



APSEB ENGINEERS' ASSOCIATION

(Regd. No. 874 of 1975)

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(2013-14)

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Hyderabad
Dt 16-7-2014

To

**The Secretary,
Ministry of Power,
Government of India,
Shram Shakti Bhavan,
Rafi Marg, New Delhi.**

Respected Sir,

Sub:- AP Reorganization Act - dividing of State
Generating Plants- certain issues - Reg

APSEB Engineers' Association represents all the Engineers in the Power Sector (Generation, Transmission and DISCOMs) from the cadre of Assistant Engineer to Executive Director in the Residuary Andhra Pradesh. APSEB Engineers' Association is established in the year 1956 and registered in the year 1975. APSEB Engineers' Association is a responsible Association and known for its constructive approach which primarily look forward to the development of the State, Organisation and then only the members.

The power sector position for residual ANDHRA PRADESH state as per AP Reorganization Act 2014, the following points are herewith submitted for consideration of the State Government and for favorable action please.

1. AP Reorganization Act 2014 has been enacted, and with effect from 2nd June 2014 the existing state of Andhra Pradesh is bifurcated as the State of Andhra Pradesh & the State of Telangana. As per the mandate of the Act, the

existing AP Generation Corporation (APGENCO), a State Government Undertaking, having generating plants spanning entire state (both regions) is to be split into two corporations, to cater to the needs of successor states.

2. It is specified in Twelfth Schedule –Part C, items I & II, of the Act that *Units of APGENCO shall be divided based on geographical location of power plants. And the existing Power Purchase Agreements (PPAs) with respective DISCOMS shall continue for both on-going projects and projects under construction.*
3. It is to inform that PPAs of APGenco plants have not consented by APERC and the PPAs of private projects such as LANCO, Vemagiri & Spectrum (located in SEEMANDRA) have got consent from APERC. The provision of the act may be applicable to the above IPPs only as they are consented by APERC.
4. **This Association is of the strong opinion that, the provisions in the present Act, in so far as APGENCO plants & PPAs are concerned, is ill conceived, lopsided and creates lot of ambiguity for the allocation of plants, power to the successor states. The Andhra Pradesh Government has already taken-up this matter.**
5. The apprehensions of this Association are briefly explained as under.
 - Existing APGENCO Plants (Thermal & Hydel) are to be split on geographical basis and are to be allocated to successor State Generating Corporations in Seemandhra & Telangana. Thereby ownership of the plants rests with successor state government undertakings.
 - The States which owns the assets will also be entitled to the disposition of its assets including the disposition of the power generated (or ultimately usage of the Asset) by the plants located therein. Respective States have all obligations, responsibilities and rights on those Assets for mortgaging, Selling, Leasing etc.

- There is a clause in the Act, with regard to continuation of Power Purchase Agreements (PPAs) with respective DISCOMS for both on-going projects and projects under construction. Clause 2 in 12th Schedule implies that GENCO plant located in Seemandhra / Telangana will have commitment to serve DISCOMs in both the States. It is expected to cause lot of confusion and mayhem, in particularly with respect to PPAs with APGENCO as explained below.
 1. As per the provisions of the AP Reforms Act 1998, and Electricity Act 2003, Power Purchase Agreements (PPAs) have to be consented by the APERC (AP Electricity Regulatory Commission) and any purchase by the licensees, without such consent is null and void. The PPAs of APGENCO are not valid legal documents, if they are not consented by the Commission.
 2. There are no valid consents by the Commission to the PPAs of APGENCO Plants, including to the Composite PPA of APGENCO encompassing plants existing as on 1999 (Notification of First Transfer Scheme). Without such consents as on the appointed date, the successor state GENCOs are at liberty to dispose the power generated from their existing and future plants, allocated on geographical basis, to their territorial DISCOMs in accordance with the directions, or otherwise, of the respective State Governments.
 3. As a fall-out of the mis-conception of the provisions of the AP Reorganization Act, the character of the existing APGENCO plants changes to that of an Inter State Plant from that of a State Generating Plant. It has a lot of implication in so far as Regulatory Jurisdiction is concerned. As per the Electricity Act 2003, Central Electricity Regulatory Commission (CERC) is vested with the

jurisdiction to determine the Tariff for Inter State Generating Plants. The State Electricity Regulatory Commissions are discharged of the function of determination of generation tariffs.

