delhi High Court in NIBRO LTD. v. NATIONAL INSURANCE CO LTD (AIR 1991 Del 25: (1991) 70 Comp Cas 388, in which it was held as follows:</p> <p style="padding-left: 40px;"><i>5. On the pleading of the parties, the following issues were framed :</i></p> <p style="padding-left: 40px;">1. xxxx</p> <p style="padding-left: 40px;">2. xxxx</p>	<p>The DISCOMs are registered under Companies Act but are wholly owned by the Govt. of A.P. The respective DISCOMs have already authorized the concerned the Chief General Managers to sign the pleadings and file the same in the Commission in respect of all the proceedings including the FSA proceeding time to time before the Hon'ble Commission. Therefore, the objection is unsustainable. The judgments of the Delhi High</p>

<p>3. xxxxx</p> <p>4. <i>Has the suit been instituted on behalf of the plaintiff company by an authorised person and the plaint signed and verified by a competent person ?</i></p> <p>XXX</p> <p>29. <i>It is well settled that under section 291 of the Companies Act except where express provision is made that the powers of a company in respect of a particular matter are to be exercised by the company in general meeting, in all other cases the board of directors are entitled to exercise all its powers. Individual directors have such powers only as are vested in them by the memorandum and articles. It is true that ordinarily the court will not unsuit a person on account of technicalities. However, the question of authority to institute a suit on behalf of a company is not a technical matter. It has far-reaching effects. It often affects the policy and finances of the company. Thus, unless a power to institute a suit is specifically conferred on a particular director, he has no authority to institute a suit on behalf of the company. Needless to say such a power can be conferred by the board of directors only by passing a resolution in that regard.</i></p> <p><i>Chapter IV of the Delhi High Court (Original Side) Rules deals with the question of presentation of suits. Under this rule, a suit can be presented by a duly authorised agent or by an advocate duly appointed by him for the purpose. This authorisation, in my view, in the case of a company can be given only after a decision to institute a suit is taken by the board of directors of the company. Th board of directors may in turn authorise a particular director, principal officer or the secretary to institute a suit.</i></p> <p>30. <i>The plaintiff has not placed on record nay resolution passed by the company authorising Shri G. Jhajharia to institute the suit. Shri G. Jhajharia did not come forward to make a statement that he was in a position to depose to the facts of the case. In the plaint signed by him, he claims to be a principal officer and director, but there is no evidence on record to indicate that he had the authority to institute the suit. The memorandum and articles of association of the plaintiff company are also not placed on record. Even after the suit was instituted by Shri G. Jhajharia, no resolution was passed by the company ratifying this</i></p>	<p>Court, AP High Court and Supreme Court are not related to the present context. As far as FSA proceedings are concerned the same has been filed as per the proceedings.</p>
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	<p><i>action. No such decision of the board of directors is placed on record in the present case. The plaintiff has examined Shri Ashok Kumar Jhajharia. He has placed on record, exhibit PW-2/1, which is the resolution of the board of directors reappointing Shri G. Jhajharia as the director but this resolution does not empower Shri G. Jhajharia as a director to institute the present suit. Shri Ashok Kumar Jhajharia has stated that he was handling the day-to-day management of the plaintiff company including the insurance part of it. He, however, does not state that Mr. G. Jhajharia was handling the day-to-day management or was in charge of the insurance claim.</i></p> <p><i>31. Thus, there is no evidence to prove that Shri G. Jhajharia had the authority to institute the present suit.</i></p> <p><i>32. Issue No. 4 is thus decided against the plaintiff and in favor of the defendant.</i></p>	
3	<p>4. In AHMEDABAD ELECTRICITY CO. LTD. v. SANGHI SPINNERS (INDIA) LTD. [(2007) 74 SCL 95 (AP): Decided on 06.06.2006] Hon'ble Andhra Pradesh High Court, relying upon the decision of the Hon'ble Delhi High Court in <i>NIBRO LTD. v. NATIONAL INSURANCE CO. LTD.</i> AIR 1991 Del 25: (1991) 70 Comp Cas 388, held that winding up Petition filed by the company secretary, without authorization from the company was not maintainable, in view of the fact that no document showing that there was any board resolution of the Petitioner company authorizing the company secretary to file the company petition was filed. Except stating that he was having the authorization, the company secretary did not produce any document showing that he had the authority to institute the company petition, as well as to depose.</p> <p>5. The impugned Petitions filed by the Petitioners are also opposed to the law declared by the Hon'ble Supreme Court of India in DALE AND CARRINGTON INVESTMENT (P) LTD Vs. P K PRATAPAN [AIR 2005 SC 1624 @ page 1631], it was held as follows:</p> <p><i>“At this stage it may be appropriate to consider the legal position of Directors of companies registered under the Companies Act. A company is a juristic person and it acts through its Directors who are collectively referred to as Board of Directors. <u>An individual director has no power to act on behalf of a company of which he is a Director unless by some resolution of the Board of Directors of the Company specific power is given to him /her. Whatever decisions are taken regarding running the affairs of the Company, they are taken by the Board of Directors.</u></i></p> <p>6. From the above, it is very clear that even an individual Director has no authority to represent the Petitioner. In such case, an officer of the Petitioner, without filing a duly executed power of attorney to file the impugned Petitions, as provided under the provisions of its Articles of Association of the Petitioner Companies, cannot maintain the</p>	

