Retail Supply Tariffs
2016-17

ORDER
on
Tariff for Retail Sale of Electricity
during FY2016-17

31st March, 2016

Andhra Pradesh
Electricity Regulatory Commission
4th Floor, Singareni Bhavan, Red Hills, Lakdi-ka-pul, Hyderabad 500 004

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Retail Supply Tariff Order for FY2016-17

ORDER on
Tariff for Retail Sale of Electricity during FY2016-17

In the areas of Supply of

Southern Power Distribution Company of A.P. LTD. (APSPDCL) and Eastern Power Distribution Company of A.P. LTD. (APEPDCL)

31st March, 2016

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ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
HYDERABAD

Present

Sri Justice G. Bhavani Prasad, Chairman
Dr. P. Raghu, Member
Sri P. Rama Mohan, Member

Dated 31st March, 2016

In the matter of

TARIFF DETERMINATION FOR RETAIL SALE OF ELECTRICITY DURING FY2016-17

in

O.P.No.1 of 2016
Eastern Power Distribution Company of Andhra Pradesh Limited (APEPDCL) and

O.P.No.2 of 2016
Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL)

The Aggregate Revenue Requirement (ARR) and Filing for Proposed Tariff (FPT) filed by Eastern Power Distribution Company of Andhra Pradesh Limited (APEPDCL or EPDCL), vide O.P.No.1 of 2016 and Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL or SPDCL), vide O.P.No.2 of 2016 in respect of their individual Retail Supply businesses for various consumer categories for FY2016-17 came up for consideration before the Commission. Upon following the procedure prescribed for determination of such tariff u/s 64 of the Electricity Act, 2003 (Central Act No.36 of 2003) and after careful consideration of the material available on record, the Commission in exercise of the powers vested in it under the said Central Act No.36 of 2003 and the APERC (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005 (Regulation No.4 of 2005); hereby passes this common order:

ORDER
CHAPTER - I
INTRODUCTION

1 Consequent to coming into force of the Andhra Pradesh Reorganization Act, 2014 (Central Act No.6 of 2014) (hereinafter referred to as the Reorganization Act) and in terms of the provisions of Section 92 of the said Act read with Schedule XII (C) (3) and Section 82 of the Electricity Act, 2003, the Government of Andhra Pradesh issued notification in G.O.Ms.No.35, Energy (Power III) Department, dt.01.08.2014 and constituted the Andhra Pradesh Electricity Regulatory Commission.

APERC (Adaptation Regulation), 2014

2 In exercise of the power conferred by Section 181 of the Electricity Act, 2003 (Central Act No.36 of 2003) and all other powers thereonto enabling, including those conferred by the Andhra Pradesh Electricity Reform Act, 1998 (State Act No.30 of 1998) and the Reorganization Act, the Commission issued APERC (Adaptation) Regulation, 2014 (Regulation No.4 of 2014) and notified that with effect from 01.08.2014, all regulations made by, all decisions, directions or orders of, and all the licenses and practice directions issued by the Commission in existence as on the date of G.O.Ms.No.35 dt.01.08.2014 referred to above, shall apply in relation to the State of Andhra Pradesh and shall continue to have effect until duly altered, repealed or amended. The said Regulation No.4 of 2014 was published in the Extraordinary Gazette of the State of Andhra Pradesh on 29.11.2014.

Antecedents of Tariff Determination for FY2016-17

3 Regulation No.4 of 2005 notified by the Commission, introduced Multi Year Tariff (MYT) framework and accordingly, each distribution licensee has to file ARR along with FPT with the Commission for determination of Tariff for(a) Distribution business (Wheeling Charges) and (b)Retail Supply Business, for a period of 5 years (called Control Period). The 3rd Control Period covers five years from FY2014-15 to FY2018-19.

4 With regard to determination of Retail Supply Tariff for the 3rd Control Period, the Licensees expressed their inability to submit filings for Retail Supply business for a period of 5 years from FY2014-15 to FY2018-19, as per MYT framework and instead sought the approval of the then Commission to file ARR and FPT on annual basis for the FY2014-15 citing certain reasons and the then Commission permitted the Licensees to file the ARRs and FPTs for retail supply business for FY2014-15. In view of the constraints/difficulties/uncertainties expressed by the Distribution licensees, this Commission permitted them to file ARRs and FPTs relating to retail supply business on annual basis for FY2015-16 also.

