The Secretary Date: 02-07-2012
A.P.Electricity Regulatory Commission
Singareni Bhavan, Red Hills,
Lakdi ka pool,
Hyderabad – 500 004.

Respected Sir,

Sub:- Submission of objections and suggestions on FSA claims of the APDISCOMs for the financial years 2010-11 and 2011-12 and request to be heard in person – Reg.

Ref:- Public Notice published on 19-06-2012 in OP Nos. 28-56 of 2012.

The following are our objections and suggestions on FSA claims of the four DISCOMs in the state in response to the Public Notice published on 19-06-2012 in OP Nos. 28-56 of 2012.

1.1 There appears to be no uniform policy in placing Public Notices in Newspapers. While one Public Notice appears in one newspaper another Public Notice appears in another newspaper. This makes it difficult to track the Notices issued by DISCOMs or the Commission. We request the Licensees as well as the Commission to notify their policy towards placing the Public Notices in newspapers

1.2 The present FSA Public Notice was published in half page. As the statements of the four DISCOMs are identical it could have been placed in less than half of this size and considerable amount could have been saved.

Commission to give orders within 120 days:

2.1 Section 62 0f the Electricity Act, 2003 deals with the process of electricity tariff determination. According to Sub-section (4) of this section, “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”. From this it is quite clear that determination of Fuel Surcharge Adjustment (FSA) is a part of tariff determination.

Section 64 of this Act deals with the procedure for tariff order. According to sub-section (3) of this Section, “The Appropriate Commission shall, within one hundred and twenty days from receipt of an application under sub-section (1) and after considering all suggestions and objections received from public, -

(a) Issue a tariff order accepting the application with such modifications or such conditions as may be specified in that order;

(b) Reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of this Act and the rules and regulations made there under or the provisions of any other law for the time being in force:

Provided that an applicant shall be given a reasonable opportunity of being heard before rejecting his application".

Table: 1 Dates on which CPDCL filed its FSA Claims

Quarter	**FY - 2010-11**	**FY - 2011-12**
1st	12-08-2010	27-07-2011
2nd	28-10-2010	28-10-2011
3rd	27-01-2011	28-01-2012
4th	24-04-2011	28-04-2012

2.2 In the above table the dates on which CPDCL filed its FSA claims are given. Except in the case of 4th quarter of the financial year 2011-12 in all other quarters FSA claims were submitted more than 120 days ago. In the case of 1st quarter of the financial year 2010-11 the claim was submitted nearly two years back, i.e., nearly 700 days, more than five times the limit stipulated in the Act. This is nothing but clear violation of the Act by the Commission itself, which in turn is created under the same Act.

2.3 This inordinate delay in taking up the examinations of the FSA claims filed by DISCOMs has led to serious inefficiencies in the power sector in the state. Had the Commission taken up these in time issues like short term power purchases at unjustified rates could have been addressed in time saving the consumers in the state the uncalled for burden in later quarters. Besides this, DISCOMs have to incur higher interest burden on its debt because of delay in recovering its revenue. Similarly, sections of consumers have to struggle to find ways to account for the expenditure retrospectively. The mandate of the Commission is to see that power sector in the state functions in efficient, economic and transparent manner. The Commission itself has become a problem rather than a solution. It is high time the Commission honestly and sincerely introspects its functioning.

2.4 The Public Notice in question on FSA was published on 19th June 2012, just four days after the results of the just concluded by elections to 18 Assembly seats and one Lok Sabha seat were declared. It could be reasonably surmised that the Public Notice was withheld from going public in order to save the political party heading the state government from being cornered during elections. And this is not the first time. The Public Notice for the current year's tariff was delayed to see that the subject of electricity tariff would not become an issue in the then ongoing Assembly session. This clearly indicates that the Commission is not working independently and autonomously to regulate the power sector in an efficient and transparent manner and that the strings are being pulled from elsewhere.

Inadequate information

3.1 According to the Public Notice as well as the information provided Rs. 8023 crore are going to be recovered from the electricity consumers in the state in the form of FSA for the financial years 2010-11 and 2011-12 (Rs. 3062.11 crore for FY 2010-11 and Rs. 4960.88 crore for FY 2011-12). The FSA to be charged varies from Rs. 0.20 per unit to Rs. 1.56 per unit. But there is no explanation on how this FSA is estimated. No justification was provided for this FSA. From the given information it is not possible to arrive at the causes for the hike and how far they are justified.