	<p>impugned Petitions. It is submitted that the Board of the Petitioners have not delegated any authority to the Managers under a duly executed Power of Attorney. The Petitioners have not produced any document showing grant of any authority to sign and file the impugned Petitions, by merely claiming to be so. On this count also the impugned Petitions are defective and liable to be rejected, <i>in limine</i>.</p>	
7	<p>Re: Regulations containing the FSA are <i>non est</i></p> <p>At the outset, it is submitted that the fundamental edifice and enabling provision for filing of the Fuel Surcharge Adjustment Claims (the “Claims”) by the Petitioners is Regulation 45-B of the Andhra Pradesh Electricity Regulatory Commission (Conduct of Business) Regulation 2 of 1999 (the “CBR), brought into the CBR <i>vide</i> Andhra Pradesh Electricity Regulatory Commission (Conduct of Business) Amendment Regulation 1 of 2003 (“CBR 2003”) published in the Gazette of Andhra Pradesh dated 17th July, 2003.</p>	<p>As per the power endowed by the Electricity 2003 , The Hon’ble APERC has power to make rules and regulation for the conduct of Business</p>
8	<p>This Hon’ble Commission, after its constitution under the Andhra Pradesh Electricity Reform Act, 1998 (“APR Act”), and in exercise of its regulation making power under Section 54, issued the CBR, inter alia, providing for the manner in which it would conduct its business generally, including the manner in which, it would consult and hear persons likely to be affected by its decisions, as mandated by Section 10(7) of the APR Act. Thereafter, on 28th August, 2000, this Hon’ble Commission, made amendment to the Business Regulations, by issuing A.P. Electricity Regulatory Commission (Conduct of Business) Amendment Regulations, 2000 (Regulation No. 8/2000), introducing inter alia Regulation 45-B in Chapter IV-A with respect to tariffs and providing for a FSA formula. Thereafter, again on 23rd June, 2003, this Hon’ble Commission issued the CBR, 2003, whereby substituting Fuel Surcharge Adjustment formula contained in Regulation 45-B.</p>	<p>The DISCOMs submitted that the objections are misconceived the effect of Section 181, Clause (3) of Electricity Act, 2003 and the ROD dt. 09.06.2005. The objector has wrongly assumed that the regulations i.e. CBR together with amendment made in the year 2000 and 2003 have been passed under the Electricity Act 2003. The Section 181 Clause (3) says that all regulations made by the State Commission under this Act shall be subjected to the conditions of previous publications. As a matter of fact, the CBR 1999 together with said amendment have been passed under the AP Electricity Reforms Act which was in-force at that time. Further, Section 185 (3) saved the said Reforms Act. That a part, the CBR 1999 together with said amendment was issued</p>
9	<p>Consequent to the coming into force of the Electricity Act, 2003, (the Act), the Hon’ble Commission on 10th June, 2004, issued the A.P. Electricity Regulatory Commission (Transitory Provisions for Determination of Tariff) Regulation, 2004 (Regulation No. 9/2004) (“2004 Regulations”), whereby the existing Regulations notified by the Commission, including the CBR, as amended from time to time, made under the provisions of the APR Act were to continue to apply as Regulations under the Act.</p>	

10	Thereafter, the Union of India Ministry of Power (MoP), in exercise of powers conferred by sub-section (1) and clause (z) of sub-section (2) of section 176 of the Act notified the Electricity (Procedure for Previous Publication) Rules, 2005 (the “ PP Rules ”).	with prior publication of drafts inviting objections. Therefore, the objections raised in this regard are factually incorrect, evidently false and legally unsustainable. Therefore, the FSA regulations are very much backed by statutory force.
11	Pursuant thereto, on 08 th June, 2005, MoP made Electricity [Removal of Difficulties] (Ninth) Order, 2005 (the “ RoD Order ”), which <i>inter alia</i> provides thus: <i>“Regulations made by the State Commissions, before the commencement of this order, without meeting the requirement of the previous publication under sub-section (3) of section 181 of the Act shall again be published as draft regulations for the information of persons likely to be affected thereby for inviting the objections or suggestions following the procedure prescribed under the Electricity (Procedure for Previous Publication) Rules 2005, and shall be finalised after considering such objections or suggestions received.</i>	
12	It is pertinent to state that the RoD Order was passed specifically under the then prevailing circumstances where the Regulations made under the previous legislation did not contain previous publication norms, and more particularly, the State Commission were making transitory regulations such as the 2004 Regulations, giving deeming effect to the erstwhile regulations as though these regulations were under specified under the Act. Hence, the RoD Order specifically mandated that the Regulations made by the State Commissions, before the commencement of this order, without meeting the requirement of the previous publication under sub-section (3) of section 181 of the Act shall again be published as draft regulations for the information of persons likely to be affected thereby.	
13	This Hon’ble Commission has fixed the Fuel Surcharge Adjustment under Regulation 45-B of the CBR 2003. Regulation 45-B of the Business Regulations, prescribes a formula for determination of FSA. The data for the Petition of the formula is based upon the information forwarded by the licensees. The Commission shall make the determination as per the formula, ‘unless otherwise agreed by the Commission’. In addition to the formula, Regulation 45-B imposes certain conditions	
14	However, CBR 2003 is a regulation made before the RoD Order and after the coming into force of the RoD, the CBR 2003 ought to have been published as draft regulations, as required under the RoD Order. This was not done admittedly. Therefore, CBR 2003 is <i>ultra vires</i> the Act, PP Rules and particularly, the RoD Order.	