Filing Requirements and permission for Annual Filings

5 The Central Act No.36 of 2003 as well as the Regulation No.4 of 2005 mandate that a distribution licensee shall file for each of its licensed business an application, in such form and in such manner as specified and in accordance with the guidelines issued by the Commission, for each year of the Control Period, not less than 120 days before the commencement of the first year of the Control Period, for approval of the Commission. As the EPDCL and SPDCL (hereinafter jointly referred to as the 'Distribution Companies' or 'DISCOMs' or 'Licensees'), have to file their Aggregate Revenue Requirement(ARR) and Filings of Proposed Tariff (FPT) before 30.11.2015 under Regulation No.4 of 2005, the Commission brought the same to their notice by separate letters both dt. 09-11-2015.

6 By letter dt.17-11-2015, APSPDCL on its behalf and on behalf of APEPDCL requested that for the reasons mentioned therein, the requirements of multi-year filing for retail supply business should be waived and permission may be given for filing ARR and tariff petitions for retail supply business on an annual basis during the 3rd control period. As an alternate measure and given the significant nature of both supply and demand side uncertainties existing now, it was requested that the Commission may atleast allow the distribution licensees to file ARR and tariff petitions for retail supply business for FY2016-17 and the Commission may take a decision on the requirement of multi-year

retail supply filing for the remaining years in the control period at a later stage. In view of the uncertainties expressed by the distribution licensees, the Commission in its Procds. No.T-41/2015 dt.20-11-2015 permitted them to file ARR/Tariff Petitions relating to their retail supply businesses on annual basis for FY2016-17 and it was further stated that the request for waiving the requirement of multi-year filing for their Retail Supply Businesses will be examined by the Commission separately.

Extension of Time for Filings

7 In the application dt.28-11-2015, filed under Clause 59 of the APERC (Conduct of Business) Regulations, 1999 on behalf of both the Distribution Licensees, it was requested to extend time for filing petitions for ARRs upto 31-12-2015 by relaxing the requirement of such filing not less than 120 days before the commencement of the FY2016-17 as stipulated in Clause 6.1 of Regulation No.4 of 2005. After careful consideration of the same and keeping in view the mandatory provisions of the statutes, Rules, Regulations and the binding directions of the ATE, the Commission issued Procds. No.Dir(T)/Secy/F.No.T-41/21/2015 dt. 01-12-2015 permitting the distribution licensees to file ARR/tariff petitions relating to their Retail Supply Businesses for FY2016-17 by 31-12-2015. Further, it was made clear that in the event of any further delay in filing the Annual Revenue Requirement, the Commission may be compelled to initiate *suo-motu* proceedings for tariff determination in accordance with the directions of ATE in O.P. No. 1 of 2011 dt.11-11-2011.

ARR Filings for FY2016-17 and Public Notice

8 However, before the Commission proceeded to initiate *suo-motu* proceedings, Licensees filed separate applications for approval of their ARRs for FY2016-17 on 31-12-2015. They were admitted by the Commission and assigned O.P. Nos.1 of 2016 (APEPDCL) and 2 of 2016 (APSPDCL).

9 The Commission by its letter dated 02.01.2016 directed the Licensees to issue notifications intimating the general public on the ARRs submitted to the Commission. The Licensees published such notifications accordingly in their respective areas of operation, in two Telugu and two English daily newspapers, for information and calling for views/objections/suggestions on the same from individuals, representatives of consumer organizations and other stakeholders. The filings were also published in the websites of the respective Licensees as well as the website of the Commission.