4. As you are aware, present APGENCO is entrusted with the responsibility of Pension Liability of the Employees of all utilities and there are certain Regulatory treatments for the same. If the GENCO plants become, interstate plants and jurisdiction shifts to CERC, the pension security of the employees of both the successor states is endangered.
5. Once APGENCO Plants become inter-state plants, the purview of scheduling & dispatch lies with Regional Load Dispatch Center (RLDC), SRLDC in our case. In view of the practical difficulties associated with Low Capacity Units, fuel issues, Hydro Plants being operating in accordance with Irrigation requirements etc, APGENCO plants can not be operated in accordance with the rules of Scheduling & Dispatch envisaged in the Indian Electricity Grid Code (IEGC), under which SRLDC operates.
6. Once APGENCO plants operate under SRLDC, central Unscheduled Interchange (UI) charges regulation comes into effect and all the injection entities (APGENCO Plants) and drawl entities (DISCOMs in both the States) have to incur UI charges for deviations, if any, with respect to their schedules. This is an additional burden to the power utilities in both the successor states without any additional benefit.
7. Further, if the provisions of the AP Reorganization Act are interpreted to mean that APGENCO plants become "Inter State Plants", there is an additional burden on the drawal entities (DISCOMs in both the State) by means of levy of Point of Connection (POC) Transmission Charges and Losses. Since the power is dispatched through the regional entities ,


regional level losses and transmission charges (Lines crossing between successor states become deemed ISTS Lines and POC charges are levied on the same and have to be recovered and distributed again back to the respective STUs) have to be paid. This poses additional burden on the consumers of both the States.

8. In the AP Reorganization Act, it is provided vide Twelfth Schedule that, power deficit state among the successor states has a first right of refusal to the surplus power available in the other state. This right automatically empowers the deficit state to access the surplus power in other state and thereby alleviates the need for a separate clause for sharing of PPAs of APGENCO plants.
 9. It is needless to mention that, when the land, labour, water, equity , coal allocation, environmental degradation and ownership pertains to a particular State, it is an aberration to allocate the power generated to another State.
- In view of the above , this Association strongly feels that the PPAs sharing of APGENCO plants to both the States is incorrect when the AP State itself is reeling under sever Power Shortage, loss of revenue and loss of Capital of the State and also further leads to lot of practical problems, implementation issues, and likely cropping up of **several disputes in future.**
 - It is envisaged in Reorganization Act vide section 92 that, *the principles, guidelines, directions and orders issued by the Central Government, on and from the appointed day, on matters relating to coal, oil and natural gas, and power generation, transmission and distribution as enumerated in the Twelfth Schedule shall be implemented by the successor States.*

- *So far the city of Hyderabad was exempted from power cuts for various reasons. Now allocation of power based on past consumption is totally irrational and wrong. Just because a few individuals are raking up non-issues for their selfish ends, the truth shall not get blurred. The seemandhra has suffered all these years for power by forcibly parting their share to Hyderabad being its capital, they now denied of Hyderabad as well as their share of power is difficult to comprehend. Seemandhra capital or Industrialisation totally depend on the available power at affordable cost. **When Assets and Liabilities are shared on population basis, it is illogical to allocate the power on consumption basis. This allocation is also against the principles of natural Justice. This policy leaves the rich, richer and poor , poorer.***
- In view of the above, it is earnestly requested to arrange to issue necessary clarification that APGENCO plants be allocated to successor states on geographical basis with a right to sell power generated from the respective plants be supplied to its territorial DISCOMs of that States as long as they are falling short of power and incase of surplus, the right of first refusal anyway safeguards the interest of other State.

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

Yours Sincerely,



(M.Vedavyasa Rao)
Secretary General
APSEB Engineers' Association

Copy Submitted to :

1. The Secretary , Ministry of Home, Govt. Of India, New Delhi
2. The Chief Secretary, AP State Governement.
3. The Secretary Energy, AP State Government.