

Visakhapatnam Apartment Residents' Welfare Association (VARWA)

President: N Prakash Rao

Visakhapatnam

General Secretary: BB Ganesh

Date: 08.09.2023

To

The Secretary

A.P. Electricity Regulatory Commission

4th floor, Singareni Bhavan, Red Hills

Hyderabad - 500 004.

Respected Sir,

Sub : Submission of views and suggestions in OP No.55 of 2023 filed by APEPDCL seeking approval of the Hon'ble Commission to consider issuing "suitable" amendments to APERC (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation No.4 of 2005.

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With reference to the public notice dated 31.7.2023, inviting views, objections and suggestions in the subject petition, we submit the following points for your consideration.

Regulations of the Commission apply to all the distribution companies under its purview. It is not clear as to why APEPDCL only has filed the subject petition, when the other two DISCOMs APSPDCL and APCPDCL did not.

In the subject petition, EPDCL has submitted that “As per APERC Regulation No.4 of 2005, clause 15 working capital for distribution business is considered as 1 month O&M expenses allowed for that particular year on a normative basis. No working capital has been considered in respect of retail supply business in which power purchase cost accounts for major portion of DISCOM's expenditure. Hence, the current structure of working capital, which considers only 1-month normative O&M expenses, is not sufficient for DISCOMs to make timely payment to the generators and cater to other running expenses. Moreover, subsidy arrears from Government, long outstanding dues from Government Departments and payment defaults from consumers are making it difficult for DISCOMs to manage liquid cash, further aggravating the problem of working capital. Hence, in order to meet their working capital requirement DISCOMs are currently availing working capital loans. These working capital loans are beyond the normative levels and hence are not being recognized by the Hon’ble Commission. OP No. 55 of 2023 Further it is to submit that the APEPDCL is paying substantial amount towards interest on working capital every year for the borrowings made to meet Power Purchase obligations of Generators. This interest amount is ranging from INR 420 Crs to 650 Crs for the last 4 years.”

Referring to the above, the following doubts need to be clarified.

What is the accumulated subsidy due from the state government and for which period?

What are the accumulated dues from consumers category-wise and for how long?

Are amounts of interest on working capital shown year-wise by APEPDCL in the subject petition pertaining to itself or for all the three DISCOMs?

The DISCOM has made several proposals to enable it to collect interest on working capital, which is claimed to be borrowed for purchasing power, from consumers. The proposals of the DISCOM are in the nature of imposing unjustified and unwarranted burdens on consumers of power, especially on those consumers who have been paying their power bills in time, for the

failure of the government in releasing subsidy amounts in time and failure of the DISCOMs in collecting dues in time from the consumers concerned. As such, no working capital is required for retail supply business of the DISCOMs.

As per relevant regulations, the DISCOMs have been collecting security deposits from consumers as and when they give service connections to them equivalent to two to three months requirement of power. As and when consumption of consumers exceeds contracted level, the DISCOMs are collecting additional deposit. That amount should be more than sufficient for purchasing power and paying required amount to generators of power with whom the DISCOMs had long-term PPAs and also for purchasing power through exchanges or in the market as and when need arises for it. As such, the question of borrowing working capital for purchasing power and paying interest on such borrowings does not arise. On the other hand, if the DISCOMs pay for power purchased before due date, they get rebate also as per the terms and conditions in the PPAs.

Regarding subsidy arrears from the government, the DISCOMs should demand the government to pay interest for the period delayed. In this connection, we would like to remind the Hon'ble Commission that we have repeatedly been requesting it to get the written commitment of the government for providing the subsidy it agrees to in a legally binding and irrevocable manner and also make it clear that for the period delayed in releasing the agreed subsidy, it should also pay reasonable interest. Unfortunately, APERC, since its inception has been taking the wrong stand that, if the government does not pay the agreed subsidy, the DISCOMs should collect full cost tariffs (excluding cross subsidy) determined by the Commission from the subsidised consumers concerned. We once again request the Hon'ble Commission to re-examine our suggestion and consider it with the legal and moral authority it has. If there is delay in releasing agreed subsidy by the government, and as a result, if the DISCOMs have to borrow working capital for purchase of power, the interest thereon should not be imposed on consumers, especially non-subsidised consumers. The approach of seeking imposition of interest burden of such working capital on consumers, especially non-subsidised consumers, is perverse and would

tantamount to penalising them for the failure of the government. The Hon'ble Commission has been allowing carrying costs for the period applicable under true-up to be collected from the consumers. The same principle should be applied to government for default or delay in releasing subsidy to the DISCOMs it agreed in written commitments being given to the Hon'ble Commission every financial year in connection with finalisation of retail supply tariff orders.