3.2 According to Condition (2), Section 45-B [dealing with FSA] of the Amendment Regulation 1 of 2003, "The Licensee shall provide the Commission with its calculation of each fuel surcharge adjustment required to be made pursuant to its tariff before it is implemented with such documentation and other information as it may require for purpose of verifying the correctness of adjustment". From the copies of applications of DISCOMs placed before the Commission and made available to the public no information supporting their claims was provided. If such information was not supplied to the Commission the Licensees shall be directed to provide full information in support of their claims for FSA. And the same shall also be made available to the public. In case the information is already submitted to the Commission then also the same information shall also be made available to the public. Also some more time shall be allowed for the public to examine this information. Here it is pertinent to draw attention to the High Court judgment (given on the 29th July, 2011 on the orders of the Commission on FSA claims for the years 2008-09 and 2009-10): "The DISCOMs will have a natural incentive to furnish data points which would lead to a higher FSA. If a hearing were given to all affected persons, it would ensure an objective determination. It would also fulfill the statutory mandate of the Commission in Section 86(3) to ensure "transparency" in the discharge of all its functions.' All this will be possible, if only full information and data that are required are provided by the Discoms and examined by the Commission and interested public. Similarly, the FSA orders issued by the Commission so far have not given reasons for allowing specific amounts of FSA or rejecting a part of the claims of the Discoms for the same. In other words, both the Discoms and the Commission are concealing relevant information from the public eye, thereby making objectivity, transparency and principles of natural justice a mockery. To ensure observance of transparency and principles of natural justice in true spirit, the Commission must direct the Discoms to furnish all information and data required for thorough examination of their claims for FSA and provide the same to the interested public to respond to the same. The Commission also must give detailed orders, giving reasons for allowing or disallowing the claims of the Discoms for FSA amounts, fully or partly."

3.3 For meaningful public process public should have adequate access to complete information.

Fuel price hike

4.1 Hikes in fuel prices as well as import of high cost coal seems to be one of the important reasons for the proposed FSA burden. We request the Commission to direct the Licensees provide us information on quantum of power produced with domestic fuels and changes in their prices, and quantum of power produced with imported coal and its prices.

4.2 It was reported that imported coal has higher GCV and hence commanded higher price. We would like to know whether the imported coal yielded the promised GCV and whether this is commensurate with the price paid for it. In case the GCV of the imported coal is really high then fuel cost burden should not have been this high. There is need to closely scrutinize the deals related to imported coal.

4.3 There were reports of malpractice in procuring imported coal and CMD of APGENCO had to go to press denying any such things. Still there are questions on why middlemen like Adani and other private agencies were involved in this operation and why APGENCO did not procure imported coal directly.

4.4 In this background we request the Commission to direct the Licensees to provide us all information related to fuel purchases.

4.5 The Group of Ministers of GoI on gas allocation and pricing had directed that the merchant plants in AP like Lanco which were provided with gas allocation shall supply electricity to APDISCOMs at regulated price. These merchant plants are not following this direction and neither the APDISCOMs nor the GoAP paid any attention to this. There appears to be hidden deals in allowing this daylight looting of electricity consumers in the state. Whatever excess money paid to these units shall be recovered and to that extent FSA shall be brought down.

Short term power purchase

5.1 Another important source of FSA burden is procurement of high cost power through short term power purchases. Related to this we would like to know whether the Licensees followed the Regulations on short term power purchases whenever additional power is purchased.

5.2 All details of short term purchases apart from quantum of short term purchases including the way private developers were selected, the agreements entered in to with them and the way these agreements were executed need to be placed before the public. Without this information it will not be possible to scrutinize and justify or reject claims of the DISCOMs for FSA.

