ARR/TARIFF PROPOSALS OF DISCOMS FOR FY 2014-15

Suggestions/objections

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This presentation consists of …

- Energy Allocation Vs Projected Requirement
- Impact of Proposed Tariffs
- Implementation of Commission's Directives
- Other issues

Energy Allocation
Vs
Projected Requirement

Energy Allocation Vs Requirement Projected

- Energy allocation percentages for different Discoms as per GO 53 Vs Projected Requirement:

Sl. No	DISCOM	Allocation % as per GO 53	Projected Energy Requirement (MU)	Projected Energy Requirement %	Excess/Less
1	APEPDCL	**15.80**	16056	**16.21**	**+0.41**
2	APSPDCL	**22.27**	24402	**24.63**	**+2.36**
3	APCPDCL	**46.06**	45066	**45.50**	**-0.56**
4	APNPDCL	**15.87**	13522	**13.65**	**-2.22**
	TOTAL	100	99046	100	

Energy Allocation Vs Requirement Projected

- It can be seen that energy requirement in NPDCL & CPDCL (Telangana Region) is shown less than the allocations made.
- This is despite the fact that Telangana region is facing acute power shortages and huge power cuts compared to Seemandhra region.
- Agriculture consumers in NPDCL get less than 7hr supply for most of the year.
- Even Agricultre consumers in CPDCL are facing severe problems due to power shortages.
- We request the commission not to restrict the consumption of CPDCL and NPDCL below the allocations already made.

Energy Allocation Vs Requirement Projected

- These projections assume significance in view of the fact that **AP Reorganisation Bill 2013** proposes to allocate power from Central Generating Stations to the successor states in the ratio of past 5 years consumption of DISCOMS.
- NPDCL has consistently projected lesser power requirement than its entitlements in the past.

ENERGY PURCHASED FROM 2008-09 to 2012-13 (%) by NPDCL

	Entitlement%	Actual Drawals %	Excess/ Less
2009-10	15.87	14.93	-0.94
2010-11	15.87	14.42	-1.45
2011-12	15.87	14.73	-1.14
2012-13	15.87	14.28	-1.59

Energy Allocation Vs Requirement Projected

- This will result in lesser allocation of power from CGS to the State of Telangana.
- We request the DISCOMS to bring these facts to the notice of Government of India when allocations are made from CGS to the successor states based on past consumption.

Impact of Proposed Tariffs

Impact of Proposed Tariffs on Domestic Consumers

Consumption	Monthly Bill as per Existing Tariff (Rs)	Monthly Bill as per Proposed Tariff (Rs)	Increase (Rs)	% Increase
51 units	**75.10**	**158.75**	83.65	**111.38%**
100 Units	**202.50**	**342.50**	140.00	**69.30%**
151 Units	**443.60**	**954.32**	510.72	**115.13%**
200 Units	**620.00**	**1264.00**	644.00	**103.87%**
501 Units	3077.00	**3681.50**	604.50	**19.64%**

- **Tariff 'Shock' for Poor Consumers**
- **Proposed Tariffs are Friendly to 'Luxury consumers' (In the guise of faulty 'Cost-to-serve' calculations) who are responsible for expensive marginal power purchases**

Tariff Vs Actual Realisation from Poor Domestic Consumers (0-50)

Year	Retail Supply Tariff (Rs/unit)	Revenue Realisation (Rs/Unit)	Excess/ Less (Rs)	% Excess
2009-10	**1.45**	**3.03**	1.58	**108%**
2010-11	**1.45**	**3.20**	1.75	**120%**
2011-12	**1.45**	**3.51**	2.06	**142%**
2012-13	**1.45**	**3.58**	2.13	**147%**

- **We can see that there is no relation between RST and actual revenue realisation.**
- **Actual realisation is much higher compared to RST.**
- **This is on account of Minimum charges, customer charges, penalties etc,.**

Average Domestic Realisation Vs Actual Realisation from Poor Domestic Consumers (0-50)

Year	Average Revenue Realisation from Entire Domestic Category	Revenue Realisation From 0-50 slab (Rs/Unit)
2009-10	**2.96**	**3.03**
2010-11	**3.00**	**3.20**
2011-12	**3.23**	**3.51**
2012-13	**3.64**	**3.58**

- **Average revenue realisation from entire domestic category is less than revenue realisation from 0-50 slab consumers.**
- **Contrary to the popular perception, it is clear from the above that 'poor' are actually cross subsidising 'Rich' in AP.**

What National Electricity/Tariff Policy says?

