



# **APEPDCL**

**Replies to Objections and Suggestions raised by  
the public on FSA filing for FYs: 2008-09 & 2009-10**

List of Objectors on FSA filing 2008-09 & 2009-10

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**1) Reply to objections by Sri Challa Gunaranjan, Advocate for M/s.The India Cements Ltd., (5013 )**

During the FY 2008-09 & FY 2009-10, acute shortage of power was witnessed due to various reasons. In addition, there were shortages in the quantum of energy from stations approved by the Commission. To minimize the demand and supply gap to the extent possible, GoAP had directed to use the idle capacities of IPPs by using Naphtha, generation of power using imported coal and to purchase power from various sources. It was a composite task of receiving final bills, accounting energy, arriving at accurate losses to finalize the final cost. Further, receiving of bills, collection of and analysis of data is a continuous process.

The recovery of excess cost incurred on the energy supplied by is very much essential to make utilities to be on self-sufficient. Hence, the cost born on the energy consumed, energy sector required to be paid in full. As the power was procured from other sources as per the directions of GoAP, Government decision was sought for filing FSA duly referring the Section 62(4) of Electricity Act, 2003 whether to exempt any specific category from FSA and if so the commitment of the GoAP to reimburse the entire cost. It was because of such persuasion, GoAP had given orders to exempt Domestic Category of consumers from levy of FSA for FY 2008-09 to the extent of Rs.502.07 Crores based on earlier orders of Hon'ble Commission.

The Hon'ble High Court had made it clear that, under Regulation 59 of the Business Regulations, the Commission has the power to condone the delay in filing applications by the licensees claiming FSA beyond the time prescribed. Deferment of hearing till the disposal of Writ Appeal filed by consumers on applicability of Clause 59, as the same would have impact on the financials of utilities.

Calculation of FSA doesn't require technical expertise as it is mere arithmetical calculations of variance between cost already approved by Hon'ble Commission and the actual cost incurred by utilities.

## **2) Reply to objections by Sri Swamy Jagannandananda (4982)**

It is already intimated in the Tariff Order that FSA will be extra as applicable and as notified by Commission from time to time. FSA is arithmetical calculation of variance between costs already approved by Commission, which has to be paid by Consumers as per the approval for the units consumed.

## **3) Reply to objections by Sri/Smt Mutuganti Anitha (5024)**

FSA will be levied as per the schedule given by the Hon'ble Commission and even otherwise, it will be levied duly keeping in view the payment convenience of public in general. FSA will be levied based on the energy consumed during the period for which FSA is approved by Commission duly showing the FSA as a separate item.

## **4) Reply to objections by Sri Challa Gunaranjan, Advocate for M/s.GMR Hyderabad International Airport Ltd., (5017)**

During the FY 2008-09 & FY 2009-10, acute shortage of power was witnessed due to various reasons. In addition, there were shortages in the quantum of energy from stations approved by the Commission. To minimize the demand and supply gap to the extent possible, GoAP had directed to use the idle capacities of IPPs by using Naphtha, generation of power using imported coal and to purchase power from various sources. It was a composite task of receiving final bills, accounting energy, arriving at accurate losses to finalize the final cost. Further, receiving of bills, collection of and analysis of data is a continuous process.

The recovery of excess cost incurred on the energy supplied by is very much essential to make utilities to be on self-sufficient. Hence, the cost born on the energy consumed, energy sector required to be paid in full. As the power was procured from other sources as per the directions of GoAP, Government decision was sought for filing FSA duly referring the Section 62(4) of Electricity Act, 2003 whether to exempt any specific category from FSA and if so the

commitment of the GoAP to reimburse the entire cost. It was because of such persuasion, GoAP had given orders to exempt Domestic Category of consumers from levy of FSA for FY 2008-09 to the extent of Rs.502.07 Crores based on earlier orders of Hon'ble Commission.