5.3 Backing down of cheaper APGENCO plants to facilitate costly short term power purchase has become an accepted fact. The Commission also acknowledged this. In its tariff order for 2012-13, the Commission has observed, "the Commission observed that SLDC has resorted to heavy backing down of low cost approved stations in the order of more than 3000 MU during FY 2010-11 and more than 1250MU during FY 2011-12 to accommodate ‘round the clock (RTC) purchases’ from short term sources. This is viewed as a serious departure from the ‘principle of competitive procurement of power’ by Licensees” (page 47 and para 69). Though this was brought to the attention of the Commission earlier it did not pay attention to it. Also, had the Commission taken up the earlier FSA claims of DISCOMs in time these deficiencies could have come out clearly. Such an arrangement of directing APGENCO to back down its units just to purchase additional power from power traders or from private producers should not be permitted. To obviate such unjustified costly power purchase the way electricity demand is estimated, periodical availability and requirement of additional power is arrived at and the procedure and terms and conditions adopted by the APPCC on behalf of the DISCOMs for purchasing additional power on short term basis need to be examined. Such deficiencies, causing avoidable additional expenditure in purchasing additional power on short term basis and imposing avoidable additional burden on consumers of power, provide strength and justification to our request for permitting interested public to peruse the files and documents pertaining to power purchased by the DISCOMs on short term basis and point out the deficiencies and suggest corrective measures lest such improprieties be repeated in future.

5.4 We would like to know whether when APGENCO was asked to back down its capacity it tried to sell its surplus capacity through power exchanges. If yes, what was price and quantum of power sold by APGENCO, and the additional revenue accrued to it from this during the two financial years in question?

5.5 We also would like to know the quantum of power procured from open market/short term purchases during peak and non-peak hours and the prices during the two financial years in question.

5.6 The above high cost short term power purchase was also because of APDISCOMs failure in booking transmission corridor in time to access cheaper power from other parts of the country. Why is AP lagging behind other southern states in timely booking of transmission corridor?

Additional information needed

6.1 Filings of DISCOMs show that additional expenditure to the extent of Rs. 349.37 crore during FY 2010-11 and Rs. 2,584.97 crore during FY 2011-12 was incurred towards fixed costs. We request the Commission to direct the Licensees to provide us necessary particulars for this variation in fixed costs.

6.2 Filings of DISCOMs show that prior period expenditure to the extent of Rs. 894.54 crore during FY 2010-11 and Rs. 2219 crore during FY 2011-12 was incurred. But no justification was provided to such a huge expenditure. We request the Commission to direct the Licensees to provide us necessary particulars for this prior period expenditure.

6.3 Filings of DISCOMs show that variable charges claimed by them are less than actual variable charges. For example, during April 2010 while actual variable charge is Rs. 1.90 per unit they claimed only Rs. 1.61 per unit. Similarly during March 2011 while actual variable charge is Rs. 2.09 per unit they claimed only Rs. 1.70 per unit. If the actual variable charges are justified, we would like to know how the DISCOMs plan to fill the gap.

6.4 Cross subsidy surcharge is not being collected from the open access consumers for the last few years. Collection of cross subsidy surcharge would have reduced the FSA burden to some extent. We request the Commission to pay attention to this aspect and explore retrospective recovery of these charges. The CAG in its recent report also drew attention to the loss of income due to not collecting these charges.

Need to amend FSA regulations

7.1 FSA shall not be collected from consumers who are paying minimum charges.

7.2 FSA shall not be uniform for all consumers. Since FSA is treated as deferred tariff, the principles applied for determining tariff to different categories/slabs of consumers, should be applied for FSA also. In other words, FSA amount should be proportionate to the tariffs applicable to different categories/slabs of consumers.

7.3 FSA should be made applicable to all categories/slabs of consumers, including agricultural consumers. Since the Government, as a matter of policy, is bearing subsidy for free supply of power to agriculture, it should also bear subsidy required for the FSA of agriculture.

7.4 The prayer of CPDCL through its letter dated 12-08-2010 is as follows: " The Hon'ble Commission is requested to approve FSA for the year 2010-11 and permit the Licensee to collect FSA amounts during 2010-11 on weighted average basis of Rs. 0.45 per unit per month from Non-Domestic and Non-subsidised categories". What does it mean? Are the domestic consumers exempt from FSA?

8.1 Hon'ble member (technical) of the Commission, Sri R. Ashoka Chary, as the then Chief Engineer (Commercial) of AP Transco/APPCC dealt with additional power purchases during the last two financial years based on which the DISCOMs are making their FSA claims. I request the Commission to examine the propriety or otherwise of Sri Ashoka Chary sitting on judgment on such FSA claims of the DISCOMs, i.e., on additional power purchases he himself had dealt with them as the then CE (Commercial) by holding public hearing as member (technical) of the Commission. Needless to say, it would tantamount to the applicant himself sitting on judgment on his actions. In such circumstances, it is common practice that even judges of the courts refrain themselves from hearing such petitions on such and similar grounds. Keeping in view such healthy practices and precedents, I leave it to the wisdom of the Commission to take appropriate decision on the propriety or otherwise of Sri Ashoka Chary participating in the Commission, as its member (technical), during the public hearing on the subject issue and passing orders on the same.