- In accordance with the National Electricity Policy,
  - consumers below poverty line who consume below a specified level, say 30 units per month,
  - may receive a special support through cross subsidy.
  - Tariffs for such designated group of consumers will be at least 50% of the average cost of supply.
- Unfortunately, instead of providing relief, existing tariff structure in AP is resulting in higher burden on poor households.
- Defective 'cost-of service' methodology adopted is the reason for heavy burden on poor.

‘Cost-of-Service’ Methodology needs Correction

- As per Discoms estimate, CoS for Domestic households is Rs6.81/unit.
- It is not clear how poor households are responsible for expensive power purchases made by DISCOMS to meet the enrgy requirements of ‘others’.
- For example, around 2 crore domestic households in AP require 12000 MU per year.
- CoS of this energy to Domestic consumers is less than Rs3/unit. (considering cost of Hydel and cheapest CGS/Genco sources).
- Cost of additional expensive energy purchased to meet needs of other consumers shall not be loaded on poor consumers.

‘Cost-of-Service’ Methodology needs Correction

- 50% of CoS shall be around Rs 1.50/unit.
- Hence Tariff for Domestic consumers in 0-50 slab shall be suitably reduced.
- We request the Commission to
  - remove minimum charges,
  - customer charges
  - and reduce penalties for late payment
  - applicable for Domestic consumers in 0-50 slab.

How Much ‘One Unit’ Costs?

Consumption	**Monthly Bill as per Proposed Tariff (Rs)**	**Cost of Additional One Unit (Rs)**
50 Units	**97.50**	
51 units	**158.75**	**61.25**
150 Units	**611.50**	
151 Units	**954.32**	**342.82**

- DISCOMS have to create awareness among consumers about this ‘One Unit’ additional burden.

How Much 'One Unit' Costs?

- Majority of consumers (80-90%) fall in 0-150 slabs.
- Introduction of such sudden jump in tariffs will result in billing malpractices and choas.
- We request the Commission not to allow such huge jump in tariffs at transition from one slab to another slab on poor and middle class consumers.
- We also request the Commission not to allow such steep tariff hike for consumers in 0-200 slab.

Impact of Proposed Tariff on Poor 'Commercial' Consumers

Consumption	Monthly Bill as per Existing Tariff (Rs)	Monthly Bill as per Proposed Tariff (Rs)	Increase (Rs)	% Increase
50 Units	320.00	470.00	150.00	46.87%

- As can be seen, revenue realisation from poor commercial consumers is around Rs 12.00/unit (Assuming average consumption in this slab to be 40 units/month)
- This increase is mainly due to increase in Fixed charges from Rs 50/kW to Rs 150/kVA.
- We request the Commission not to allow increase in Fixed charges on commercial consumers in slab 0-50 units

Remove ‘Green Power’ Category

- HT-VII Green Power is optional category created to encourage renewable (green) power.
- This category has lost relevance.
- Firstly, no consumer is availing energy under this category.

Remove 'Green Power' Category

- Also tariff applicable under this category is Rs 11.28/unit, which is much higher than CoS of renewable energies to HT consumers.
  - Average power purchase cost from NCE sources is Rs 3.90/unit (Form 1.4).
  - Assuming wheeling charges for HT consumers to be Rs 1.51/unit + 10% losses, CoS of this energy for HT consumers is Rs 6/unit, much lower than proposed tariffs.
- We request the commission to remove this category or rename it as **'RLNG Power'** instead of **'Green Power'.**

Focus on ‘Tariff Shocks’ or ‘Alternatives’?