The Hon'ble High Court had made it clear that, under Regulation 59 of the Business Regulations, the Commission has the power to condone the delay in filing applications by the licensees claiming FSA beyond the time prescribed. Deferment of hearing till the disposal of Writ Appeal filed by consumers on applicability of Clause 59, as the same would have impact on the financials of utilities.

Calculation of FSA doesn't require technical expertise as it is mere arithmetical calculations of variance between cost already approved by Hon'ble Commission and the actual cost incurred by utilities.

#### **5) Reply to objections by Federation of Andhra Pradesh Small Industries Associations (4995)**

The Hon'ble High Court had made it clear that, under Regulation 59 of the Business Regulations, the Commission has the power to condone the delay in filing applications by the licensees claiming FSA beyond the time prescribed.

Further, it was directed that Commission shall consider such applications and decide in accordance with law in the light of the observations made and recorded by Hon'ble High Court and pass appropriate orders, expeditiously. Accordingly, the Discoms have submitted FSA proposals afresh for the FY 2008-09 & FY 2009-10.

Further, FSA proposals were submitted in accordance with the Section 45-B of Conduct of Business Regulations amendment 1 of 2003. In addition, FSA was computed and filed before Commission excluding energy consumed by Agriculture category.

The recovery of excess cost incurred on the energy supplied by is very much essential to make utilities to be on self-sufficient. Hence, the cost born on the energy consumed, energy sector required to be paid in full. As the power was procured from other sources as per the directions of GoAP, Government decision was sought for filing FSA duly referring the Section 62(4) of Electricity Act, 2003 whether to exempt any specific category from FSA and if so the commitment of the GoAP to reimburse the entire cost. It was because of such persuasion, GoAP had given orders to exempt Domestic Category of consumers from levy of FSA for FY 2008-09 to the extent of Rs.502.07 Crores based on earlier orders of Hon'ble Commission.

It was clearly stated in the respective Tariff Orders that FSA would be levied in addition to tariff rates envisaged as applicable as notified by Commission from time to time. The FSA mechanism is established to pass on the variance in cost to the consumers in a systematic manner and if it is not realized it would jeopardize the sustainability of Discoms.

#### **6) Reply to objections by Andhra Pradesh Spinning Mills Association**

Explanatory notes on computation of FSA along with monthly calculation sheets, is already placed in website. The prior period expenditure is indicated station wise and month wise and the supporting bills were submitted to Hon'ble Commission for verification. As far as agriculture consumption is concerned, it is to inform that FSA was computed in accordance with the Section 45-B of Conduct of Business Regulations amendment 1 of 2003.

**7) Reply to objections by Bharathiya Kisan Sangh – A.P. (5025 to 5033 & 5286 & 5287)**

Confining to the subject matter referred in public hearing, it is to inform that FSA will be levied as per the regulation in vogue for all the categories except agriculture, which is specifically exempted, vide Section 45-B of Conduct of Business Regulations amendment 1 of 2003.

**8) Reply to objections by Inox Air Products Ltd., (5241)**

The Hon'ble High Court had made it clear that, under Regulation 59 of the Business Regulations, the Commission has the power to condone the delay in filing applications by the licensees claiming FSA beyond the time prescribed.

Further, it was directed that Commission shall consider such applications and decide in accordance with law in the light of the observations made and recorded by Hon'ble High Court and pass appropriate orders, expeditiously. Accordingly, the Discoms have submitted FSA proposals afresh for the FY 2008-09 & FY 2009-10. The recovery of excess cost incurred on the energy supplied by is very much essential to make utilities to be on self-sufficient. Hence, the cost born on the energy consumed, energy sector required to be paid in full.

Further, it was already ordered by Hon'ble Commission along with respective year's tariff order that FSA would be levied extra to all the categories of consumers other than exempted. Every consumer was made aware of applicable tariff vide publication in newspapers. Further, the tariff order itself provides for claiming FSA depending upon the inflationary effect and it is prudent on the part of alighted consumers to take note of increase in prices of raw materials.