9.1 I request the Commission to provide me an opportunity to be heard in person during the public hearing.

Thanking you,

Yours sincerely,

M. Thimma Reddy
Convenor,
People's Monitoring Group on Electricity Regulation
First Floor, 1-9-291/6/1
Vidyanagar,
Hyderabad-500 044

Copy to :

1. The Chief General Manager (Comml & RAC)
   APCPDCL, 2nd floor, Mint Compound
   Hyderabad-500 063

2. The Chief General Manager (Comml & RAC)
   APEPDCL, 2nd floor, Near Gurudwar
   P&T Colony, Sithammadhara
   Visakhapatnam-530 013

3. The Chief General Manager (P & RAC)
   APNPDCL, 1-1-5-3 & 504, Chaitanyapuri
   Opp. Petrol Bunk
   Hanumkonda, Warangal - 506 004

4. The Chief General Manager (Operation)
   APSPDCL, D.No.19-13-65/A
   Srinivasapuram, Tiruchanur Road
   Tirupathi - 517 503

ANNEXURE: Details for FY 2010-11

Month/ Quarter	Energy over and above TO	VC Actual Rs/kWh	VC Claimed Rs/kWh	VC APERC Rs/kWh	Variance in FC Rs/Cr	Prior period expenditure Rs/Cr
April	406287524	1.90	1.61	1.62	13.83	0.00
May	279976973	1.78	1.56	1.42	17.46	182.04
June	-	1.82	1.82	1.59	82.55	1.43
Qrt 1				1.54		
July	123880931	2.04	1.98	1.62	-46.12	0.00
Aug	81529969	1.60	1.50	1.23	-69.94	0.00
Sept	21694862	1.27	1.18	1.24	-04.30	0.00
Qrt 2				1.36		
Oct	591460005	1.41	1.29	1.25	23.63	181.42
Nov	-	1.48	1.48	1.34	-28.18	0.00
Dec	14735272	1.58	1.58	1.30	98.84	0.00
Qrt 3				1.30		
January	503230970	1.88	1.74	1.29	35.29	361.16
Feb	367414875	2.01	1.85	1.24	6.58	5.66
March	1180478670	2.09	1.70	1.22	219.73	162.83
Qrt 4				1.25		
Total	3570690051			1.36	349.37	894.54

Details for FY 2011-12

Month/ Quarter	Energy over and above TO	VC Actual Rs/kWh	VC Claimed Rs/kWh	VC APERC Rs/kWh	Variance in FC Rs/Cr	Prior period expenditure Rs/Cr
April	20654358	2.18	2.17	1.83	-46.16	163.70
May	295475806	2.11	1.98	1.65	-43.08	0.00
June	204181285	1.91	1.84	1.55	-15.39	72.09
Qrt 1				1.68		
July	265623792	1.84	1.76	1.43	58.91	12.66
Aug	72670024	1.59	1.56	1.28	13.87	414.38
Sept	115990726	1.46	1.44	1.25	-30.01	382.54
Qrt 2				1.32		
Oct	237877502	1.92	1.62	1.32	793.59	389.20
Nov	94879891	1.98	1.71	1.44	777.42	32.40
Dec	157941592	2.03	1.69	1.43	829.01	101.19
Qrt 3				1.40		
January	56341089	2.01	1.97	1.45	116.23	-0.02
Feb	2458321	1.96	1.96	1.66	33.11	0.00
March	-	2.01	2.01	1.66	97.47	650.87
Qrt 4				1.59		
Total	1524094386			1.50	2584.97	2219.01

To,	From,
The Secretary, A.P. Electricity Regulatory Commission, Singareni Bhavan, Red Hills, Lakdi ka pool, Hyderabad – 500 008	M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation, First Floor, 1-9-291/6/1, Vidyanagar, Hyderabad – 500 044

Date: 16-07-2012

Respected Sir,

Sub:- Submission of objections and suggestions on FSA claims of the APDISCOMs for the financial years 2010-11 and 2011-12 – Reg.