Consumer Category	Cost-of-Service (Rs/Unit)	Average Revenue Realisation (Rs/Unit)	Revenue Realisation as % of CoS
Domestic	6.81	5.37	79
Commercial	6.63	11.26	170
Industrial	6.91	8.96	130
Cottage Industries	7.11	5.65	80
Local Bodies	6.42	6.83	106
General Purpose	6.61	7.72	116
HT-I- Industry	5.98	9.72	162
HT-II-Industry(NS)	6.08	11.61	190
HT-V-Traction	4.52	7.21	160
HT-VI-Colony supply	4.61	7.65	166

Focus on ‘Tariff Shocks’ or ‘Alternatives’?

- It can be seen that revenue realisation from most of the consumer categories is significantly higher than CoS to those categories.
- Increase in tariffs may lead to reduction in sales to subsidising categories, resulting in further loss of revenues.
- Efforts shall be made to

  i. Increase sales of subsidising categories

  ii. Reduce power purchase costs.

  iii. Also special efforts must be made to reduce T&D losses, implement DSM and Energy efficiency measures.

Focus on ‘Tariff Shocks’ or ‘Alternatives’?

- Unfortunately we reduce power purchase costs:
  - failed to complete power projects on time (Krishnapatnam, KTPP) and also
  - failed to act in advance to book North-South corridor, thereby losing opportunity to reduce power purchase costs.

Focus on 'Tariff Shocks' or 'Alternatives'?

- Also no serious efforts are made to implement DSM and Energy efficiency measures.
- Lack of seriousness on the part of DISCOMS can be seen from their proposal to merge Cat-V(A)-Agriculture with DSM measures and Cat-V(B)- Agriculture without DSM measures "stating that most of the connections fall under DSM category".
- DISCOMS have not understood the very spirit of 'Agriculture Power Policy' announced by the GoAP in 2005, which laid focus on DSM measures as the only way to supply Free Power to Agriculture.

Tariff and Revenue Realisation from Agriculture (Corporate & IT Assessees)

Average Revenue realisation from Agr.Services from 2009-10 to 2013-14 (Nalgonda District)						
	WITH DSM			WITHOUT DSM		
Circle	Services with DSM	Demand (In Lakhs)	Avg.Rev. Realisation (Rs)/Year	Services (without DSM	Demand (In Lakhs)	Avg.Rev. Realisation (Rs)/Year
Bongir	161	9.38	**5826**	155	73.18	**47213**
Devarakonda	5	0.98	**19600**	37	8.51	**23000**
Huzurnagar	0	0	**0**	346	303.05	**87587**
Miryalaguda	12	2.05	**17083**	506	548.5	**108399**
Nalgonda	11	0.76	**6909**	249	76.3	**30643**
Suryapet	0	0	**0**	118	42.98	**36424**
Nalgonda circle	192	13.36	**6958**	203	3.16	**1557**

Tariff and Revenue Realisation from Agriculture (Corporate & IT Assessees)

- Applicable tariff for Agr. (corp.&IT) is Rs 2.50 (with DSM) and Rs 3.50(without DSM)
- It can be seen that revenue realisation from Agr –Corp &IT (without DSM) is as high as **Rs 1,08,399/year.**
- This is inexplicable.
- Maximum energy that can be consumd by a 5HP pump set is around 6000 Units/year @ 7hours/day and revenue realisation should be around Rs 20000/year.

Tariff and Revenue Realisation from Agriculture (Corporate & IT Assessees)

- Surprisingly revenue realisation from 'DSM farmers' is far less when compared to 'Non-DSM farmers'.
- Separation of 'DSM' and 'Non-DSM' farmers is extremely difficult and depends on subjective interpretation of the officials/field staff.
- Lack of awareness among officials and farmers is leading to many problems in the field.
- Farmers are facing lot of harassment.
- Commission is requested to direct Discoms to rectify these errors in all the circles.