**9) Reply to objections by Hindustan Zinc Ltd., (CS-T-2647)**

Explanatory notes on computation of FSA along with monthly calculation sheets, is already placed in website. The prior period expenditure is indicated station wise and month wise and the supporting bills were submitted to Hon'ble Commission for verification. As far as agriculture consumption is concerned, it is to inform that FSA was computed in accordance with the Section 45-B of Conduct of Business Regulations amendment 1 of 2003.

**10) Reply to objections by Andhra Sugars Ltd., (CS-T-2649)**

The month-wise cost sheets are placed in website. The variable cost shown in the tariff order is based on the provisional cost of raw material. The increased value of fuel is factored and shown as actual variable cost. Energy purchased in units and station wise is placed in website. Computation of FSA is a mere arithmetical calculation approved by the respective Commissions to decide the variance in cost considered at the time of tariff order and actual costs incurred by utilities. Further, operating norms for calculating the variable cost is determined/ approved by the regulators. Fixed cost approved by the commission is available in tariff order and the same is compared with actual fixed cost admitted (as shown website in the monthly sheets) for arriving at the variance.

**11) Reply to objections by M/s.Dual Rings Pvt. Ltd., (5284)**

The FSA claim was filed before Commission afresh by respective utilities as per the directions of Hon'ble High Court, which reiterated the inherent power vested with Commission under Regulation 59 to condone the delay. Further, the Hon'ble High Court while passing order setting aside the impugned order passed by the Commission, stated that it is open to the licensees i.e., Discoms to file applications afresh before APERC claiming FSA for FY 08-09. Further, it was stated that Commission shall consider such applications and decide in accordance with law in the light of the observations made and recorded by Hon'ble High Court and pass appropriate orders, expeditiously.

### **12) Reply to objections by M/s.Grindwell Norton Ltd., (5396)**

The Hon'ble High Court had made it clear that, under Regulation 59 of the Business Regulations, the Commission has the power to condone the delay in filing applications by the licensees claiming FSA beyond the time prescribed.

Further, it was directed that Commission shall consider such applications and decide in accordance with law in the light of the observations made and recorded by Hon'ble High Court and pass appropriate orders, expeditiously. Accordingly, the Discoms have submitted FSA proposals afresh for the FY 2008-09 & FY 2009-10. The recovery of excess cost incurred on the energy supplied by is very much essential to make utilities to be on self-sufficient. Hence, the cost born on the energy consumed, energy sector required to be paid in full.

Further, it was already ordered by Hon'ble Commission along with tariff order that FSA would be levied extra to all the categories of consumers other than exempted along in the respective Tariff Orders. Every consumer was made aware of applicable tariff vide publication in newspapers. Further, the tariff order itself provides for claiming FSA depending upon the inflationary effect it is prudent on the part of alighted consumers to take note of increase in prices of raw materials.

### **13) Reply to objections by M/s.Ellenbarrie Industrial Gases Ltd., (5207)**

It was already ordered by Hon'ble Commission along with respective year's tariff order that FSA would be levied extra to all the categories of consumers other than exempted. Every consumer was made aware of applicable tariff vide publication in newspapers. Further, the tariff order itself provides for claiming FSA depending upon the inflationary effect and it is prudent on the part of alighted consumers to take note of increase in prices of raw materials. The FSA mechanism is established to pass on the variance in cost to the consumers in a systematic manner and if it is not realized it would jeopardize the sustainability of Discoms.

#### **14) Reply to objections by Priyadarshini Spinning Mills Ltd., – (CS-T-3043)**

With regard to statement showing month-wise, category wise sales during FY 08-09, it is to inform that the actual retail sales by each Discom is summed up to arrive at the total sales made at state level (for this purpose agriculture sales is taken at least of i) target given in the tariff order (or) ii) actual energy consumed by agriculture category of consumers). The monthly power purchase quantity shown is the energy arrived at by grossing up the above sales figure with the line losses given in the tariff order. In the month-wise, category-wise sheet the details of each Discom is shown and in monthly FSA computation sheets the sum of all the Discoms is shown because in the tariff order merit order is given considering state as a whole not Discom-wise.