Ref:- Public Notice published on 19-06-2012 in OP Nos. 28-56 of 2012 and replies provided by APDISCOMs.

1.1 The new Acts that have come to govern the electricity sector in the state – Andhra Pradesh Electricity Reforms Act, 1998 and Electricity Act, 2003 – have placed the responsibility of efficient functioning of the sector on the Electricity Regulatory Commission. According to the preamble to the AP Reforms Act the new Act is meant to facilitate "taking measures conducive to the development and management of the electricity industry in an efficient, economic and competitive manner". And APERC was created under this Act to take this forward as regulator of the sector. Further according to Section 11 (d) of this Act one of the functions of APERC is "to promote efficiency, economy and safety in the use of the electricity in the state including and in particular in regard to quality, continuity and reliability of service and enable to meet all such reasonable demands for electricity". According to Section 86 (2) (i) of the Electricity Act the State Commission shall advise the State Government on … promotion of competition, efficiency and economy in the activities of the electricity industry". Bu the way the APERC handling the present FSA proposals raise the question whether the Commission is fulfilling its responsibility towards efficient functioning of the electricity sector in the state. When the Commission itself is not functioning efficiently can one expect it to regulate the electricity sector efficiently and see that it functions efficiently?

2.1 Replies provided by DISCOMs do not throw any new light to understand the FSA proposed by them. In fact at some places they also mislead.

3.1 In response to the issue related to KG Basin gas supply to merchant plants like Lanco DISCOMs replied, "…a letter has been addressed to the Hon'ble APERC to fix the price for the merchant plants which has got the Gas supply on the basis of recommendations of GoAP". For the last three years when we questioned, during the hearings on tariff, the justification of KG Basin gas supply Lanco's extension plant which is operating like a merchant plant we were told that the GoAP did not recommend gas supply to these merchant plants. Now literally the cat is out of the bag. Even when the gas based power plants in the state, which have approved PPAs were running at below their installed capacity these merchant plants were given gas supply from KG basin. Because of this on the one hand state had to forgo cheap power and on the other purchase the same from the open market at higher rates. As the fixed costs are being paid to the existing plants if this gas was supplied to these plants we need to pay only fuel price or variable cost (to the extent of Rs. 1.85 per unit). Bus as this supply was denied to the existing plants but was allocated to merchant plants the power had to be procured at higher price. Now this has come back to haunt the customers in the form of the present FSA proposals. The burden due this misallocation of gas has to borne by the merchant plants and the GoAP which facilitated the gas supply to these merchant plants. The GoAP shall take measures to see that the gas allocated to merchant plants shall be transferred to existing plants which have approved PPAs.

3.2 The table below shows the price paid to Lanco and GMR which were given gas supply from KG basin during the financial year 2011-12:

Month	Lanco (Rs/unit)	GMR (Rs/Unit)
April 2011	5.63	4.54
May 2011	4.71	4.53
June 2011	5.49	4.04
July 2011	-	0.04
August 2011	-	0.04
September 2011	3.90	-
October 2011	5.08	4.02
November 2011	-	4.02
December 2011	-	4.29
January 2012	5.48	4.40
February 2012	5.18	4.70
March 2012	5.14	4.95

Source: DISCOM filings

The above table shows that the price paid to the merchant plants of Lanco and GMR range from Rs. 3.90 per unit to Rs. 5.63 per unit. If the same gas was provided to the existing plants additional burden would have been only Rs. 1.85 per unit, variable cost towards procuring the gas. But because of gas allocation to merchant plants additional burden was more than 100%.

4.1 Regarding the short term power purchases DISCOMs replied, "The energy procured through short term sources was solely based on need based and strictly adhering to merit order". If that was the case where is the need to back down low cost approved stations? Also, when low cost power was available why procure costly power from short term sources.

4.2 DISCOMs further replied, "The short term purchase orders are being placed anticipating the shortages estimated based on present situation". The whole exercise shows that there was something wrong in estimating the needs in short term. When approved low cost power is available why look for costly power?

5.1 Given the proportion of variation in fixed costs and prior period expenditure in the total FSA amount the term Fuel Surcharge Adjustment appears to be a misleading. As shown in the table below these two items account for 75 percent of the FSA amount. This needs to be closely examined.