Tariff and Revenue Realisation from Agriculture (Corporate & IT Assessees)

- Also there are over 30 Lakh agriculture consumers in the State.
- It will be very difficult for the Discoms to verify whether a farmer is IT assessee or not.
- At present this classification is purely arbitrary and farmers face lot of harassment.
- Overall revenue realisation is also very less.
- We request the Commission to review tariff mechanism for IT assessees or include them under free power category.
- As meters are not fixed for this category, it is necessary that 'Flat rate tariff' is also fixed by the Commisison.

Implementation of Commission’s Directives

Directive on Installation of Capacitors

Directive by The Commission-Adoption of DSM measures- Installation of Capacitors-1

- **Directive:** Commission has directed Discoms to provide the information on energy saving arrived due to installation of capacitors on existing pump-sets.
- **Reply:** CPDCL has informed that it has installed capacitors to agriculture motors at **Gollapally** village in Shamshabad section in RR south circle.
- Discoms have noticed
  i. Power Factor improvement from 0.82 to 0.99
  ii. 23.5% reduction in energy loss.
  iii. Payback period is 10 months
  iv. Load reduction is 12%.

Directive by The Commission-Adoption of DSM measures- Installation of Capacitors-2

- In arriving at ‘Pay Back’ period Discoms have assumed ‘pooled cost’ of Rs 3.32/unit.
- However actual Cost-of-Service for agriculture shall be considered and not ‘Pooled Cost’.
- CoS for Agriculture is Rs 6.60/unit (Table 3.2 of CPDCL ARR)
- Accordingly pay-back period is less than 5 months.
- Infact, if avoided cost is considered payback period would be around 3-4 months only.

Directive by The Commission-Adoption of DSM measures- Installation of Capacitors-3

- CPDCL has projected a demand reduction of 250 MW taking into account two spells of agriculture supply.
- If capacitors are installed through out the state for all the agriculture pump sets, demand reduction would be of the order 600 MW to 800 MW for 14 hours.
- This would avoid unnecessary burden of purchase of power using RLNG.
- Discoms have stated that they are taking up installation of capacitors on pilot basis at one village per mandal.

Directive by The Commission-Adoption of DSM measures- Installation of Capacitors-4

- Considering the huge benefits involved, we request the Commission to direct all the DISCOMS to install capacitors for all agriculture pump-sets on war-footing (In one-month time)
  – to reduce losses,
  – to improve quality of supply,
  – to avoid expensive market purchases and
  – to overcome power crisis
- Expenditure involved is negligible compared to huge benefits (cost of 10 days power production using RLNG as fuel)
- Since beneficiaries are DISCOMS, entire burden of installing capacitors shall be borne by the DISCOMS only.

Adoption of DSM measures- Installation of Capacitors @ DTs in Cities and Towns-1

- At present Distribution Transformers serving normal domestic/commercial consumers are not provided with capacitors.
- It Capacitors are installed at DTR level (LV side), it will have additional investment advantage (cost/KVAR) besides reducing losses and improvement in quality of supply.
- We request the Commission to direct Discoms to install capacitors at the Distribution Transformers in all towns and Cities.

Directive on
Selling Penna Cements Power
in Market

Directives by The Commission-Selling Penna Cements Power in Market-1

- **Issue:**
  - "Discoms have entered PPA with Penna cements for 60MW of power from March, 2010.
  - Penne cements is allowed to sell power to market.
  - Is it not true that when the capacity is 60 MW only they can sell their power to market?"
  - Commission has directed Discoms to rectify the same.

Directives by The Commission-Selling Penna Cements Power in Market-2

Reply:

Discoms have replied that

- LOI was placed on M/s Penna Cements for 60 MW from 10-9-2010 to 30-06-2011.
- Because of surplus grid conditions Discoms have taken power of 24MW only till 29-11-10.
- From 29-11-2010 to 01-03-2011 there was no supply because of fire accident at the plant.