15	Therefore, no aspect contained in the CBR 2003 much less the FSA formulation contained can be relied upon by the Petitioners to file the present FSA Claims	
16	<p>Moreover, the Hon'ble Appellate Tribunal for Electricity in its <i>Suo Motu Order</i> passed in O.P. 1 of 2011 has held thus:</p> <p><i>“64. We also notice that most of the State Commissions have not provided in their Regulations Fuel & Power Purchase Cost Adjustment Formula for allowing the increase in fuel and power purchase cost during the tariff year. The fuel and power purchase cost adjustment mechanism provided in most of the states is after completion of the financial year through a separate proceeding which takes a long time. The power purchase cost is a major expenditure in the ARR of the distribution licensee. The fuel and power purchase cost is also uncontrollable and it has to be allowed as quickly as possible according to the Tariff Policy. The Electricity Act, 2003 under Section 62(4) has specific provision for amendment of the tariff more frequently than once in any financial year in terms of Fuel Surcharge Formula specified by the Regulations. A major part of power procured by the distribution company comes from the Central Sector Generating Companies whose tariff is regulated by the Central Commission and the State owned Generation Companies whose tariff is regulated by the State Commissions. The Central Commission in its Tariff Regulations has already provided a formula for fuel price adjustment and the charges of the generation companies are increased as and when the fuel prices are increased. In view of the present precarious financial conditions of the distribution companies, it would be necessary that the State Commissions also to provide for Power Purchase Cost Adjustment Formula as intended in the section 62(4) of the Act to compensate the distribution companies for the increase in cost of power procurement during the financial year. In the above situation, as indicated above it has become necessary for this Tribunal to give appropriate directions, to correct this situation by invoking the powers under Section 121 of the Act which is permissible under law.”</i></p> <p style="text-align: center;">XXX</p> <p><i>65 (vi) “...Every State Commission must have in place a mechanism for Fuel and Power Purchase cost in terms of Section 62 (4) of the Act. The Fuel and Power Purchase cost adjustment should preferably be on monthly basis on the lines of the Central Commission's Regulations for the generating companies but in no case exceeding a quarter. Any State Commission which does not already have such formula/mechanism in place must within 6 months of the date of this order must put in place such formula/ mechanism.”</i></p>	<p>The directions issued at Para No.65 of the OP No.1 of 2011 on the file of Appellate Tribunal, primarily focused on the aspect that every State Commission must have in place a mechanism for fuel and power purchase cost in terms of Section 62(4) of the Act. In our case, we have a mechanism evolved through the amendment of CBR made in the year 2000 and 2003. The said regulations were made to achieve the object of Section 62 Clause (4) which is corresponding to Section 26 of AP Electricity Reforms Act, 1998. The mechanism / formula brought out through the aforesaid regulation. Therefore, the said mechanism / formula provided in Clause 45-B of CBR has sufficient statutory force.</p> <p>In fact the order passed in O.P. No. 1 of 2011 supports the case of Discoms on the aspect that even assuming without admitting that the allegation of no authorization is considered in favor of respondents as mandated by the Appellate Tribunal which is in consonance with clause 12.4 of APERC Regulation 4 of 2005 where at the Hon'ble Commission is obligated to issue sue Moto proceedings even in the</p>
17	At any rate, the claims of the Petitioners spring and derive force from 45 -B of the CBR 2003. When the CBR 2003 is not in conformity with the Act and Rules made there under, the Petitions in the present form, under the present provisions are not sustainable.	

18	Looking at this from another perspective, if this Hon'ble Commission desired to keep the CBR 2003 in force, after the RoD Order, this Hon'ble Commission would have published the draft thereby. Having not done so, the Commission, consciously elected not to keep the CBR 2003 in force. Hence, by Hon'ble Commission's own action, the CBR 2003 have lost force of law and are not rendered <i>non est</i> in law. Hence, CBR 2003, as claimed by the Petitioners cannot be the basis for the FSA claims.	event of Discoms fails to submit such filings. Further in clause 12.4 of the said regulation the Hon'ble Commissions obligated to recover or shall refund as the case may be the charges on account of FSA as approved by the Commission from time to time. Indisputably, by operation of law the FSA formula provided at clause 45-B of CBR has been approved by the Hon'ble Commission. Therefore the mechanism applied by the Discom or has been adopted by the Commission in the preceding quarters is absolutely in accordance with law.
19	Further, it is submitted that the 62 (4) Act specifically provides thus: <i>“No tariff or part of any tariff may ordinarily be amended, more frequently than once in any financial year, except in respect of any changes expressly permitted under the terms of any fuel surcharge formula as may be specified.”</i>	
20	The term “ <i>specified</i> ” is defined under sub section 62 of section 62 of the Act to mean, <i>“Specified by the Regulations made by the Appropriate Commission or the Authority, as the case may be, under this Act;</i>	
21	This contemplates that the FSA has to be specified by the way of formula and such formula has to be specified by the way of Regulations by the Hon'ble Commission. Therefore, the FSA cannot be determined without there being any Regulation. Admittedly, there is no Regulation in force specifying the FSA formula.	
22	ON MERITS Without prejudice to the above, presuming that the FSA claims can be raised by the Petitioner, the Objector prays to submit the following on the merits of the claims	
23	Re: ESTOPPEL It is submitted that this Hon'ble Commission has passed Retail Supply Tariffs for FY 2013-14 in respect of all the Petitioners <i>vide</i> Tariff Order, 2013-14 dated 30 th March, 2013. In fact, the Tariff Schedule was published on 30 th March, 2013 but detailed order was published on 11 th April, 2013 (at about 19:49 Hours).	
24	This Hon'ble Commission, even after the conclusion of the Public Hearing, was entertaining the correspondence of the Petitioners. This is evident from the fact that the 1 st Petitioner, on behalf of all the Petitioners has written a letter bearing No. letter No. CGM (Comml) /SE(IPC)/DE(RAC)/D.No. 5004/13, Dated: 26 th March, 2013, based on which the ceiling price of short term power was enhanced. Thus, all latest data, documents and developments (at least up to 26 th March, 2013) are captured within the ambit of Tariff Order, 2013-14. This means, all claims, bills and outstanding as on 26 th March, 2013 are the basis for and captured within the Tariff Order, 2013-14. Having recovered all costs up to 26 th March,	The present FSA filing pertains to 4 th quarter of FY 2012-13. The tariff order issued by APERC on 30 th march 2013 is for FY 2013-14 wherein the APERC approves costs /ARR for FY 2013-14.

