

OBJECTIONS, SUGGESTIONS, VIEWS received in respect of APGENCO

I. RETAIL SUPPLY TARIFF ORDER FOR FY2019-20

(i) Availability of Power from AP Genco and SDSTPS deflated

- a) Sri M. Venugopala Rao, Senior Journalist, Convener, Centre for Power Studies, Hyderabad; Sri P. Madhu, State Secretary, CPI (M), Vijayawada; Sri K. Murali, Secretariat Member, CPI (M), Tirupati; Sri Ch. Narasinga Rao, State Secretariat Member, CPI (M), Visakhapatnam; Sri Karri Appa Rao, Dist. Secretary, AP Rythu Sangam (AIKS), Anakapalle; Sri K. Lokanadam, Dist. Secretary, CPI(M), Visakhapatnam; Sri B. Tulasidas, Vijayawada have stated that the DISCOMs have not explained the percentage of PLF they have taken into account while working out availability of thermal power from the projects of AP Genco and the Central Generating Stations. If they have taken the threshold level of PLF much below the PLFs shown in the respective PPAs, under the pretexts like presumed continuance of inadequate supply of coal, then the availability of power from those projects need to be re-worked out based on threshold levels of PLF. While the Commission had approved availability of thermal power from AP Genco for the year 2018-19 to the tune of 19937 MU without taking into account availability of 9223 MU from SDSTPPS-I and II, the DISCOMs have projected availability of 24,017 MU from thermal projects of AP Genco for the year 2019-20. If availability from SDSTPPS I & II of 9223 MU is taken into account, on the basis of availability determined for the year 2018-19, the availability of energy for 2019-20 would work out to 29160 MU. In other words, the DISCOMs have arbitrarily deflated availability of thermal power from AP Genco, including SDSTPPS, to the tune of 5143 MU (29160-19937 MU) for the year 2019-20, without any explanation and justification.
- b) Sri M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation, Hyderabad, Sri Ch. Diwakar Babu, Secretary, Consumers Guidance society, Vijayawada have stated that for the year 2018-19 the Commission in its tariff order estimated availability of 29,160 MU from APGENCO's thermal power plants (Table 16, p.239). APDISCOMs have shown availability of 24, 018 MU from APGENCO's thermal power plants during 2019-20 (para 3.3.2 APSPDCL). This shows that APDISCOMs under-estimated the availability of power from APGENCO's thermal power plants during 2019-20 by 5,000 MU.
- c) Sri Kandregula Venkataramana, President, Consumer Organizations Federation, Visakhapatnam has stated that APDISCOMs are disregarding APGENCO stations and showing interest in private developers. Against the availability of 29,160 MU from thermal power from AP GENCO stations, the DISCOMs have projected 24,107 MU only.

- d) Sri S. Prathap, Technical Secretary, APSEB Assistant Engineers Association, Vijayawada has stated that the actual energy availability will be more than that considered, as the DISCOMs considered approximately 50.63% PLF for APGENCO Thermal Plants (except SDSTPS-II and Dr. NTPPS-V) which have lower unit costs of generation (Average Unit cost for APGENCO thermal as per proposed AAR is Rs 4.38/kWh). If DISCOMs consider APGENCO Thermal Plants even with 75% of PLF, the total energy availability will be 77,556.87 MU, approximately. Then the surplus will be 9,000.00 MU as the DISCOMs' proposed energy requirement for FY 2019-20 is 67,713.49 MU. DISCOMs have decided to procure 3,600 MU from Sembcorp Gayatri Power Ltd. with a unit cost of Rs. 4.57/kWh and Short term Power Purchases including Power Exchanges for FY2018- 19 H2 and FY2019-20 are 1,123.15 MU and 445 MU respectively with a unit cost of Rs.4.57/kWh. Further, DISCOMs have shown Power Swapping (Banking) energy availed for the FY2018-19 H2 and FY2019-20 is 4,000 MU and energy to be returned is 4,363 MU with the unit cost of Rs.4.04/kWh excluding PGCIL cost Rs. 4.63 Lakhs/MW per Month. He further stated that the DISCOMs have neglected the government utilities by showing less availability and buying power from other sources.
- e) Sri K. Murali, Secretariat Member, CPI (M), Tirupati has stated that the long-term forecasting methodology need to be corrected and objected the purchase of power from private generators as the AP Genco is having enough availability.

(ii) Smt. T. Sujatha, Joint Director, FTAPCCI and Sri Sourabh Srivastava have stated the following:

- a) Higher unit cost of power from AP Genco stations

DISCOMs have projected average power purchase rate from AP Genco stations in FY2019-20 as Rs. 4.07 per unit inclusive of Hydel stations and Rs. 4.38 per unit for thermal generating stations, which is the highest when compared with other conventional power sources. The DISCOMs, in their filings, have not given information regarding the availability of the plants.