Year	FSA (Rs in Cr)	Variation in FC and Prior Period Expenditure (Rs in Cr)
2010-11	3062.11	1243.91
2011-12	4960.88	4803.98
Total	8022.99	6047.89

5.2 DISCOMs in their replies stated that actual fixed cost variation during the FY 2011-12 is only Rs. 172.51 crore but not Rs. 2,584.97 crore as claimed in their FSA filings. The Commission is requested to take this in to account.

5.3 Regarding the Prior Period Expenditure the DISCOMs replied that this expenditure was incurred mainly due to final Orders of CERC on previous claims by NTPC/PGCIL. But a cursory examination of these prior period expenditure shows that the reply of DISCOMs is misleading. On the one hand the information provided by them is not adequate to examine their claims for FSA. On the other the additional information provided by them is misleading. A look at the following table shows the explanation provided by DISCOMs is not correct. Most of the prior period expenditure was accounted by power plants in AP, that too mostly APGENCO units. In the following table data related to four months, two each from the two years in question are taken as example:

Month	Total Prior Period Expenditure (Rs in Cr)	Prior Period Expenditure due to plants in AP (Rs in Cr)
May 2010	182.04	188.74
January 2011	361.16	228.28
August 2011	414.38	409.06
March 2012	650.87	511.57

5.4 In the month of May 2010 the Prior Period Expenditure due to power plants in AP is higher than the total Prior Period Expenditure for the month. The reduction of payments to central generating stations brought down the Prior Period Expenditure for that month. In other months power plants in AP accounted for substantial portion of the Prior Period Expenditure. Because of this it is difficult to go by the explanation given by DISCOMs. We request the Commission to thoroughly check the information provided by DISCOMs.

Thanking you,

Yours sincerely,

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First Floor, 1-9-291/6/1
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Hyderabad-500 044

To,	From,
The Secretary, A.P. Electricity Regulatory Commission, Singareni Bhavan, Red Hills, Lakdi ka pool, Hyderabad – 500 008	M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation, First Floor, 1-9-291/6/1, Vidyanagar, Hyderabad – 500 044

Date: 14-08-2012

Respected Sir,

Sub:- Submission of additional objections and suggestions on FSA claims of the APDISCOMs for the financial years 2010-11 and 2011-12 – Reg.

Ref:- Public Notice published on 19-06-2012 in OP Nos. 28-56 of 2012 and replies provided by APDISCOMs.

1.1 APDISCOMs placed some information on their website in response to the directions of the Commission. But this information instead of answering questions or clearing doubts it further leads more doubts and questions.

Variable Charges:

2.1 This particularly the case with variable charges or fuel costs. The data provided leads to more questions. As an example data related to three months August, September and October of 2010 are examined. In this again we take the DrNTTPS earlier unit and its IVth unit, and KTPS A,B,C and V units for examination.

2.2 In the case of DrNTTPS earlier units and the latest units there is big difference in the price of coal. Though there is small increase in GCV (12%) the increase in coal price is much higher. While the increase is only 57.58% during August 2010 it is more than 100% during September and October 2010. There might have been use of imported coal in the IVth unit of DrNTTPS. While it is true that price of imported coal is high it is also true that GCV of imported coal is nearly double to that of domestic coal. Though there will be increase in average price of coal used will increase but certainly it will not double. This demands a careful scrutiny of coal prices.

Plant	Month	GCV (kcl/kg)	Price of coal (Rs/Tonne)
DrNTTPS	August 10	3066	1766.19
DrNTTPS St.IV		3442	2783.08
Difference (%)		12.26	57.58
DrNTTPS	September 10	3059	1823.99
DrNTTPS St.IV		3451	3972.15
Difference (%)		12.81	117.77
DrNTTPS	October 10	3115	1916.07
DrNTTPS St.IV		3515	3967.45
Difference (%)		12.84	107.06
KTPS – ABC	August 10	2801	1306.75
KTPS – V		3031	1259.61
KTPS – ABC	September 10	3002	1303.20
KTPS – V		3301	1320.31
KTPS – ABC	October 10	3200	1268.62
KTPS – V		3056	1320.61

2.3 In the case of KTPS units it is even amusing. They obtain coal from the same place but there is no relation to GCV and average coal prices. During August 2010 GCV of KTPS – V was higher than KTPS – ABC but its coal price was lower. During October GCV of KTPS – V unit is lower than KTPS – ABC units its coal price is higher.