	2013 in Tariff Order, 2013-14, there is no scope for the Petitioners to once again claim them in the present proceedings.	The FSA claims are as per the APERC regulation
25	Even presuming without admitting that such claims were not raised in the Tariff Order, 2013-14, the same cannot be claimed now, in view of the settled principles of waiver. It is also settled in law that all claims due from any party should be filed in one petition and not in multiple petitions. Once Petitioners filed all their claims in Tariff Applications and supplemented them by their letter dated 26 th March, 2013 leading to the Tariff Order, 2013-14, the Petitioners are estopped from claiming any dues or outstanding up to 26 th March, 2013	
26	Quite contrary to these settled principles of waiver and estoppel, the Petitioners have not only once again claimed the dues but also have claimed prior period expenditures, which was subject matter of earlier Tariff Orders.	
27	Re: TRUING UP vs. FSA CLAIMS – NUMBERING CONFUSION It is submitted that the FSA relates to the claims limited to the fuel surcharge escalation/s, if any, paid by the Petitioners pursuant to the regulatory approvals. Variance in the fixed charges, prior period expenses, all such other allied and incidental charges are outside the scope of the FSA Petitions.	The existing FSA formula provides for recovery/return of short/excess fixed cost, prior period expenses. APDICSOMs have claimed for variance in fixed cost and prior period expenses in line with the regulation in vogue.
28	It appears that the Petitioners had filed the present applications as a sort of Truing Up Petitions, as Interlocutory Applications to their Tariff Petitions. However, this Hon'ble Commission numbered them differently and thus, the present FSA claims are being taken up for adjudication.	Clause 45(B) of Conduct of Business Regulations, Licensees are entitled to recover amount eligible towards fuel surcharge adjustment for the price and mix variations in the quantity of energy purchased during the quarter.
29	In the name of FSA, this Hon'ble Commission allowing a sort of <i>quasi</i> "Truing Up" by passing on the burden without passing on the benefits during the control period	
30	According to the regulations and several orders passed by this Hon'ble Commission, the truing up exercise is due after the end of the MYT control period. However, in the name of FSA Petitions, the Petitioners are forcing this Hon'ble	

	Commission to conduct the truing up exercise.	
31	<p>1. In fact, this Hon'ble Commission in the recent Tariff Order, 2013-14 was pleased to observe thus:</p> <p><i>“172. Objections/Suggestions regarding True-up mechanism : M/s AP Ferro Alloys Producers’ Association & others have raised an objection that, the truing up for the years up to FY 2011-12 should be carried out along with the ARR and tariff determination for the financial year 2013-14. The Commission should conduct a comprehensive true-up exercise in respect of all financial years up to FY 2011-12 without any delay and its effect should be passed in tariff order for FY 2013-14.</i></p> <p><i>Licensee’s Response: The True-ups petition for the years from the years 2006-07 to 2008-09 are already submitted to Hon’ble Commission for sharing of Gains/Losses to consumers as per Regulation 4 of 2005. The True-up petition for the years 2009-10 to 2011-12 will be submitted to the Hon’ble Commission after the end of the second control period 2009-10 to 2013-14 as per regulation 4 of 2005</i></p> <p><i>Commission’s View: The Commission will take up true-up mechanism for FY 2009-10 to FY 2011-12 at the end of the current control period as envisaged in Regulation No.4 of 2005.”</i></p> <p>Thus, not only the IV Quarter dues of 2012-13 but also all prior period expenditures, legitimately incurred will have to be subjected to the Truing Up at this stage. Now that the Control Period 2009-10 to 2013-14 has ended, there is no need for the Commission to entertain the FSA Petitions. What is required is a Truing Up Petition and not a FSA Petition.</p>	The FSA petition is filed as per the FSA regulation. The Truing up exercise will cover the costs which are not covered through FSA.
32	<p>Re: REGULATORY APPROVAL</p> <p>The FSA Claims made by the Petitioners do not have the approval of the appropriate regulatory commission that the generating companies can pass it on to the respective distribution licensee.</p>	In reply to Para Nos. 32 to 39, it is incorrect to state that the incremental cost of fuel that is incurred by generator has to be first get approved from the concern ERC and then claim with DISCOM and that based on the said approval the DISCOMs should pay, and claim the same as part of the FSA. The objector
33	A substantial quantum of the FSA claims of the Petitioner relate to the Central Generating Station (CGS). While it is true that the Terms and Conditions of Tariff Regulations of Hon’ble Central Electricity Regulation Commission (CERC) has in place fuel cost recovery mechanism in its Regulations, enabling the generators to pass on the variable cost component of power cost. However, the Petitioners have not placed any material on record before this Hon’ble Commission to show that the claims of the CGS which the Petitioners claim to have settled pursuant to an approval granted by the Hon’ble CERC to	

	the generator/s permitting them to pass on the costs of generation on to the distribution companies	<p>misconceived the FSA of tariff. The Hon'ble Commission as part of its order held that FSA applicable shall be in addition to the tariff. Aside of the same, either the Electricity Act or the regulations made there under specifies the said condition precedent for the generators to claim or for the DISCOMs to claim the FSA. In fact, the present proceedings are to achieve the object of correctness or otherwise of the FSA claims that are made by the DISCOMs. If the claims are found to be excessive / incorrect the same would be appropriate corrected to the entitled quantum by APERC. Therefore, there is no possibility of unapproved claims passed on to the consumers. Clause 45-B of CBR not only provides the incremental cost of fuel incurred by the generators / DISCOMs , also provided prior period expenses and some part of fixed costs. Therefore, the claims made by the DISCOMs subject to the correction of quantum, are made in accordance with the law in force.</p>
34	Analogous to the present exercise, wherein distribution companies are seeking approval to pass on their FSA exposure onto the consumers, the generator/s too ought to have sought specific approval from the appropriate Commission/s, to pass on their variable costs / other legitimate claims.	
35	This becomes increasingly important in the wake of the fact that some of the PPAs may not contemplate for pass-through of incremental costs by the generators on to the distribution companies. In some cases, the Fuel Cost Adjustments and other claims, which Petitioners want to load onto the consumers, may stand the regulatory scrutiny and may be directed to be absorbed by the generators.	
36	As per the Act, the appropriate Commission has to specifically approve the tariff to be paid by a distribution Licensee to a generating company. Even if there is a formula the charges levied by the generating companies have to be tested on anvil of the Act and the formula in the regulations made under the Act.	
37	In other words, the Petitioners ought to have satisfied themselves and then satisfied this Hon'ble Commission in their present petitions that each unit of energy for which they are making payments for generators has got the approval of the appropriate commission/s. No material much less any credible material has been placed on record that generators claims are genuine and most importantly have the regulatory approval.	
38	At least in respect of the generating companies of our own State, the Petitioner have not placed any material to show that this Hon'ble Commission has approved the fuel costs and variable costs to be passed on by generating companies to the Petitioners	
39	In the wake of the above, the Petitioners may like go ahead and settle the generators unapproved claims, if the Petitioners chose to do so. However, they have no right to pass it on to the consumers much less to the members of the Objector herein.	
40	Re: DISCOMS TO VERIFY (?) It is quite evident that what the Petitioner's endeavouring through the present exercise is to get the generators unapproved claims passed on to the consumers, under the garb of passing on its own FSA claims.	