- b) Not to allow renewal of PPAs of higher unit cost plants of AP Genco

The unit rates of AP Genco are higher than the average Power Purchase cost of AP DISCOMs i.e. Rs. 4.17/unit. PPAs of such stations may not be allowed to be continued and approval towards procurement of power from these generating stations may not be allowed beyond expiration date of their respective PPAs.

- c) Higher fixed cost projected for Genco units

DISCOMs have projected higher fixed cost for the Dr NTPPS - I, II, III, RTPP-III, Hydel Generating Stations of AP GENCO including Nagarjunasagar Tailpond Power House and

the DISCOMs have not provided any justification towards consideration of increased fixed cost.

(iii) Do not allow 3% escalation of variable costs of thermal plants

- a) Sri M.Venugopala Rao, Senior Journalist, Convener, Centre for Power Studies, Hyderabad, Sri P.Madhu, State Secretary, CPI (M), Vijayawada, Sri Ch.Narasinga Rao State Secretary Member, CPI (M), Visakapatnam, Sri Karri Appa Rao, Dist Secretary, AP Rythu Sangam(AIKS), Anakapalli, Sri K.Lokanadam, Dist secretary, CPI(M), Visakapatnam, Sri B.Tulasi Das, Vijayawada have stated that the DISCOMs have projected variable costs of thermal plants for the year 2019-20 with an escalation of 3% over the variable rates approved by the Commission in the tariff order for 2018-19. The DISCOMs have not explained any reasons for such enhancement of variable charges to justify the same. If any variation takes place in variable charges during 2019-20, after issuance of tariff order by the Commission, the difference can be claimed under true-up or true-down at appropriate time. Therefore, the Commission is requested not to allow escalation of variable costs by 3% as proposed by the Discoms.
- b) Smt. T. Sujatha, Joint Director, FTAPCCI and Sri Sourabh Srivatsava have stated that that, for all the thermal generating stations of APGENCO as well as for Central Generating Stations, DISCOMs have considered a 3% escalation over the rates approved by Commission in 2018-19. When the DISCOMs are having the provision to true-up/ down their expenses in the succeeding year, what is the need to escalate the 3 % over previous year order?

(iv) Huge abnormalities in the power procurement plan

- a) Sri Khyati Naravane, Chief Executive Officer, FTAPCCI, Hyderabad and Sri Sourabh Srivatsava has stated that purchase from APGenco stations whose PPAs are expiring in March, 2019 and which have a high power purchase cost should be disallowed viz. RTPP-1 (Rs.4.79/Unit) and Penna Ahobilam Hydel Power Stations (Rs.19.19/Unit) have cost higher than the average power purchase cost of APDISCOMs. (i) Fixed cost of AP Genco stations i.e. Dr. NTPPS-I, II, III, RTPP-III, Hydel Generating Stations including Nagarjunasagar Tailpond PH has been projected at higher than approved levels of 2018-19 Tariff Order without any justification. (ii) Capital cost of new APGenco stations (RTPP-IV, DSSTPS-II and Dr. NTPPS) is still pending. (iii) Recovery of entire Capacity Charge w.r.t procurement from the Central Generating Stations is proposed without furnishing sufficient details toward availability, incentives payable at lower than normative target PLFs. (iv) Arbitrary power purchase has been projected from the old gas based IPPs. (v) Power of around 4000 MU

has been considered from short term sources. It ought to be allowed at the average exchange price only. (vi) Effective high-power purchase cost from AP Genco stations on account of lower despatch should be mitigated to reduce risk of short-term purchase and poor station efficiency.

(v) Increase the PLF of Genco plants from 50% to 80%

a) Sri S. Prathap, Technical Secretary, APSEB Assistant Engineers Association, Vijayawada has stated that the Commission to enhance the energy availability from proposed 50% of PLF to 80% of PLF for APGENCO Thermal -Stations and also limit the wind generation in AP, as the DISCOMs have already reached its RPP0 target set by APERC and wind energy unit cost is reducing in all over the India but AP DISCOMs are paying higher unit cost to wind power developers. So, all long term wind PPAs may be reviewed.

b) Sri P.H. Janakiram, Company Secretary, APSEBEA APSPDCL Unit has stated that in the public hearings being conducted by the Commission every year, many of the objectors are regularly submitting their views / suggestions / objections duly expressing their dissatisfaction on the tariff rates and also various aspects that (i) preferential tariff to the NCE plants are not justified, (ii) entering agreements for lengthy period of 25 Years is not correct, (iii) higher tariff rates for the NCE plants are not justified, (iv) backing down of conventional plants with lesser tariff rates is not appropriate and (v) reducing the plant load factors of APGENCO generating stations is not appreciated. The performance of the AP GENCO power plants is better than the NTPC power plants and many times APGENCO power plants stood at first place in the National level. i. Power purchases from Spectrum, Lanco, Simhapuri, Sembcorp is not correct. Short term power purchases, purchases from IEX etc. are not justified in the prevailing power surplus situations. ii. Swapping of power is not justified. The merit order despatch and its implementation require review.