Actual power purchases by each Discom is not considered, as the merit order for purchase of power is given in the tariff order for entire state but not for each Discom.

With regard to agriculture consumption, it is to inform that least of i) target given in the tariff order (or) ii) actual energy consumed by agriculture category of consumers) is considered for computation of FSA. For the FY 2008-09 all the additional power was procured to meet the shortages from the approved sources and to bridge the gap between demand and sales, GoAP had given assurance to reimburse the cost except FSA. Therefore, the cost of excess energy consumed by agriculture consumers would be reimbursed by GoAP.

Sales are being grossed up as per the suggestion of Commission staff in the interest of consumers so that losses reported by Discoms over and above normative losses prescribed by Commission which are much lesser than actual losses, are not passed on to consumers.

Station wise actual fixed costs are shown in monthly statements. The increment in fixed cost is due to final orders of CERC/APERC in respect of Central/APGENCO stations, foreign exchange variation, and increase in working capital interest rates. All the corresponding bills are being submitted to Commission for scrutiny.

All the variable cost is admitted and paid for actual energy supplied keeping view the operating norms envisaged in successive regulations and the cost related to coal, gas, GCV etc., is audited and authenticated by the internal auditors and AG audit.

The FSA is only cost variance on account of increase in fuel cost.

Power purchase quantities over and above tariff order are excluded from marginal stations as a result high cost variance stations are excluded from levy of FSA, which is beneficial to consumer.

All the prior period items are admitted and paid based on CERC/APERC orders and terms and conditions of PPA and the relevant bills are submitted to Commission for scrutiny.

“Z” in the formula construes that all the prior period expenditure relating to fixed and variable cost and for the energy already supplied and consumed.

FSA per unit is same for all the Discoms in view of single merit order for entire state.

Energy in the denominator i.e.,  $Q_i$  is the actual energy sold to all categories (except agriculture) in the quarter is taken as per the regulation.

Power purchase cost can be classified into variable and fixed cost and regulation provides for pass through of variation either due to fuel or due to fixed cost.

**15) Reply to objections by VSF Projects Ltd., – (5212, 5213, 5257 & 5242)**

The Hon'ble High Court had made it clear that, under Regulation 59 of the Business Regulations, the Commission has the power to condone the delay in filing applications by the licensees claiming FSA beyond the time prescribed.

Further, it was directed that Commission shall consider such applications and decide in accordance with law in the light of the observations made and recorded by Hon'ble High Court and pass appropriate orders, expeditiously. Accordingly, the Discoms have submitted FSA proposals afresh for the FY 2008-09 & FY 2009-10. The recovery of excess cost incurred on the energy supplied by is very much essential to make utilities to be on self-sufficient. Hence, the cost born on the energy consumed, energy sector required to be paid in full.

Discom wise FSA statements were also placed in website. Discom wise FSA amounts are arrived based on the Discom sales during month. The FSA was computed for each unit. In addition, the FSA would be levied based on the energy consumed by each category of consumer multiplied by FSA per unit arrived at for the month.

Additional power procured and the associated cost is stated in the monthly FSA statements, which are placed in website. FSA per unit was arrived at as per the formula envisaged in the regulation 49-B.

Further, it was already ordered by Hon'ble Commission along with respective year's tariff order that FSA would be levied extra to all the categories of consumers other than exempted. Every consumer was made aware of applicable tariff vide publication in newspapers. Further, the tariff order itself

provides for claiming FSA depending upon the inflationary effect and it is prudent on the part of alighted consumers to take note of increase in prices of raw materials.