41	<p>This is the precise reason why this Hon Commission in Tariff Order, 2013-14, specifically stated thus:</p> <p style="text-align: center;"><i>“The DISCOMs are directed to verify whether APGENCO is procuring imported coal through competitive bidding process, or under any guidelines issued on this regard by GoI, before admitting the Station wise power purchase bills claimed by APGENCO”</i></p>	Tariff Order.
42	<p>This also means that as up to the date of the Tariff Order, 2013-14, the Petitioners, so far have not verified the Station-wise power purchase bills. If the Petitioners have verified the Bills, they should have stated so in their Petitions. However, no such averment is contained in the Petitions. On this ground alone, the Petitions are liable to be rejected.</p>	
43	<p>Further, at any rate, it is evident that this Hon’ble Commission has not verified the Bills and is delegating that onus to the concerned Petitioner Company. This means, that either the Tariff Order or in the present proceedings, this Hon’ble Commission will not verify the generators’ bills but will entrust that responsibility to the Petitioner DISCOMs. Be that as it may, without regulatory scrutiny, by merely directing the Petitioner DISCOMs to verify the same, these expenses cannot be passed on.</p>	
44	<p>The FSA should primarily consist of the change in the uncontrollable component of the variable cost and the incremental cost of the Power Purchased as per the terms of the Tariff Orders. The inclusion of substantial fixed costs of all hues and shades apart from tall prior period expenses are seemingly disproportionate and have to be subjected to thorough Scrutiny for compliance including their nexus to the relevant quarter. However, no such nexus or relevance can be traced to the present claims.</p>	
45	<p>Re: AGRICULTURAL CONSUMPTION</p> <p>It is not clear from the information furnished as to how the power for agricultural consumption in excess of the tariff order approved quantities has been purchased and how the additional costs have been dealt with. The requirement in the tariff order is that the State Government is required to bear the entire cost of all such additional purchases. Therefore, the entire fixed and variable costs for such additional purchases have to be excluded from the FSA exercises and/or in computing the weighted average cost of purchase</p>	<p>In the previous FSA orders, Commission has restricted agriculture sales to the least of actual sales or sales approved by the Commission in Tariff Order. The power purchase quantity is limited considering above factor.</p>
46	<p>Re: PURCHASES ABOVE CEILING PRICE – RLNG</p> <p>The Petitioners have stated as follows:</p> <p style="text-align: center;"><i>“Due to increase in demand and non availability of energy from hydel stations, APDISCOMs were constrained to</i></p>	<p>Licensee has prayed the Hon’ble Commission to consider the market discovered price as it is the actual cost incurred by the Licensees.</p>

	<p><i>procure the power from short term sources through transparent tender procedure and generate additional power by using R-LNG.</i></p> <p><i>XXX</i></p> <p><i>Hon'ble Commission is humbly requested to consider the market discovered price over the Hon'ble APERC determined ceiling price for certain traders, cost of RLNG and allow the actual cost proposed in the FSA”</i></p>	Initially the ceiling price is fixed by the Hon'ble APERC based on the market conditions at the time of filing. But in the real time situation, price may change due to multiple factors.
47	<p>Re: R-LNG</p> <p>In the wake of the vent available to the Petitioners in the form of R&C Measures, it is highly untenable on the part of the Petitioners to have opted for higher purchases. Peak hour Restriction being 70%, there will be no contribution from the Ferro Alloy Producers (Objectors) to high cost Purchase during the period. Therefore, Petitioners cannot demand the cost of RLNG etc., to be passed on and loaded on to the Objectors.</p>	The factual position of additional power procured by licensees within the limit permitted in tariff order at prevailing market rates is appraised to Hon'ble Commission.
48	<p>More importantly, Petitioners had no express or implied authority to purchase power from RLNG. In fact, in the Tariff Order, 2012-13, this Hon'ble Commission was pleased to observe thus:</p> <p><i>“The Commission, after careful consideration of information furnished by the licensees and analysis made for energy availability for FY 2012-13, fixed the maximum ceiling price for purchases from such external / Short Term Sources at Rs. 2.65 per kWh for purchases during Off-Peak hours and Rs. 4.50 per kWh for purchases during Peak hours, subject to procurement of power from such sources by Web based competitive procurement process, for a period not exceeding 1 year. This maximum ceiling price is not applicable to purchases made through CERC approved Power Exchanges like, IEX and IPX”</i></p>	
49	<p>Moreover, purchases from RLNG for the very first time were allowed to be made under Tariff Order, 2013-14. This Hon'ble Commission in this regard permitted the purchases from R-LNG only for the specific periods and at specific quantum and for a specific cost. The relevant extract from Tariff Order, 2013-14 is reproduced below for ready reference:</p> <p><i>“To avoid the above situation, the Commission decided that generation of power using RLNG through existing gas based IPPs is absolutely necessary during the period starting from April, 2013 to July, 2013. There is an addition of 2431 MU from this source. The Commission directs the DISCOMs;</i></p>	