FPT Filings for FY2016-17, Public Notice and Public Hearings

10 Thereafter, on 18-01-2016, the Licensees submitted FPTs for their respective Retail Supply Businesses, including Cross Subsidy Surcharge (CSS) for various consumer categories for FY2016-17 (duly incorporating their respective ARRs filed on 31-12-2015) and the same were taken on the file of the Commission as supplementary filings in their respective original petitions, i.e. O.P. Nos.1 of 2016 (APEPDCL) and 2 of 2016 (APSPDCL). The FPT schedules of the licensees were given wide publicity through Public Notices in two Telugu and two English daily newspapers on 20-01-2016 seeking views/objections/suggestions from the interested consumers/stakeholders by 20-02-2016 (as against 05-02-2016 mentioned earlier at the time of notifying ARRs and as per the 'Public Notice' published on 05-01-2016). In the said 'Public Notice' in respect of both the distribution licensees, their respective CSS schedules were also published. Consolidated ARR and FPT filings, including CSS for various consumer categories for FY2016-17 were also published in the respective websites of the licensees, as well as that of the Commission.

11 The Commission by its letter dated 01-02-2016, directed the licensees to issue notifications intimating the general public of the dates and venues of public hearings at 5 different places in the State of Andhra Pradesh (2 places in respect of APEPDCL and 3 places in respect of APSPDCL). The licensees published such notifications in their respective areas of operation in two (2) Telugu and two (2) English daily newspapers, informing that all the interested persons/associations/stakeholders/objectors who want to be heard in person/through authorized representatives may appear before the Commission during public hearings and submit their views/objections/suggestions in respect of ARR/tariff proposals of APDISCOMs, including on CSS for various consumer categories for FY2016-17. In addition to the public hearings conducted in five (5) places within the areas of operation of EPDCL and SPDCL, the Commission also conducted public hearing at Hyderabad as specified in the published public notices, thereby providing a final opportunity to the stakeholders to submit their views/objections/suggestions, in writing as well as in person, on ARR and FPT filings of the two Licensees, for various consumer categories for FY2016-17.

12 APSPDCL and APEPDCL filed their Annual Revenue Requirements (ARR) and Tariff Proposals for Retail Supply Business for the FY2016-17 on 18-01-2016 before the Commission in which they also made a proposal for Cross Subsidy Surcharge determination for FY2016-17 with reference to the provisions of the National Tariff Policy 2006, which they referred to as avoided Cost Methodology. Subsequent to the said filing, the Ministry of Power resolution dated 28.01.2016 has been published in the Gazette of government of India promulgating the New National Tariff Policy. The revised Tariff Policy so notified by the Central Government is stated to take effect from the date of publication of the resolution in the Gazette of India. Therefore, APSPDCL and APEPDCL were informed by a letter vide Lr. No.APERC/Secy/D(Tariff)/F.No.41/2016, Dated:23-02-2016 that they are at liberty to file fresh proposals for determination of the Cross Subsidy Surcharge for FY2016-17 in accordance with such methodology as they deem fit and proper, as the National Tariff Policy 2006 which formed the basis of their earlier filings ceased to exist. APSPDCL and APEPDCL were also informed that if they come up with fresh filings, the determination of Cross Subsidy Surcharge for the Financial Year 2016-17 will be made in accordance with the prescribed procedure duly complying with all the necessary formalities independent of the other proposals made in the original filings.

13 Prior to conducting public hearings as mentioned above, the views of members of the State Co-ordination Forum were ascertained in its 2nd meeting held on 29-02-2016 in the office of the Commission at Hyderabad on the ARRs/FPTs of the distribution licensees. Likewise, prior to the public hearings, the members of the State Advisory Committee

(SAC) were informed of the ARR/FPT filings of the distribution licensees for FY2016-17 and their views were ascertained in the meeting conducted on 15.03.2016, after public hearings.

Handling of the Views/Objections/Suggestions of Stakeholders

14 In pursuance of such Public Notices, 101 consumers, representatives of various consumer organizations, political parties and other stakeholders presented their written views/objections/suggestions prior to commencement of public hearings and the licensees provided their responses. The views/objections/suggestions expressed by the stakeholders and/or their representatives, in writing and/or in person and the replies provided by the licensees in writing and/or through oral responses during the public hearings held from 02.03.2016 to 14.03.2016, as mentioned above in respect of ARR and FPT filings of the Licensees and the views of the members of State Coordination Forum (SCF) & State Advisory Committee (SAC) have been duly referred to and considered in arriving at the appropriate conclusions in this Order, in so far as they relate to the determination of tariff for retail sale of electricity.

