



# APSEB ENGINEERS' ASSOCIATION

(Regd. No. 874 of 1975)

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To  
The Commission Secretary,  
APEREC, Red Hills,  
Hyderabad.

Respected Sir,

Sub: APSEBEA – Certain issues about procurement of 400 MW power from M/s. Simhapuri Energy Limited under long term basis for 12 years period - Representation – Reg.

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APSEB Engineers' Association wishes to bring the following critical issues on the request of APDISCOMs to grant approval for adoption of tariff of M/s. Simhapuri Energy Limited under section 63 of EA, 2003.

- APDISCOMs have entered in to a Power Purchase Agreement with M/s Simhapuri Energy Limited on 23.11.2016 for of 400 MW under long term basis for 12 years period at the tariff of Rs. 4.439 per kWh.
- To procure 400 MW of power from M/s. Simhapuri Energy Limited, APDISCOMs have considered the following hypothetical additional demand in future under the guidance of M/s. KPMG Consultant.
  - i) As per the 'Power for ALL' document, if the present supply hours to Agriculture sector increases from 7 hours to 9 hours per Day , it requires 850 MW of additional power from FY 2017-18 onwards.
  - ii) APDISCOMs have planned to distribute about 2 lakh energy efficient pump sets in Andhra Pradesh under the National Energy Efficient Agriculture Pumps Programme. However, in view of stay issued by Hon'ble High Court, the same may be getting delayed for implementing. As such, APDISCOMs have

assumed that a saving of 200 MW of power is to be supplemented till dispose of Court case.

iii) 1200 MW of power is to be required for maintaining spinning reserve.

➤ The Stay issued by the Hon'ble High Court on Agri Pumpsets programme has been vacated and the State Govt. is going ahead with the implementation of Agriculture DSM programme of replacement of existing inefficient / obsolete pumps with Energy Efficient Pumpsets. In view of the above, the expected savings of 200 MW is going to materialize and the DISCOMs are eased of the burden of additional power requirement.

➤ To meet the above illogical additional demand, APDISCOMs have projected a deficit of 893 MW for FY 2017-18. Accordingly, the Hon'ble Commission was requested to give approval for procurement of 600 MW from M/s. Simhapuri Energy Limited and M/s. Meenakshi Energy Limited, who have participated in the competitive bidding held by APDISCOMs, under long term basis for the period of 12 years. With this type of irrational power purchases by APDISCOMs, the State consumers shall not be burdened.

**Projected Power Purchase for 2017-2018 (Derived from the DISCOMs ARR):**

Requirement – 57,018 Million units.  
 Availability - 67,948 Million units.  
 Surplus - 10,930 Million units.  
 Proposed sale in Market - 2,208 Million units.  
 Proposed Backing Down - 8,722 Million units.

The following details are the particulars of power consumption Vs actuals of earlier and current year which also highlights the situation.

Sl.No.	Year	Actual	Projected	Surplus
1.	2014-15	7291 MW	8730 MW	1439 MW
2.	2015-16	7392 MW	9708 MW	2316 MW
3.	2016-17	6995 MW	10669 MW 8432 MW	1437 MW

It can be observed that the actuals are less than the projections made. The excess available capacity causes the inhouse generating plants i.e plants owned and operated by AP Genco the State Government's Power generation utility to shut down during the course of the year. This

excess projections are resulting in backing down and the consumer has to pay the additional excess charges on account of stranding the capacities that can be surely avoidable excess charges as below for the financial year 2017-18.

- Even if we take a conservative value of Rs 1.50/KWH as the Capacity Charge of backed down Generating plants the burden works out to Rs 1308/- Crores for the proposed backing down. This 8722 MU is equivalent to shutting down of Generating plant of 1250 MW capacity (approx..) with a PLF of 80%. If the proposed sale of power is not materialized then the burden will be Rs 1639.5 Crores and is equivalent to shutting down of plants of 1577 MW (approx..) capacity.
- It is learnt that ONGC will be supplying natural gas by July 2017 to the Gas Based IPPs located in East Godavari District with whom AP Power Utilities have Long term Power Purchase Obligations. This will add about 1500 MW (AP Share is 690 MW- 4835 mu at 80% PLF). This addition of generation will further inflate the burden by Rs 725.2 Crores. **Thus the cumulative burden will be 2364.70 Crores.**

Now Railways are on the verge of going out of the DISCOMs and are opting for Open Access. The yearly projections of the DISCOMs on the Railway Traction:

<u>APEPDCL</u> : Projected :	591.46 mu
<u>APSPDCL</u> : Projected :	638.30 mu
Total	1229.76 mu( Rs 184.4 Crores)

Thus the overall surplus will shoot up to 12159.76 mu, meaning approximately 1750 MW is to be backed down. **The overall burden including the Railways for the additional baking down will be Rs 2549.10 Crores.**

Further, the power surplus scenario that is expected to arise in the State of Telangana post commissioning of Wardha- Maheswaram line and the resulting rescinding of TS DISCOMs from the common Power Purchase Agreements with certain AP GENCO plants, the surplus scenario in AP further aggravates and this aspect also needs to be looked into.

As per the DBFOO guidelines issued by MoP. Gol, the variable charges is pass through. It is pertinent to note that M/s Simhapuri Energy Limited utilizes the 100% imported coal as fuel. The price of imported coal is highly volatile. Also the cost varies on the US Dollar exchange rate and is always increasing.

**At this Juncture it is very clear that there is no need to DISCOMs to procure power from "M/s Simhapuri Energy Limited" .This approval will aggravate the financial sickness of the AP Power Sector. Further, the excess capacity of generation is to be backed down to keep the Grid stable. As per the merit order dispatch the APGENCO units are backed down (whose aggregate unit cost of thermal power is about Rs4.40 ) and the Private IPPs are encouraged.**

It is highly irrational to shut down the precious Public owned APGENCO plants and enter into PPAs with costly private IPPs which are not required and then try to sell that excess power. There is no guarantee that this sale of power will not incur loss.

**The Hon'ble Commission is requested not to approve the PSA of M/s Simhapuri Energy Limited and affirm its authority in saving the AP Power Sector and the consumers from this avoidable loss.**

Thanking you and assuring you of our co-operation at all times.

Yours faithfully,



**M.VEDAVYASA RAO  
SECRETARY GENERAL**