	<i>to stop procurement of power from the gas based IPPS using RLNG as and when the generation from major hydel stations picks up and/or a cheaper source of power from market sources becomes available.”</i>	
50	Thus, it is evident that R-LNG purchases were allowed specifically during the period starting from April, 2013 to July, 2013 and up to 2431 MU. However, it appears that Petitioners made the R-LNG purchases for the IV Quarter of 2012-13 without express authorization from the Commission.	
51	Hence, all purchases from RLNG and those beyond the ceiling price should not be allowed at any cost. More importantly, if claims above the ceiling price are allowed, then the very purpose of ceiling price would be rendered futile as also the R&C Order also would be rendered futile. Especially when Ferro Alloy Consumers are suffering 70% of the demand cut during peak hours, there is no question of their contributing for the RLNG Purchases.	
52	<p>In fact, in the Tariff Petitions for 2013-14, the Petitioners themselves had fairly confessed that purchases from the metered consumers have drastically reduced and they are forced to purchase from RLNG due to increased consumption from the agricultural consumers. In fact, 1st Petitioner in its Tariff Application submitted thus:</p> <p><i>“2.2.1.2 Metered Sales – As can be seen from the table above, in 2011-12, the percentage of metered sales is lower than the Tariff Order level by 7.3 %. The reduction is accounted due to the following reasons:</i></p> <ul style="list-style-type: none"> - <i>Load curtailment about 1696 MU during FY 2011-12.</i> - <i>Increase in the Agriculture consumption by 1400 MU (i.e. 3.35%) over the Tariff Order approved value.”</i> <p style="text-align: center;"><i>XXX XXX</i></p> <p><i>The additional power requirement due to higher losses and additional agricultural sales will have to be purchased at a marginal cost of Rs. 10.00/Unit or as applicable by the licensee</i></p> <p>Thus, it is due to increase in the agricultural and unmetered sales that Petitioner took recourse to purchases from R-LNG and NOT due to consumption by Ferro Alloy Producers of like metered consumers. Hence, incremental exposure of agricultural sales should be shouldered by the State Government and not by other non-subsidized categories.</p>	The FSA claims are filed as per the existing regulation

53	It is important to point out that the Sales Deficit in IV Quarter of FY 2012-13, is 17.06%, as the Actual Sales are 16,873.31 MU as against the approved sales as per the tariff Order @ 20,344.45. MU.	
54	As a striking contrast, the LT Agri Sales (actual) are 5796.1 as against Tariff Order approved sales of 5584.41 MU implying a sales increase of 3.8%. This concretely demonstrates that the proportion of agricultural sales increased from 34.35% (as per the tariff order approved quantum of 27.45%).	
55	At the same time, HT Industrial Sales decreased to 3862.18 MU as against TO approved sales of 6017.41 MU, recording a Deficit of 35.82%. In fact, given the severe chopping of peak hour demand, this could be lesser at about 50% for Ferro Alloy Units.	
56	When Deficit suffered is 35.82% as against a Shortage of 17.06% i.e., over twice the Deficit proportion coupled with the Peak Time Load Restrictions of 70%, there is no justification in apportioning additional Costs of Higher Cost Purchases on this Segment as this level of Supply does not warrant additional Purchases.	
57	<p>Re: HOW CAN COST VARY MONTHLY in LONG TERM PPAS?</p> <p>It is pertinent to state that Petitioners, like all other Distribution Companies have long term contract with the generating companies. Many such PPAs executed with the generating companies may not contain any provision or enabling clause for pass through of even certain legitimate costs as per the terms and conditions of the PPAs executed. Even presuming such PPAs do have clauses for pass through, such pass through has to be after the due approval of the appropriate commission/s and not automatically, as envisaged herein by the Petitioner. It is upon the conclusion of an analogous exercise in case of generator/s, the question of approval of pass through of the FSA claims of the Petitioners arises.</p>	The fixed and variable costs will vary from month to month depending upon foreign exchange rate, quantum of generation.
58	There is no exercise akin to a Truing Up exercise undertaken to the generators to ascertain whether the generator was entitled to recover the costs over and above one agreed under the PPA. However, Truing Up exercise is contemplated to be conducted for the Petitioner DISCOMs. Therefore, if the generators claims should be strictly scrutinised.	For enabling Commission staff to have a prudent scrutiny, copy of invoices along with other relevant material is submitted to Hon'ble Commission.

59	<p>Re: “EQUALITY” AMIDST DIVERSITY</p> <p>It is amazing that all Distribution Companies have made the same quantum of FSA claims at 1.027/ kWh, irrespective of their load patterns, consumer mix, and voltage regimes.</p>	<p>In the Tariff Order one merit order for entire state is approved and further the monthly variable cost/Kwh is approved for entire state for the purpose of calculating FSA. Licensees have therefore claimed FSA for the entire state by merging sales and power purchase of all the licensees. Source-wise purchases were already placed in website.</p>
60	<p>In fact, in the Tariff Order, 2013-14, this Hon’ble Commission recorded the submissions of the Petitioners in the following words:</p> <p><i>182. Objections/Suggestions regarding Licensees’ computations: The objectors inter-alia raised the following issues relating to CoS.</i></p> <ul style="list-style-type: none"> • <i>There are substantial differences in CoS for a category among four Licensees.</i> • <i>The CoS for certain categories remain equal. How this is possible?</i> • <i>Why the CoS for temporary category in LT is substantially lower.</i> • <i>Certain CoS information has not been filed as expected in the form.</i> • <i>The cross subsidies computed using average realization instead of marginal cost tend to be bloating.</i> <p><i>Licensee’s Response: Cost of Service varies with the consumer mix of different categories depending on their sales and load. Consumer mix of CPDCL is entirely different to that of SPDCL. Cost of service depends on sales, coincident demand, class load factor and expenditure allocated to that category.</i></p>	
61	<p>As stated by the Petitioners, the Cost of Supply of the Petitioners is different because their sales, <i>coincident demand, class load factor and expenditure allocated to that category</i> are different. When this is the case, how is it that FSA across all the Petitioners is uniform?</p>	
62	<p>The provisions of the Act, as stated above, require that the FSA can be claimed by way of a formula specified. And if the Petitioners are claiming the FSA through a formula, then, it is virtually impossible that power purchase cost of all the Petitioners would be surprisingly equal.</p>	
63	<p>This is possible only if :</p> <ol style="list-style-type: none"> a. All Petitioners must be claiming the same amounts for the same quantum of energy originating from the same Account Head. b. All Petitioners may be concocting the numbers and would have lodged false and fictitious figures. 	