Prior period expenditure:

3.1 Information provided on prior period expenditure also leads to further questions. Still there is no information on source of change in prior period expenditure.

3.2 FCA related to 4th quarter of 2009-10 was said to be adjusted in May 2010. There is no explanation of reasons for FCA of 4th quarter of 2009-10. Similarly FCA expenditure of previous quarters was shown in the months of October 2010 and January 2011. The whole FSA exercise is meant to see that additional expenditure in each quarter is accounted for and claimed for that quarter. If the expenditure of one quarter can be shown as expenditure of another quarter the whole meaning of FSA will be lost. And consumers have to be ready to receive surprises and shocks at any time.

3.3 Similar are the explanations provided for the year 2011-12. These explanations do not lead us anywhere. Most of the prior period expenditure is related to APGENCO new units but not CGS plants as stated by DISCOMs in their filings. Already capital costs of new units of APGENCO are inflated. This addition of FCA in the form of prior period expenditure will only add fuel to the fire. This prior period expenditure is in addition to the FCA claimed for both the years 2010-11(Rs. 349.37 crore) and 2011-12 (about Rs.185 crore).

3.4 Only access to further information will help to understand the real reasons for this FCA. The additional information provided does not deal with FCA amounts claimed for both the years. Out of the claim of Rs. 5,600 crore towards FSA for both the years the FCA and prior period expenditure (literally another name for FCA of previous quarters) account for more than Rs.3,600 crore. Only if the FCA accounts are disentangled the justification of the FSA claims of DISCOMs can be decided. We request the Commission to provide us complete access to the information related to the FCA and prior period expenditure.

Gas allocation to merchant plants:

4.1 DISCOMs in their earlier replies clearly stated that natural gas from KG basin was allocated to extension plants of Lanco and GMR on the recommendation of GoAP, which are operating as merchant plants even when other plants with approved PPAs with APDISCOMs are only receiving less than 50% of their gas requirement. If the same gas was allocated to the plants with PPAs power purchase burden on the consumers would have been much less as fixed costs of these plants are being paid. If the gas was allocated to these plants only variable costs (Rs. 1.85 per unit) need to be paid. During the year 2010-11 from the above two merchant plants of Lanco and GMR 1,516.12 mu of power was purchased with an aggregate cost of Rs. 706.03 crore and average cost of a unit of electricity being Rs.4.66. If the gas was made available to the plants with PPAs the same power could have been procured at a cost of only Rs. 280.48 crore. Rs. 425.55 crore burden on the consumers would have been avoided. Similarly during 2011-12 year 1,438.85 mu of power was purchased from these units by paying Rs. 706.43 crore. Had the gas was available to the plants with PPAs the same would have been available at a total cost of Rs. 266.18 crore only. This implies that Rs. 440.25 crore additional burden is being imposed on the consumers in the state because of a conscious decision of the state government to recommend gas allocation to the above merchant plants even while other plants meeting the needs of the state are thirsting for the same gas. This unjustified decision of the state government implies Rs. 865 crore burden (15.45% of the proposed total FSA burden) on the consumers in the state.

4.2 We request the Commission to advise the state government to recommend reallocation of this gas to the plants with PPAs with APDISCOMs.

4.3 As the above burden is because of the conscious decision of the state government it is logical that the state government itself bear this burden. If the state government had recommend allocation of this gas to the plants with PPAs with APDISCOMs this burden would not have surfaced at all. We request the Commission to advise the state government to pay Rs. 865 crore to the APDISCOMs towards this burden.

We request the Commission to direct the DISCOMs provide access to all the relevant information. We also request the Commission to take our objections and suggestions on record.

Thanking you,

Yours sincerely,

M. Thimma Reddy
Convenor,
People's Monitoring Group on Electricity Regulation
First Floor, 1-9-291/6/1
Vidyanagar,
Hyderabad-500 044

To, The Secretary, A.P. Electricity Regulatory Commission, Singareni Bhavan, Red Hills, Lakdi ka pool, Hyderabad – 500 008	From, M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation, First Floor, 1-9-291/6/1, Vidyanagar, Hyderabad – 500 044

Date: 24-08-2012

Respected Sir,

Sub:- Submission of additional objections and suggestions on FSA claims of the APDISCOMs for the financial years 2010-11 and 2011-12 – Reg.