Notification calling for objections/suggestions/views

15 The Licensees caused the publication of public notices on the directions of the Commission, in two English and two Telugu daily newspapers on 05.01.2016 in respect of their respective ARRs and on 20.01.2016 in respect of their respective FPTs, informing the general public that the Licensees have filed before the Commission their ARR and Tariff proposals for Retail Supply Business for FY2016-17, including CSS schedule for various consumer categories for FY2016-17 and copies of their filings together with the supporting materials were made available in the Office of the Chief General Manager concerned of the respective Licensees at their Headquarters and also with all the Superintending Engineers of Operation circles and the filings were also made available on the websites of the Licensees and the Commission to facilitate inspection/perusal/purchase of the ARR filings and Tariff proposals by interested consumers and stakeholders who are at liberty to file their objections/suggestions/ views on the same. The Government of Andhra Pradesh in its Energy, I&I Department has also been informed so that the Government may make a statement before the Commission on the proposals of the Licensees at the public hearings.

Response to the Public Notices

16 In response to the public notices, the Commission received several objections/suggestions/views in writing and/or in person at its Office and during public hearings. The views/objections/ suggestions received reflected all shades of public opinion on the issues and questions involved including those of public utilities like Railways, Organizations of Industry, Trade, Consumers, Farmers, Employees, Labourers, Political Parties, Awareness Groups and Non-Governmental Social Activists as well as experienced and expert individuals acting in public interest. As directed by the Commission, the Licensees communicated their written replies to the views/objections/ suggestions received from various stakeholders and the concerned Chairman and Managing Director also orally responded to such views/objections/suggestions during public hearings.

Public Hearings

17 The Commission decided to conduct public hearings at the places of head quarters of the State, the Commission, APEPDCL, APSPDCL and also at Srikakulam and Anantapur, the most backward districts of North Coastal Andhra and Rayalaseema respectively to have the widest consultations possible and the benefit of maximum inputs in finalising the tariff for retail sale of electricity by APDISCOMs, including CSS for various consumer categories for FY2016-17. Accordingly, the public hearings were conducted as published in the public notices and as informed to the Licensees and the Government of Andhra Pradesh as follows:

Sl.No.	Name of Licensee	Venue/place of Public Hearing	Date of Public Hearing
1	APEPDCL	Office of the Superintending Engineer/Operation, Circle Office, APEPDCL,Opp: Margadarsi Chit Funds, G.T.Road, Srikakulam	02-03-2016 (Wednesday)
2	APEPDCL	Conference Hall, ATC Building, Corporate Office, APEPDCL, P&T Colony, Seethammadhara, Visakhapatnam – 530 013	03-03-2016 (Thursday)
3	APSPDCL	Conference Hall, Circle Office, O/o. SE / Operations / Anantapur	05-03-2016 (Saturday)
4	APSPDCL	Siddhartha Auditorium, Arts & Science College campus, Vijayawada	09-03-2016 (Wednesday)
5	APSPDCL	Conference Hall, APSPDCL, Corporate Office, Tirupati	10-03-2016 (Thursday)
6	Hyderabad	Court Hall of APERC, Hyderabad	14-03-2016 (Monday)

*** Timings:** 10.00 AM to 1.00 PM and 02.00 PM to 5.00 PM on all dates.

18 During the public hearings, the Chairman & Managing Director of the licensee concerned made a brief presentation on their filings. Then the participating stakeholders were heard in detail, apart from receiving all written representations presented by them. Then the Chairman & Managing Director of the Licensee concerned gave a detailed response to each of the issues/aspects raised by the stakeholders.

Summary of Filings

Sales and Power Purchase Requirement

19 The Licensees have forecasted/estimated the sales volume to different consumer categories during FY2016-17 at 50732.66 MU for the entire State, comprising of 33809.49 MU in respect of SPDCL and 16923.17 MU in respect of EPDCL in their respective areas of supply. For grossing up of sales with losses to arrive at the Power Purchase requirement, the licencees have adopted the following losses; a) Distribution losses: The distribution loss percentages considered by the Commission in the Retail Tariff order for FY2015-16 have been adopted after reducing the same by 5%; b)Transmission losses with in state: The transmission loss percentage of APTRANSCO at actuals (first half of FY2015-16) has been adopted; c) Losses outside the state: The same loss percentage as considered by the Commission in the Retail Tariff order for FY2015-16 has been adopted. The power purchase requirement for FY2016-17 computed in the above manner (by grossing up the sales volume forecast with applicable loss levels) is 57564.60MU comprising of 38481.11 MU in respect of SPDCL and 19083.49 MU in respect of EPDCL respectively in their areas of supply. The summary of sales, losses and power purchase requirement as per filings is given in the table below:

