

**BEFORE THE ANDHRA PRADESH ELECTRICITY REGULATORY
COMMISSION * 11-4-660, 5th Floor Singareni Bhavan, Lakdi-ka-pool, Red
Hills, Hyderabad – 500 004**

1.1 The following suggestions and objections are filed in response to the Public Notice published in the newspapers on 4th December 2013.

2.1 Need to fix transmission tariff for one year (2014-15), instead of the five year control period in the background of impending bifurcation of the state of Andhra Pradesh. After bifurcation transmission needs of the two states will differ from the present configuration.

Review of performance during the second control period:

3.1 For the 2nd control period (FY 2009-10 to FY 2013-14) the Commission allowed the following generation capacity to be handled by the TRANSCO:

Year	Generation Capacity (MW)
2009-10	13,744
2010-11	15,542
2011-12	15,963
2012-13	17,877
2013-14	21,222

Based on the above capacity addition the Commission allowed the given transmission tariff. But capacity generation was not added as planned. The following power plants – KTHP II (546 MW), Krishnapatnam/ Damodaram Sanjivayya TTP (1,456 MW) and Dr.NTTP (121 MW) did not start power generation as planned. Even then there was no decline in revenue from tariff earned by TRANSCO. During the period 2008-09 to 2012-13 revenue from tariff increased from Rs. 5,075 crore to Rs. 5,084 crore. During the year 2013-14 TRANSCO earned as much as provided by the Commission. This may imply that the transmission tariff decided by the Commission was on the higher side than actually needed to compensate the Licensee for the capital expenditure incurred. In the tariff filings for the third control period TRANSCO should have mentioned the generation capacity handled during the second control period. According to the tariff filings for the third control period the generation capacity handled will cross 21,000 MW only during the third year i.e., 2016-17!

Year	Additions to Original Cost of Fixed Assets (Rs. in Core)	
	Allowed by the APERC	Actual
2009-10	732	579
2010-11	1898	712
2011-12	1424	739
2012-13	941	1130
2013-14	1279	2459
Total	6274	5619

3.2 While the Commission allowed Rs. 6,274 crore towards additions to fixed assets during the 2nd control period TRANSCO claimed to have added only Rs. 5,619 crore. Here it is also to be noted that during the financial year 2013-14 TRANSCO claims to add fixed assets of Rs. 2,459 crore against Rs. 1,279 crore mentioned by the Commission. While during the first four years it was not able to add the amounts allowed by the Commission it has to be examined whether it will be able to double that during the last year.

3.3 For the year 2013-14 while the Commission allowed Rs. 6,287.84 crore towards RRB, TRANSCO claimed only Rs. 4,818 crore. Similarly while the Commission allowed Rs. 692 crore towards return on capital employed (RoCE) TRANSCO claimed only Rs. 602 crore. This implies that the capital employed by TRANSCO is less than that taken in to account while deciding the transmission tariff. We request the Commission to reexamine the transmission tariff allowed during the second control period, and also take this experience in to account while deciding the transmission tariff for the ensuing year (2014-15).

3.4 The one expenditure item that overshoot the limits set by the Commission is O&M costs. During the period 2008-09 to 2012-13 O&M costs increased by Rs. 441 crore and during the year 2013-14 it increased by Rs. 234 crore. During the public hearing on transmission tariff for the second control period several objectors raised concerns over the ballooning O&M costs (Paragraphs 23 & 24, Transmission Tariff Order, 20th March, 2009). Pampering of a few shall not be allowed at the cost of crores of consumers in the state.

Review of proposals for the third control period:

4.1 There is need to revise the estimate of electricity demand for the third control period in the background of the experience during the second control period. According to TRANSCO filing for the third control period the maximum electricity demand recorded during the year 2012-13 was 11,630 MW (recorded on March 22, 2013). For the same year the Commission estimated the generation capacity of 17,877 MW. There is huge difference between the actual quantum of power handled and the proposed power to be generated. During the year 2012-13

total installed capacity available to AP was only about 16,000 MW. Such overestimation will lead to additional tariff burden on the consumers.

4.2 The CAG in its performance report of TRANSCO for the year 2010 commented that the Company constructed sub stations and lines without assessing the load requirement, and that the company's capacity of sub stations at different voltage levels exceeded the norms fixed. The experience during the second control period shows that TRANSCO was not able to achieve the fixed assets addition as allowed by the Commission. Both these aspects shall be kept in mind while examining its filings for the third control period.

4.3 The following table shows the generation capacity proposed to be handled by TRANSCO during the 3rd control period.

Year	Generation Capacity (MW)
2014-15	17375
2015-16	19393
2016-17	21650
2017-18	24172
2018-19	27012

According to the transmission tariff order for the 2nd control period the generation capacity to be handled would be crossing 21,000 MW during 2013-14. But according to TRANSCO filings for the 3rd control period the generation capacity to be handled will be crossing 21,000 MW only during the third year i.e., 2016-17. This implies that the transmission tariff for the first three years of the 3rd control period shall not cross the tariffs set for the 2nd control period at any cost. If we take into account the fact that the actual fixed asset addition, regulated rate base and ROCE were below than that considered by the Commission in fact there is need to revise the tariffs downwards.

4.4 Transmission tariff proposals of TRANSCO shows that while total generation capacity to be wheeled is expected to increase by 55% only during the 3rd control period its transmission cost (ARR of Transmission Business) is expected to increase by 155% and transmission charges are also expected to increase. This is particularly puzzling in the presence of single digit of inflation rate. Further, if the projected capacity is not realized and the same transmission expenditure is allowed transmission charges will skyrocket, affecting the consumers adversely.

4.5 PPAs are not approved or signed in the case of many power plants that are going to be added. Only PPA with Thermal Power Tech was approved by the Commission. Singareni Thermal Power is listed as private project and as far as we know PPA with it is not yet approved. We fail to understand on what basis the Commission is approving capacity addition/power purchase from these plants.

5.1 TRANSCO proposes huge capital expenditure to erect a large number of 400 kV sub stations. It has to be examined whether these many sub stations are needed.

5.2 Some of these substations are meant to evacuate power from new power plants. Until now except in the case of Thermal Power Tech no PPA was entered with other power plants. It has to be seen that these sub stations shall be allowed only after approval of PPA by the Commission following transparent procedure including public hearing.

5.3 Some of the proposed sub stations are meant to evacuate power from merchant power plants like East Coast Energy Pvt Ltd. The consumers in the state shall not be burdened with this capital expenditure.

5.4 A part of proposed transmission infrastructure is meant to evacuate wind power. According to the wind energy policy of the state government evacuation of wind power is the responsibility of the developers. Similarly, while calculating wind energy tariff power evacuation costs are included under the plants' capital cost. Given this it is not proper to take in to account the proposed capital expenditure to evacuate wind power.

6.1 When TRANSCO transmission losses reached 3.97% in the year 2012-13 (p.5) the proposal for the third control period starts with 4.15% for the year 2014-15%. Given the huge investments made in the past and proposed to be made in the coming years this in fact shall come down.

Petition requesting the Commission

1. To examine the power demand projection for the third control period critically.
2. To examine the capital expenditure proposed for the third control period.
3. To direct the APTRANSCO to bring down transmission losses.
4. To allow the objector to be heard in person before the Commission takes any decision on this application of APTRANSCO.

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