Directives by The Commission-Selling Penna Cements Power in Market-2

- From 01-03-2011 to 30-06-2011 the quantum of LOI was revised to 30MW by APDISCOMS.
- The period of open access availed by the generator is during the surplus grid conditions for APDISCOMS and APDISCOMS themselves have allowed the generator to go for open access.
- **Hence no violation.**

Directives by The Commission-Selling Penna Cements Power in Market-3

- Comments: It may be noted that
  - during Mar'11 to June'11 energy was purchased from Penna @Rs.4.28/Kwh
  - During this period Discoms have purchased power from various other short-term sources.
  - The maximum price of short term power during March'11 to June'11
    - Intra-state - Rs.5.49/Kwh
    - Inter-state- Rs.6.36/Kwh
    - Cost of power using RLNG (FC+VC) during Mar to June - Rs.6.69/Kwh to Rs.8.38/Kwh
    - From power exchange Rs 9.00-11.00/Kwh

Directives by The Commission-Selling Penna Cements Power in Market-4

- It is clear from the above that no ‘Surplus Grid Conditions’ existed for Discoms to forgo 30 MW from Penna Cements.
- It is not clear why the PPA capacity was reduced from 60MW to 30 MW from 01-03-2011 to 30-06-2011, when cost of power purchase from other sources for the same period is so high.
- Additional burden on DISCOMS account of reducing LOI capacity is about Rs 25 crore.

Directives by The Commission-Selling Penna Cements Power in Market-4

- We request the commission to look into the matter and take appropriate action.
- We also request the Commission to direct all Discoms to place all power purchase transactions: short-term, Medium-term and purchases from power exchanges, on their web site for more transparency.

Directives on Procurement of Coal

Commission's Directives -Monitoring the cost of imported coal procured by APGENCO and NTPC-1

- **Directive:** Commission has directed Discoms
  - to verify whether APGENCO is procuring imported coal through competitive bidding process,
  - or under any guidelines issued in this regard by GoI, before admitting the Station wise power purchase bills claimed by APGENCO.
  - Regarding NTPC Stations, Discoms have to take-up the pricing issue of imported coal, if any, with CERC.
- **Reply:** Discoms have replied that as per APGENCO's letter dated 13-06-2013, APGENCO is procuring imported coal by inviting tenders from Central Public Secotr Undertakings (CPSUs) as per the targets fixed by the Ministry of Power/CEA, GoI from time to time and as per the approval of GoAP.

Commission’s Directives -Monitoring the cost of imported coal procured by APGENCO and NTPC-2

- Discoms reply is evasive and can be treated as non-compliance with Commission’s directive.
- APGENCO is not following any competitive bidding process in procurement of imported coal.
- Purchase of coal from CPSUs does not amount to ‘competitive bidding’.
- It is not clear why DISCOMS are unable to insist on Commissions directives.

Commission's Directives -Monitoring the cost of imported coal procured by APGENCO and NTPC-3

- Discoms reluctance to follow APERC directives is resulting in huge burden on Consumers.
- We request the Discoms to explain why they failed to adhered to APERC directive.
- We request the commission not to allow the claims of DISCOMS towards power purchases from APGENCO thermal stations using imported coal, if they fail to adhere to Commission's directive.
- No reply is furnished by DISCOMs on Commissions directive on pricing issues relating to NTPC stations.

Directives by The Commission- Quality of Domestic Coal-1

- **Directive:**
- Commission has directed Discoms to
  - 'appoint independent coal auditors to ensure that the coal of agreed quality and price as per fuel supply agreement (FSA) is used for generation of power at all coal based Thermal Power Stations.
  - Before making final payment such audit reports should be verified by the concerned officers of the Discoms.

Directives by The Commission- Quality of Domestic Coal-2

Reply:

- In reply Discoms have requested Commission ‘to take a view on this aspect duly considering the Punjab ERC directions in the similar matter’.