	In both cases, the Petitions are liable to be rejected	
64	INEQUITABLE DISTRIBUTION OF FSA Presuming for argument sake that the FSA Formula exists in law, the same provided that agricultural consumers cannot be loaded on with the FSA until agricultural consumption is metered.	FSA is being levied as per the regulations in vogue.
65	It is submitted that section 55 (1) of the Act provides that no licensee shall supply electricity, after the expiry of two years from the appointed date, except through installation of a correct meter in accordance with the regulations to be made in this behalf by the Central Electricity Authority (CEA).	
66	Hence, the Regulation 45 – B read with section 55 of the Act, will give rise to an irrefutable conclusion that after 09 th June, 2005, the Petitioner’s have no choice but to meter the sales to all categories	Estimation of agriculture consumption is being done as per the approved methodology by the Hon’ble Commission.
67	Once the law makes it mandatory to meter all sales, there is no option left with the Licensees but to meter the agricultural sales. Once the agricultural sales are to be metered. Thus, agricultural consumption too has to be included for loading on the FSA.	
68	In fact, the agricultural consumption is being subsidized by the State Government. The ordinary farmer will not be burdened with any additional exposure. When the Government has voluntarily shouldered the onus of providing for the tariff to the Agricultural consumption, there is no reason why, even for social reasons, the FSA Claims should not be equitably distributed across the categories.	FSA will be levied as per the regulation in vogue.
69	In fact, this Hon’ble Commission very specifically held in Tariff Order, 2013-14 as follows: <i>“67. In the absence of metering, the agriculture sales furnished by the licensees for the FY 2012-13 are only an “assessed</i>	

	<i>quantity” which cannot be accepted as the basis for determining the requirement for FY 2013-14.”</i>	
70	When this Hon’ble Commission finds that agricultural sales produced by the Petitioners are not credible and acceptable, then, there is no reason why the same should be approved and allowed in the present proceedings.	
71	<p>Further, this Hon’ble Commission, to exclude the agricultural consumption has relied upon a decision rendered by the Hon’ble APTEL. The relevant extract from this Hon’ble Commission’s order is as follows:</p> <p><i>“Vide its Order dated: 07-02-2008, Hon’ble Appellate Tribunal for Electricity, in Appeal No: 250 of 2006 (5 Nos of Distribution Licensees of Karnataka Vs Karnataka ERC & KPTCL), in the matter of power supplied to the agricultural consumers, has held that ‘Once a decision has been taken by the Government, it may not be proper to designate the existing connections as unauthorized’ (Para-32 of the ATE’s Order).</i></p>	Discoms have submitted FSA proposal in accordance with regulation in vogue.
72	<p>This decision does not say that agricultural consumption should not be metered. Moreover, the Hon’ble APTEL, in many subsequent judgements, including the latest case of FARIDABAD INDUSTRIES ASSOCIATION AND OTHERS v. HARYANA ELECTRICITY REGULATORY COMMISSION AND OTHERS in Appeal No. 204 of 2010 dated: 11th August, 2011 held thus:</p> <p><i>“We notice that about 20% of the total sale of the second and the third respondents is through unmetered agriculture consumers. Even the energy data from accounting and audit meters on the segregated 11 kW agriculture feeders has not been provided. Further, a large number of meters installed on agriculture tubewell are either not read or are defective. This is in contravention of Section 55(1) of the Act which specifies that no licensee shall supply electricity after the expiry of two years from the appointed date, except through installation of a correct meter in accordance with the Regulations of the Central Electricity Authority (CEA). According to Section 55(2), meters have to be provided for the purpose of accounting and audit at the locations specified by the CEA. According to Section 8.2.1 (2) of the Tariff Policy, the State Commission has to undertake independent assessment of baseline data for various parameters for every distribution circle of the licensee and the exercise has to be completed by March, 2007. It is evident from the impugned order that the respondents 2 and 3 have not taken any extension for maintaining power supply without the meters, as specified in the second proviso to Section 55(1), which is reproduced below:</i></p> <p><i>Provided further that the State Commission may, by notification, extend the said period of two years for a class or class of persons or for such area as may be specified in that notification”.</i></p> <p><i>7.16. Thus the second and the third respondents have violated the provisions of the Act regarding metering. The</i></p>	