Table 1: Filings - Sales, Losses and Power Purchase Requirement (MU)

Item	Sales	Losses	Power purchase requirement
(1)	(2)	(3)	(4)
SPDCL	33809.49	4671.62	38481.11
EPDCL	16923.17	2160.32	19083.49
Total	**50732.66**	**6831.94**	**57564.60**

Availability, Dispatch and Surplus

20 Based on pre-arranged supply sources, both short and long term, the licensees have estimated the available energy during FY2016-17 at 66838.66 MU for the entire State, comprising of 45441.74 MU in respect of SPDCL and 21396.92 MU in respect of EPDCL. With the analysis of month wise power purchase requirement and availability, the Licensees' computations have led to surplus of availability at 9274.06 MU for the entire State during FY2016-17, comprising of 6960.63 MU surplus in respect of SPDCL and 2313.43 MU surplus in respect of EPDCL. The summary of power purchase requirement, availability, dispatch and surplus for each licensee and for the entire State as per filings is given in the table below:

Table 2: Filings: Power Purchase Requirement and Surplus (MU)

Item	SPDCL	EPDCL	TOTAL
(1)	(2)	(3)	(4)
Power Purchase Requirement	38481.11	19083.49	57564.60
Availability	45441.74	21396.92	66838.66
Dispatch	38481.11	19083.49	57564.60
Surplus / Deficit (-)	**6960.63**	**2313.43**	**9274.06**

Aggregate Revenue Requirement Items

21 The licensees have computed/estimated the power purchase cost during FY2016-17 at ₹22876.53 Cr for the entire State comprising of ₹15380.8 Cr in respect of SPDCL and ₹7495.73 Cr in respect of EPDCL with reference to their respective areas of supply. The licensees have computed the cost based on expected volume of dispatch for each month (depending on monthly sales volume), and fixed and variable costs applicable for each generation source/station for FY2016-17.

22 The licensees have computed/estimated the transmission cost at ₹986.33 Cr for the entire State during FY2016-17, comprising of ₹648.35 Cr in respect of SPDCL and ₹337.98 Cr in respect of EPDCL in accordance with the MYT Order for Transmission business for third control period as applicable for FY2016-17 (capacities and transmission charges to be paid to APTransco) with an upward revision in respect of SPDCL to account for expansion of its area of supply consequent to inclusion of Ananthapur and Kurnool districts in it.

23 The Licensees have computed/estimated the State Load Dispatch Centre (SLDC) cost at ₹34.99 Cr for the entire State during FY2016-17, comprising of ₹23 Cr in respect of SPDCL and ₹11.99 Cr in respect of EPDCL in accordance with the MYT Order for third control period as applicable for FY2016-17 (capacities, charges and fee for SLDC) with an upward revision in respect of SPDCL to account for expansion of its area of supply consequent to inclusion of Ananthapur and Kurnool districts in it.

24 The Licensees have considered the distribution cost at ₹3765.44 Cr for the entire State during FY2016-17, comprising of ₹2383.14 Cr in respect of SPDCL and ₹1382.3 Cr in respect of EPDCL in accordance with the MYT Order for third control period on wheeling charges as applicable for FY2016-17 (i.e. Distribution cost approved for FY2016-17) with an upward revision in respect of SPDCL to account for expansion of its area of supply consequent to inclusion of Ananthapur and Kurnool districts in it.

25 The Licensees have computed/estimated the costs associated with usage of PGCIL network and services of ULDC based on the information sought by the licensees from APTRANSCO, within and outside the State and to evacuate the power from Central Generating Stations (CGS) at ₹376.89 Cr for the entire State during FY2016-17, comprising of ₹242.89 Cr in respect of SPDCL and ₹134 Cr in respect of EPDCL.

