APSEB ENGINEERS' ASSOCIATION

(2016-18)

(Regd. No. 874 of 1975)

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Hyderabad
30.12.2016.

To

The Commission Secretary,
APERC, Red Hills,
Hyderabad.

Respected Sir,

Sub: APSEBEA– Certain Issues pertaining to ARR for the Year 2017-18 of DISCOMs - Representation– Reg.

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APSEB Engineers' Association wishes to bring the following important issues on the proposals submitted for the ARR pertaining to the year 2017-18.

Projected Power Purchase for 2017-2018:

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.

On an average if we take a minimum of Rs.1.50/- as fixed charges the burden is 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 1500 MW (approx..) capacity.

Procurement of 600MW DBFOO bidding:

i) Meenakshi Energy Private Ltd.,: PSA for 200 MW is not yet signed.

ii) Simhapuri Power Ltd.,: PSA for 400MW singed on 23-11-2016 for 12 years to be operationalized from 1-1-2017 subject to approval from APERC.

At this Juncture it is very apt to realize that there is no need for "Meenakshi and Simhapuri Power plants". The Hon'ble Commission is yet to approve the purchase of power with these two power plants. It is highly irrational to shut down the precious Public owned APGENCO plants and enter into PPAs which are not required and then try to sell that excess power for loss. The Hon'ble Commission is requested not to entertain such claims and display its authority in saving the consumers from this avoidable loss. 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. Further, the commission is requested to order an enquiry in to the circumstances leading to surplus power in this year and also the wrong projections made by the highly paid consultants. It is also brought to your notice that the further addition of the generation as proposed by M/s Hinduja is not at all required.

The yearly projections of the DISCOMs on the Railway Traction:

APEPDCL: Projected : 591.46 mu

APSPDCL: Projected : 638.30 mu

Total 1229.76 mu.

Now Railways are on the verge of going out of the DISCOMs and are opting for Open Access. Thus the overall surplus will shoot up to 12159.76 mu, meaning approximately 1750 MW is to be backed down.

Recently Ferro Alloys Industry is given a subsidy of Rs 1.50 paisa per Unit by the AP.State Government. The DISCOMs are made to recoup this subsidy from the State Government. The process of recouping this subsidy by the cash stripped DISCOMs will further deepen its problems in cash flow.

Reducing the variable cost in the form of reduction in cost of coal for SDSTPS plant: The imported coal cost in the SDSTPS plant is increasing alarmingly due the Foreign exchange variations. To overcome this problem and to reduce the variable cost, the Hon'ble Commission may direct the APPDCL to procure same grade coal from domestic supplier i.e.. Coal India Ltd, as it is learnt that similar grade coal is costing about Rs 4800/- per MT (The present cost of imported coal is Rs 7500/- per MT). Further huge cost is spent on coal transportation compared to other similarly placed private Power Producers or other state PSUs (Tamilnadu Generation and Distribution Corporation). The Hon'ble Commission may direct the APPDCL and APGENCO to transport through the Shipping Corporation of India to minimize the transportation cost if RSR mode is necessary. Further the allotted coal linkage from MCL is not procured fully at SDSTPS and the shortfall is diverted from other plants (VTPS & RTPP). Now this diverted coal is replenished by re-booking from SCCL with 20% high cost as there is no linkage. Further the quality of the SCCL coal is inferior to MCL, thereby increasing the coal consumption and ultimately the Unit Cost of VTPS and RTPP which is leading to backing down of the said units in the merit order dispatch. This is totally avoidable by procuring the allocated 5 MMTPA from MCL at SDSTPS.

Transmission & Distribution charges exemption for Solar and Wind Power Projects:

The following are the exemptions extended to Solar and WIND Power Producers by Government of A.P till the year 2020.

Wind – Transmission & Distribution charges are waived.

Solar - Transmission & Distribution charges and Distribution losses at 33kV level within DISCOM

It is pertinent to note that the Government of India and Government of Andhra Pradesh have formulated a policy for encouraging green energy through non-conventional energy sources. Thus the above concessions were given to the NCE developers. However it is to submit that the APTRANSCO and APDISCOMs cannot survive without this revenue and the above concessions shall be made good by the policy makers. Therefore, the Hon'ble commission is requested to direct the A.P. State Government to reimburse the above concession to APTRANSCO and APDISCOMS such that these organizations do not fall sick economically.

- The surprise methodology invented by the consultants in proving that Rs 3.75 (cost of public sector power) is more than Rs 4.50 (cost of private sector power) by dividing the unit cost in to two components (Fixed cost+ Variable Cost) is nothing but hoodwinking. Finally the consumer has to pay Unit cost. The Hon'ble Commission shall not order the consumer to pay two fixed costs and one variable cost. The consumer has the legitimate right to pay only one single fixed cost and one single variable cost. Just because "X" enters agreement with "Y" and the poor consumer who has no role in the entire episode has to cough up for all these costly lapses. The precious public asset should not be kept idle for private gain.

All the above factors are affecting the DISCOMs as below.

- The cost to serve price by the DISCOMs will further go up.
- The more the cost to serve price , the more HT consumers will go away and resort to Open access. Thus, this has cascading effect and make the DISCOMs sick faster.
- The DISCOMs are the economic engines for APTRANCO and APGENCO. Once DISCOMs are sick automatically the APTRANSCO and APGENCO will collapse.

The Hon'ble APERC is requested to kindly examine the above issues and is requested

1. **Not to approve the PSAs entered with the Meenakshi and simhapuri power plants.**
2. **To advice M/s Hinduja to sell their power in the Open Market.**

3. **To make the consumer to pay only one single fixed cost and one single variable cost.**

4. **To direct the Govt. of A.P. to re-imburse the revenue for the exemptions made to Ferro alloys, wind and solar developers.**

5. **To direct the APPDCL to procure and utilise allocated coal from MCL and reduce the transportation cost by utilising the transport facility from Shipping corporation of India.**

By taking the above suggested measures , the revenue deficit projected by APEPDCL and APSPDCL in the ARRs will come down and the consumer will be benefited.

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

Yours faithfully,

M.VEDAVYASA RAO
SECRETARY GENERAL

Hyderabad * Andhra Pradesh Electricity Regulatory Commission
31 DEC 2016