	<p><i>respondent distribution licensees have also failed to provide the energy data from the segregated 11 KV agriculture feeders and AT&C losses to the State Commission and other relevant data required to be furnished to the State Commission for deciding ARR and tariff as per the Regulations and the directions of the State Commission.</i></p> <p><i>7.17. In our opinion, the State Commission cannot be a silent spectator to the violation of the provisions of the Act and its Regulations and directions by the distribution licensees. The State Commission should immediately take appropriate action in this matter according to the provisions of the Act. The State Commission should also give directions to the second and the third respondents giving a time bound schedule for installation of consumer and energy accounting and audit meters, including replacement of the defective energy meters with the correct meters within a reasonable time to be decided by the State Commission”</i></p>	
73	<p>Re: STOA CHARGES?</p> <p>The Petitioners, in the name of the FSA Claims, are claiming a sum of Rs. 16,67,65,977/- (Rupees Sixteen Crore Sixty Seven Lakh Sixty Five Thousand Nine Hundred Seventy Seven Only) as Short Term Open Access charges</p>	Short term power purchases are allowed by Hon’ble Commission with a ceiling limit. The open access charges associated with short power purchases was submitted to Commission along with FSA computations.
74	Firstly, the Petitioners have to satisfy whether Short Term Open Access Charges can be termed as Fuel Surcharge Adjustment. While the variable charges may have varied resulting in FSA Claims, however, the charges to be recovered on account of STOA Charges, which are settled at weekly or quarterly intervals cannot vary drastically. At any rate, these charges cannot be called as FSA Charges by any stretch of imagination.	
75	<p>Re: PRIOR PERIOD CLAIMS</p> <p>Huge amount of charges viz., Rs.61,92,29,724/- (Rupees Sixty One Crore Ninety Two Lakh Twenty Nine Thousand Seven Hundred Twenty Four Only), as prior period claims, are being claimed as FSA. The CBR 2003 is clear on whether the prior period claims can be termed as FSA and within what is the period within which the FSA claims have to be lodged.</p>	As per the FSA Regulation under the heading of Z i.e. the changes in the cost in Rupees as allowed by the commission for a period extending in the past beyond the relevant quarter is being claimed as prior period expenditure.
76	The Petitioners have to explain why such claims were not included as part of the ARR or Revised ARR for the relevant years or filed as part of the Review to be filed every year or as Truing Up Petitions after end of the control period. Having not filed as any of the above-stated, the Petitioners have relinquished their claims to the said amounts and the same cannot be allowed to be passed on as the FSA Claim	Power purchase variance after the issue of Tariff Order can only addressed through FSA mechanism as per clause 45(B) of APERC Conduct of Business Regulations.

77	This aspect of retrospective claims was duly considered by the Hon'ble High Court and has held that there are no powers vested with the Petitioners to recover back dated claims	The FSA regulation in vogue mandates the claim of prior period expenditure either credit/debit to pass on to the consumers.
78	Further, most of the Prior Period Expenses are on account of Additional O&M Expenses and SLDC or RLDC Charges – both of which cannot be termed as the Fuel Surcharge Adjustment. All these, if legitimate dues, should have formed part of the Tariff Petitions or can now be filed as the Truing Up Petition. Certainly, there is no fuel component in these claims, hence, they cannot be passed on as the FSA.	There is no such judgment prohibiting including the component of prior period expenses. The so claimed Hon'ble High Court Judgment is not on the aspect of prior period expenses which is permitted in the formula.
79	EQUITIES - PLIGHT OF CONSUMERS After an unprecedented steep hike in Tariff structure in April, 2013 itself, the IV quarter Fuel Surcharge Adjustment (FSA) claims by the Petitioners at Rs. 1.0271 / kWh is brutal, insensitive and a display of unabashed cruelty towards the hapless consumers who are already subjected to severe distress owing to the long, harrowing, unending and ever increasing spate of Power Cuts regardless of their working process sensitivity for about an year now.	The proposed FSA claim is in accordance with regulations. Discoms need to recover the expenses incurred.
80	Further, there is a huge element of cross subsidy loaded on to the Objectors' Association and any more burden loaded will result in complete destruction of the Ferro Alloy Industry in the State of Andhra Pradesh.	
81	PRAYER WHEREFORE , it is most respectfully prayed that the petitions filed by the petitioners fuel surcharge adjustment claims filled by the Petitioners for IV quarter of 2012-13 may be rejected with costs, in the interest of justice and equity.	

ANNEXURE-I

APGENCO		Fixed Cost As approved in T.O 2012-13					Fixed Cost As filed by licencies						
		Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Diff	Variance %
Hydel	FC	293	293	293	293	1172	293	293	293	293	1172	0	
Thermal & Hydel	Income Tax	30.31	30.31	30.31	30.31	121.24	21.3	44.8	44.1	108.6	218.719	97.479	80.40168
		323	323	323	323	1293.24	314	338	337	402	1390.719	97.479	7.53758
APGENCO		Fixed Cost As approved in T.O 2012-13					Fixed Cost As filed by licencies						
		Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Diff	Variance %
Thermal	FC	975	975	975	975	3900	975	975	975	1047	3972	72	
		975	975	975	975	3900	975	975	975	0	2925	-975	-25

- 3.2 APDISCOMS considered the Fixed charges approved in the T.O 12-13 only
Amount towards Fixed Charges claimed by the DISCOMs as follows (Other than Incentive & I.T)

		Rs.in Crores			
Particulars		Jan-13	Feb-13	Mar-13	
FC paid to APGENCO		422.59	422.59	422.59	1267.77

1	More over, Hon'ble APERC provided separately for incentive and income tax of Rs.69.96 Crs and 51.28 Crs respectively, the Objector not considered the same and leading to huge variation.the clarification is given in the above table.
2	Further it is out of point to mention here that the Hon'ble Commission in I.A No: 4 Of 2012 in O.P No:15 of 2009 Dt:28.09.12 stated that Adv.IT is to be reimbursed by the DISCOMs on proof of Payment& Incentive on annual basis.

APGENCO also claimed the Fixed charges as per the T.O only. Therefore the question of excess claim does not arise.

- 3.3 Truing up of Fixed cost : As the DISCOMS are following the regulation 1 of 2008.As per Clause 11.2.1.Recovery of Fixed charges for the F.Y 2011-12 of Rs.185 Crs in respect of APGENCO already effected in the previous Qtr FSA. Now the DISCOMs are in the process of calculation of recovery of FC F.Y 2012-13. After approval the same will be passed on to consumers if there is any recovery.