The contention of the DISCOM that “long outstanding dues from Government Departments and payment defaults from consumers are making it difficult for DISCOMs to manage liquid cash, further aggravating the problem of working capital” is also untenable. If consumers, including offices of the government, do not pay power bills within the stipulated time limit, the DISCOMs have to disconnect such services after expiry of the grace period. In such a situation, the security deposit with the DISCOMs can be adjusted for the dues. Interest being paid by the DISCOMs on security deposits of the consumers is also being treated as expenses and included in the aggregate revenue requirement. Moreover, when consumers pay dues and seek reconnection, the DISCOMs are collecting interest for the period delayed plus reconnection charges also from the consumers concerned. The DISCOMs should not continue supply of power, when the consumers concerned fail to pay dues even after the grace period given expires, as per the terms of supply. In such a situation, the question of “long outstanding dues” does not arise. If the DISCOMs continue supply of power even after the consumers concerned fail to clear the dues after expiry of the grace period given, the fault lies with the DISCOMs but not with the sincere consumers and it may imply coercion, collusion and corruption. For such a dereliction of duties of the DISCOMs, other consumers should not be penalised in the form of imposing burden of interest on working capital claimed to be borrowed for paying the generators on consumers. The DISCOMs have to correct their deficiencies and improve their efficiency and performance. Allowing collection of interest on working capital supposed to be borrowed for purchasing power for the consumers would only encourage the DISCOMs to continue to borrow working capital and claim interest thereon and FPPCA, instead of endeavouring to improve their efficiency and performance. In other words, it will encourage the DISCOMs to penalise the consumers for

the failures of commission and omission of the DISCOMs themselves. It will also encourage the government to delay payment of agreed subsidy amount and allow its offices and instrumentalities to delay payment of power bills, without any responsibility and accountability. Despite the directions of the Hon'ble Commission to disconnect service connections of government offices and its instrumentalities and local bodies, if they fail to pay dues of power bills within the stipulated time, and the DISCOMs have been unable to implement the Commission's direction, then the validity of our above submissions stand confirmed.

The DISCOM has argued that "On one hand, Discom is levying Delay Payment surcharge (DPS) to consumers and is currently being considered as part of non-tariff income. On the other hand, Discom is also paying Late Payment Surcharge (LPS) to Gencos for delay in payment due to delay in realization of Discom receivables. LPS is currently not being considered as part of ARR." As pointed out above, in view of security deposit paid by the consumers, there should not be delay on the part of the DISCOMs in paying for the power supplied by generators. As such, delay payment surcharge being collected from the consumers by the DISCOMs for the period of delay in paying dues is justifiably treated as a part of non-tariff income to be adjusted towards aggregate revenue requirement of the DISCOMs. Similarly, if the DISCOMs are paying late payment surcharge to generators for supply of power, the consumers are not responsible for such a delay.

If sale of power by the DISCOMs, as approved in the retail supply tariff order for the FY concerned, decreases, need for purchasing power also comes down. It may lead to increase in availability of surplus power, its backing down and paying fixed charges therefor. That burden is already being imposed on the consumers under FPPCA. If sales of power by the DISCOMs, as approved in the retail supply tariff order for the FY concerned, increases, the DISCOMs have to purchase power additionally, if it is not available from committed sources under PPAs in force. If sales to subsidising consumers increase, the DISCOMs can get additional profit and cross subsidy. If sales to other non-subsidising consumers increase, the additional expenditure, if any, the DISCOMs incur for purchasing additional power will be recovered in the form of tariffs and under FPPCA. If sales to subsidised consumers, including

agricultural consumers, increase, the DISCOMs are being allowed to collect the additional cost incurred for purchasing additional power exceeding the average cost of power purchase determined in the RSTO from subsidised consumers in the form of tariffs determined by the Commission and from all the non-agricultural consumers under FPPCA. We have repeatedly pointed out that a part of additional expenditure incurred for supplying power to agricultural consumers exceeding the quantum determined in the RSTO by the Commission is being imposed on non-agricultural consumers through computation jugglery unjustifiably, thereby reducing the subsidy to be provided by the government, and requested it to rectify this aberration but to no avail. On the request of the DISCOMs, in the draft amendment to the subject regulation proposed by APERC separately, it is incorporated that "To recognise the expenditure incurred on market purchases of power as working capital, and accordingly allow the interest on working capital based on the approved short-term power purchase cost in Retail Supply Tariff Order." Since security deposits of consumers can be spent for additional expenditure incurred by the DISCOMs for market purchases of power and recovered from the consumers and the government, both through tariffs and subsidy and under FPPCA with carrying cost, need for working capital should not arise and interest on working capital, as claimed by the DISCOMs, should not be permitted. The proposal of the DISCOM adds to the unjustifiable burdens already being imposed on the consumers.