II. MYT ORDERS-APGENCO

i) Sri M. Venugopala Rao, Senior Journalist and Convener, Center for Power Studies, Hyderabad has stated that

a) AP Genco is claiming station heat rate of 2650 kCal per kWh against the existing norm of 2500 kCal per kWh and auxiliary consumption of 10.5% against the existing norm of 8.75% for stages I, II and III of Dr NTTPS at 65% load.

b) Irrespective of demand growth, availability of power and substantial surplus power, need for adding installed capacities periodically based on requirement of power for meeting growing demand, the GoAP has been forcing the Discoms to enter into PPAs indiscriminately with new power plants, especially of nonconventional energy, at very high

generic tariffs determined by the APERC APGENCO Tariff Order 4th Control Period Page 22 of 82 Commission and the latter has been giving its approvals for the same. As a result, plants of AP Genco are being backed down. In the subject filings, AP Genco has pointed out that “in addition to the ageing of units, most of the times the units are running at partial loads on account of increased must-run non-conventional energy generation in the State and the consequent backing down instructions issued by the SLDC. On account of backing down, the percentage of auxiliary consumption is also increasing” (8.2 of volume 1 of 2). If the GoAP continues its misadventure of forcing the Discoms to enter into PPAs to purchase unwarranted power, both non-conventional and thermal, at higher tariffs and unrelated to requirement to meet demand, the problems of surplus power and avoidable burdens related thereto and of AP Genco will get intensified, leading to anarchy in the power sector. Therefore, the Commission is requested to exercise its legitimate regulatory authority to check the anarchy and ensure orderly development of the power sector and supply of power to the consumers at reasonable tariffs.

- c) The Commission is requested not to give its consent to PPAs, if any, entered into by AP Discoms with any private power project/s, both conventional and NCE, till power from the projects of AP Genco is fully utilized by the Discoms. There should be long-term PPAs with the projects of AP Genco and consent of the Commission be given once for all, without any need to approach it once in every quinquennium for determination of tariffs afresh.
- ii) Sri P. Siva Rao, Standing Counsel on behalf of APDISCOMs, has stated the following:
 - a) APGENCO selectively adopted certain CERC norms only like norms for O&M expenses, ROE etc. This selective adoption of norms is not acceptable. The Commission is requested to consider other CERC norms also such as norms for SHR, Auxiliary Energy consumption, Oil consumption, target availabilities, target PLFs, GCVs of coal on received basis for billing purpose etc. while determining the tariff. Further, CERC is likely to issue new Tariff Regulations for FY2019-20 to FY 2023-24 in February, 2019. Hence, the latest norms specified in the above Regulation may be considered.
 - b) APGENCO is not able to maintain the coal stock as considered in the working capital. Hence, provision may be made in the tariff order for subsequent truing up of working capital based on the actual coal stock.
- iii) Sri R. Shiv Kumar, FTAPCCI and APSMA, during the public hearing on 01.02.2019 held at Hyderabad has stated that:
 - a) The performance of APGENCO is deteriorating. Its PLF has come down from 85% in the past, to 63% now.
 - b) The PLF of RTPP IV is being observed at 10.34%.

- c) Details of Plant availability were not mentioned in the filings.
- d) Overall PLF projected for APGENCO plants is 55% and claimed full fixed charges corresponding to 80% PLF.

III. LOAD FORECASTS, RESOURCE PLANS and POWER PROCUREMENT PLANS for 4th and 5th Control Periods

- a) Dr. S. Chandramouli, President, APSEB Engineers' Association and Sri S. Prathap, Technical Secretary, APSEB Assistant Engineers' Association, Vijayawada have stated that the proposed procurement of 800 MW in FY2019-20 for spinning reserve (for unit with higher capacity available or 5% of installed capacity whichever is lower) is not needed with rated generation of existing installed capacities. DISCOMs are not considering some of the GENCO thermal plants from FY2019-20 onwards, which are generating power at low cost and working effectively. DISCOMs can consider these power plants for the 4th and 5th Control Periods and no need to phase out which will help reduce the financial burden on both the consumers and DISCOMs.
- b) Dr. S. Chandramouli, President, APSEB Engineers' Association has stated that the additional generation capacity of 5400 MW required by FY2023-24 to meet 95% of hourly average demand on year on year basis. If spinning reserve and 100% meeting of average load are considered, the capacity requirement is still higher. No plans to meet the load requirement in the medium term i.e. for the 4th Control Period and long term i.e. by FY2028-29 have been mentioned in the Resource Plan. There is no upcoming capacity in pipeline for APGENCO once the ongoing projects of SDSTPS-II (800 MW), NTPS-V (800 MW) and Polavaram (960 MW) hydro plants are commissioned. Polavaram being a hydro plant, energy production is very less when compared to thermal plants. Power plants have long gestation periods. To get the plants materialized and pick up the load requirements, planning in advance for almost 5 to 10 years is required otherwise State will reel under heavy deficit situation in the years to come. AP GENCO being a State utility has to be given permission to explore the option of installing additional capacity.