**16) Reply to objections by Keerthi Industries Limited (5073) & MSN Group (5273).**

The GoAP which subsidizes a certain portion of tariff and gives direction under the provision of the Act needs to be consultant on the issues from time to time . In the line with above, CPDCL /APDISCOMS have requested the GoAP to give its consent to file FSA for FY 2008-09.

The objector, is well aware of the Section 45-B of the business regulation, wherein it is imperative on the part of the DISCOMS to file the deviation between approved power purchase cost and actual power purchase incurred by the DISCOMS and this Fuel Cost variance can be only recovered from the consumers which is already spent by the DISCOMS . Further, consecutive annual tariff orders issued by the Hon'ble commission reiterate that FSA is leviable separately apart from the tariff proposed by the Hon'ble Commission. The Objector should take the cognizance of the Tariff orders and make prudent estimate and make certain provision for the FSA on power consumed by them .

The FSA calculation are done purely based on the regulation in vogue and the formula given by the Hon'ble Commission . Further, if there is any deviation between the method proposed by the Hon'ble and proposal filed by the DISCOMS, The Hon'ble Commission will take view and rectify the deviation between the method proposed by the commission and proposal filed by DISCOMS .

CPDCL had uploaded entire calculation sheets for the transparency and for the wider dissemination of the information . The calculation sheets are self explanatory and very lucid .

There is adequate and sufficient back calculation and the copies of invoices claimed by Generators that had been submitted to Hon'ble Commission for the better assessment of FSA amount . The claims are based on the approval of CERC/APERC and under the provision of the PPA .

The FSA calculation are done exclusively based on the regulation of FSA in vogue without any deviation . The Formula envisages according to the present provision to exclude Agriculture consumption to distribute the Fuel Cost variance

In the present FSA regulation there is no discrimination or differential rate in levy of FSA. Therefore, all categories are levied with one rate of FSA uniformly.

**17) Reply to objections by Sri .M.Venugopala Rao (4975)**

The Section 45-B of the Business Regulations limits the filing of FSA with in 30 days which is not sufficient in the abnormal years like FY 2008-09 and FY 2009-10, wherein , the shortages were met through generation by naphtha , imported coal mixed with domestic coal and short term power purchases from market and exchanges . In the process lot of data have to be accumulated and assimilated, before arriving at FSA amount. The time taken for calculating and filing of FSA had inadvertently prolonged. Further, the plea for condonation of delay number days mentioned .the application/letter includes the time taken by APERC for issuing of FSA orders and than time taken in the Hon'ble High Court etc.,. However, APDISCOMS have pleaded for condone of delay for entire period

As stated by the objector , APDISCOMS are incurring huge amount of financial cost on the time lag for issue of filing and collection of FSA . The gathering of information on imported and domestic coal of CGS had taken considerable amount of time so as to collect the correct FSA amount from consumers .

The objector indicated that APDISCOMS have filed for Rs 3139 Crs and the commission approved Rs 1649 Crs , in this connection it is informed that , Hon'ble Commission while issuing orders of FSA duly considering the regulation of FSA in Vogue . The Statement of Commission approval will indicates the disallowing of Fuel Cast variance of certain sources . Therefore , Hon'ble have disallowed certain purchases and restricted the agriculture sales only to the extent of approved quantities or actual consumption which ever is less , this had considerably reduced the claim of FSA.

**18) Reply to objections by West Godavari District Ice Factory Owner's Welfare Association (E-mail)**

It was already ordered by Hon'ble Commission along with respective year's tariff order that FSA would be levied extra to all the categories of consumers other than exempted. Every consumer was made aware of applicable tariff vide publication in newspapers. Further, the tariff order itself provides for claiming FSA depending upon the inflationary effect and it is prudent on the part of alighted consumers to take note of increase in prices of raw materials. The FSA mechanism is established to pass on the variance in cost to the consumers in a systematic manner and if it is not realized it would jeopardize the sustainability of Discoms.