The submissions of the DISCOM, seeking enhancement of requirement of working capital for distribution business and retail supply business are unjustifiable. After considering various relevant factors, the Hon'ble Commission has been fixing O & M requirements on normative basis. If any changes are required for any valid and specific reasons, that can be considered by the Hon'ble Commission as and when those issues are taken up as a part and parcel of regulatory process relating to MYT and ARR.

ARR being determined by the Hon'ble Commission every financial year covers transmission cost, SLDC cost, distribution cost, PGCIL expenses, ULDC charges, power purchase cost, interest on consumer security deposits, supply margin in retail supply business and other costs, if any, as is being shown in the RSTOs every financial year.

Transmission and distribution charges, as allowed by the Hon'ble Commission, are being collected by the DISCOMs from the consumers as a part and parcel of retail supply tariff. As already pointed out, for permissible FPPCA claims of the DISCOMs, the Hon'ble Commission has been allowing carrying cost for the applicable period. With the latest amendments, the DISCOMs are being allowed arbitrarily to collect 40 paise per unit per month under FPPCA, without prudence check and prior permission of the Hon'ble Commission. Imprudent decisions of the governments, the DISCOMs and ERCs are also responsible for avoidable burdens on consumers under FPPCA. They need to be corrected. Amending the subject regulation, as sought by the DISCOM, is unwarranted, arbitrary and anti-consumer.

In view of the above, the amendments to the subject regulation sought by the DISCOM are unjustified and impermissible. Therefore, we request the Hon'ble Commission to reject the subject petition of APEPDCL in toto.

I request the Hon'ble Commission to provide me an opportunity to make further submissions during the public hearing. Please conduct public hearing on physical and virtual mode to enable more organisations participation.

Thanking you,

Yours sincerely,

BB Ganesh,

General Secretary,

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HB Colony, Visakhapatnam.

Mobile: 9440133400

ఒకే విద్యుత్ మీటర్ నిబంధన విరమించుకోవాలి : వార్షిక

ప్రజాశక్తి - మాధవధార

విద్యుత్ సంస్కరణల్లో భాగంగా ఒకే డోర్ నెంబర్ కు ఒక మీటర్ మాత్రమే ఉండాలన్న నిబంధనలను విరమించుకోవాలని విశాఖపట్నం అపార్ట్ మెంట్స్ రెసిడెంట్స్ వెల్ఫేర్ అసోసియేషన్ (వార్షా) అధ్యక్షులు ప్రకాశరావు డిమాండ్ చేశారు. వార్షా గ్రేటర్ విశాఖ కాలనీ రెసిడెంట్స్ సంఘాల సమాఖ్య (నివాస్) సంయుక్తంగా అపార్ట్ మెంట్ వాసులు, కాలనీ వాసులతో కంచరపాలెం జోన్ కమిటీ ఆధ్వర్యంలో శనివారం మాధవధారలోని కనకదుర్గ కళ్యాణ మండపంలో సమావేశం నిర్వహించారు. ఈ సందర్భంగా ప్రకాశరావు మాట్లాడుతూ, రాష్ట్ర ప్రభుత్వం ఆస్తిపన్ను, చెత్త పన్నులను పెంచి ప్రజలను ఇబ్బందులకు గురి చేస్తోందని విమర్శించారు. ఇంటి పన్ను వసూలు అడ్డె విలువ నుంచి ఆస్తి విలువకు మార్పడం అన్యాయమన్నారు. కాలనీల్లో రోడ్డు బాగోలేవన్నారు. ఈ



సమావేశంలో మాట్లాడుతున్న ప్రకాశరావు

సమావేశంలో నివాస్ అధ్యక్షులు నారాయణమూర్తి, వార్షా కార్యదర్శి గజేష్, కంచరపాలెం జోన్ అధ్యక్షులు సనపల రామ్ గోపాలరావు, కార్యదర్శి నాయుడు బాబు, కూన సత్యనారాయణ, కె సుధాకరరావు, పి పాండురంగారావు, పి శ్రీదేవి పాల్గొన్నారు.