Comments:

- Here also DISCOMS have failed to implement a very important directive issued by the Commission to appoint independent coal auditors to ensure that the coal of agreed quality and price as per fuel supply agreement (FSA) is used at all generating stations.
- We had on several earlier occasions proved how the data submitted by APGENCO was erroneous and needed thorough scrutiny by DISCOMS

Directives by The Commission-Quality of Domestic Coal-3

- The reluctance of DISCOMS in adhering to Commissions directive is resulting in huge financial burden on consumers.
- We request the Discoms to explain the reasons for non-compliance with APERC directive
- We request the commission not to allow the claims of DISCOMS towards power purchases from APGENCO thermal stations, if they fail to appoint independent coal auditors and submit compliance as directed by the Commission

Directives by The Commission- Coal Sampling Technuque-1

Directive:

- Commission has also directed APGENCO to adopt
  - proper sampling technique
  - both at sending and receiving end for coal supply
  - from each source separately
  - keeping in view the importance of coal audit as directed to DISCOMS.

Reply:

- No reply is furnished by DISCOMS in this.

We request the Commission to direct APDISOMS to ensure that APGENCO adheres to the directive of APERC.

Directives by The Commission- Variation of GCV-1

Directive:

Commission directed DISCOMS

- to take-up the issue of variation in GCV (lower GCV of blended coal than indigenous coal) of CG Stations with NTPC
- and report compliance by 30-09-2013.

Reply:

- DISCOMS reply on this directive is irrelevant.
- Instead of taking up the issue with NTPC, they have furnished the views of APGENCO on this aspect.

➢ It is not clear how DISCOMS or APGENCO can justify 'lower GCV' of blended coal (indigenous-lower GCV + imported higer GVC) than GCV of indigenous coal.

➢ We request the Commission to direct Discoms to take up the issue with NTPC.

Other Issues

Open Access to M/s PSR Green Power Projects

- It is stated that M/s PSR Green Power Projects, an industrial Waste to Energy developer with a capacity of 7.5 MW has been allowed for open access.
- Reasons for allowing open access are not stated by the Discoms.
- Have Discoms considered burden of RECs also while allowing open access to M/s PSR Power Projects?

No Alternate Fuel Facility for M/s RIL- Recovery of Excess Fixed Costs Already Paid-1

- Discoms have stated that
  - Fixed charges are being paid to M/s RIL as per the actual PLF achieved during the month
  - as there is no alternate fuel facility.
- When is it noticed that M/s RIL does not have alternate fuel facility?
- Have DISCOMS recovered excess amounts already paid to M/s RIL, if any, when it was noticed that it does not have alternate fuel facility?
- We request the Commission to direct Discoms to recover excess fixed costs paid to M/s RIL, if any.

No Alternate Fuel Facility for M/s RIL- Reduction of Fixed Costs and Recovery of Excess amounts Paid-2

- Alternate fuel facility is not provided by M/s RIL, which is one of the essential components for arriving at fixed cost payable to M/s RIL.
- It is necessary to reduce the fixed cost payable to M/s RIL for non-provision of alternate fuel facility.
- Why Discoms have not reduced the fixed cost to be paid to M/s RIL to the extent of cost of alternate fuel facility.
- We request the Commission to
  - reduce the fixed cost payable to M/s RIL duly factoring the cost of alternate fuel facility
  - and also recover excess amounts already paid to M/s RIL.

Fatal and Non-Fatal Accidents

Fatal and Non-Fatal accidents:

- Format-2 of Performance Reports of Discoms provide details of Fatal and non-fatal accidents due to electric shock.
- Most of the victims of fatal accidents are contract labour.
- It is unfortunate that DISCOMS force Contract labour to perform highly dangerous duties without even providing basic training on safety issues, which is one of the main reasons for fatal accidents.
- We request the Commission to direct Discoms to impart training to contract labour on safety related issues.

Thank you