Ref:- Public Notice published on 19-06-2012 in OP Nos. 28-56 of 2012 and replies provided by APDISCOMs.

1.1 The additional information related to short term purchases provided in the form of a single page does not through any light on backing down of APGENCO units. Power from open market is to be purchased when power is not available from the existing units. The fact that power is purchased from open market even APGENCO units are available raises disturbing questions. Not only that some of the APGENCO plants were backed down but also the units which were overhauled and ready for generation were asked not to start power generation. Either it is a deliberate attempt to benefit some private power generators or a failure on the part of management of DISCOMs to properly plan power procurement. But the ultimate burden will be on the consumers. The Commission was also expected to periodically review the functioning of the sector to see that such non-transparent and uneconomical measures do not take place. The Electricity Act also provided for coordination committee under the leadership of the Chairman of the Commission. But it appears that this Committee for all practical purposes is non-existence. But it is not too late. We request the Commission to see that this unjust burden is not imposed on the consumers.

2.1 The inclusion of prior period expenditure under FSA is surfacing to be the most scaring aspect. The expenditure swept under the carpet for reasons best known to the generators under DISCOMs is suddenly coming out to shock the consumers in the state. In the past the Commission had taken a stand against creation of regulatory asset as it would burden future consumers who did not consume those units in the past. But the present admission of past expenditure under prior period expenditure is nothing but introduction of this regulatory asset through the back door.

2.2 Prior period expenditure for the year 2011-12 includes Rs. 139 crore paid to APGENCO Hydel units. This is said to be towards O&M expenditure incurred in 2002-03 and 2004-05. Why did APGENCO wait for a decade to claim this cost? How to decide on the genuineness of this claim? Only recently unit cost of power generated from GENCO Hydel units was hiked from Rs. 0.20 to Rs. 2.00 per unit in most non-transparent manner. Now this expenditure said to have been incurred a decade back comes back to haunt now.

2.3 Even after more than a decade of regulatory process in the state there is no proper power purchase agreement even with APGENCO's old units. An ad hoc agreement is said to regulate these costs. And even this ad hoc agreement is not open to the public. Consumers in the state are in the dark on how the cost of power produced in APGECNO units is being arrived. The Commission is mandated to balance the interests of all stake holders in the power sector in the state. It is high time the Commission unravels the mystery of GENCO. While there is every reason to support a public sector unit that served the state so well consumers in the state cannot be made sacrificial lambs to save some who have led GENCO on suicidal path. Even when the PPAs in question were not yet approved many other claims under these very PPAs are being approved.

2.4 In the filings DISOMs have claimed that prior period expenditure was because of central generating stations. A closer look at the number shows that the culprit is APGENCO. For the year 2010-11 out of total prior period expenditure of Rs. 894.54 crore the payment made to APGENCO was Rs. 722.86 crore (80.81%). Within this new units of APGENCO whose PPAs are before the Commission for approval for more than three years account for Rs. 594.78 crore (66.5%). Similarly, for the year 2011-12 out of total prior period expenditure of Rs. 2219 crore the payment made to APGENCO was Rs. 1774.19 crore (79.95%). Within this new units of APGENCO whose PPAs are before the Commission for approval for more than three years account for Rs. 962.03 crore. Already fixed costs approved for these new units under Tariff Orders for these respective years are one of the highest. If this prior period expenditure is to be added to the already approved cost they will come out to be most costly and inefficient units in the country. CAG reports on some of these new units of APGENCO showed that excess spending on these units was about 20%. These reports also have shown how the contractors were shown undue preference. In this background we request the Commission not to approve the prior period expenditure filed by DISCOMs.

2.5 DISCOMs filings on prior period expenditure shows that JSWPTC was paid Rs. 32.40 crore during November 2011 and Rs. 33.48 crore during December 2011. This was said to be towards “non-return of banked energy”. No other details were provided in this filing. In the past the Commission did not allow banking of energy even for renewable energy units. It needs to be examined under what regulations this banking of energy was allowed and how its price was decided.

3.1 We request the Commission to take our above objections/suggestions in to account while deciding on the FSA claims of DISOMs for the years 2010-11 and 2011-12. During the hearing the Chairman assured that the future FSA claims will be taken up promptly. Following on this assurance the FSA claims for first quarter of 2012-13 is already notified. We wish that this promptness will also apply to all the issues/petitions before the Commission.

Thanking you,

Yours sincerely,

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