26 The Licensees have computed the interest cost on consumers' security deposits held with Licensees at ₹257.53 Cr for the entire State during FY2016-17, comprising of ₹167.45 Cr in respect of SPDCL and ₹90.08 Cr in respect of EPDCL. The Licensees have computed these amounts while applying the interest cost of 9.50% on average of projected opening and closing balances of consumer security deposits (likely to be held with them during FY2016-17).

27 The Licensees have computed the supply margin for retail supply business at ₹18.28 Cr for entire State during FY2016-17, comprising of ₹13 Cr in respect of SPDCL and ₹5.28 Cr in respect of EPDCL. These amounts have been computed based on the approved Regulated Rate Base (RRB) as applicable to each licensee for FY2016-17 in accordance with the MYT Order for third control period on wheeling charges.

28 The Licensees have indicated a total true up of ₹3660.30 Cr relating to retail supply business for FY2014-15 for the entire State in their ARR/FPT filing for FY2016-17. This amount comprises ₹2066.40 Cr of true up of expenses for SPDCL and ₹1593.90 Cr of true up expenses for EPDCL. The Licensees have considered all the costs and revenue items relating to retail supply business for FY2014-15 to arrive at these amounts.

29 The Licensees have further indicated the true-up of expenses relating to retail supply business for FY2015-16 for an amount of ₹2760.16 Cr for the entire State, comprising of ₹2199.27 Cr in respect of SPDCL and ₹560.89 Cr in respect of EPDCL. The licensees have considered all the costs and revenue items relating to retail supply business for FY2015-16 on provisional basis to arrive at these amounts.

30 Regarding the treatment of true up of expenses relating to FY2014-15 and FY2015-16, the licensees have stated the following.

"The licensee has computed the revenue gap for FY14-15 and FY15-16, but it has not added this revenue deficit to the ARR for FY16-17 because the GoAP has given in principle approval to UDAY scheme floated by GoI. As per UDAY scheme, GoAP will take over 75% of DISCOM debt as on 30 September 2015 over two years - 50% of DISCOM debt will be taken over in 2015-16 and 25% in 2016-17.DISCOM debt not taken over by GoAP will be converted by the Banks / FIs into loans or bonds with interest rate not more than the bank's base rate plus 0.1%. Alternately, this debt may be fully or partly issued by the DISCOM as GoAP guaranteed DISCOM bonds at the prevailing market rates which shall be equal to or less than bank base rate plus 0.1%."

31 The Licensees are implementing energy conservation projects (replacing incandescent bulbs with LED bulbs and installation of solar pumpsets) in their respective areas of operation. The licensees proposed to include the total project cost as one time expenditure and included ₹107.18 Cr in ARR/FPT filings for FY2016-17. This amount comprises of ₹61.51 Cr to be paid by SPDCL and ₹45.67 Cr to be paid by EPDCL. The Licensees stated that the benefits of these measures have been factored in power purchase calculations.

32 With these ARR line items, as detailed above, the Licensees have computed/estimated the ARR at ₹28423.18 Cr for the entire State for FY2016-17, comprising of ₹18920.15 Cr in respect of SPDCL and ₹9503.03 Cr in respect of EPDCL in their respective areas of supply. The summary of ARR as per Licensees' filings is given in the table below:

Table 3: Aggregate Revenue Requirement (ARR) / Cost Items (₹ Cr)

ARR Items	SPDCL	EPDCL	TOTAL
(1)	(2)	(3)	(4)
1. Transmission Cost	648.35	337.98	986.33
2. SLDC Cost	23.00	11.99	34.99
3. Distribution Cost	2,383.14	1382.30	3765.44
4. PGCIL Expenses	232.21	131.19	363.4
5. ULDC Charges	10.68	2.81	13.49
6. Network and SLDC Cost (1+2+3+4+5)	**3297.39**	**1866.27**	**5163.66**
7. Power Purchase Cost	15380.8	7495.73	22876.53
8. Interest on CSD	167.45	90.08	257.53
9. Supply Margin in Retail Supply Business	13	5.28	18.28
10. Other Costs, if any	61.51	45.67	107.18
11. Supply Cost (7+8+9+10)	15622.76	7636.76	23259.52
12. Aggregate Revenue Requirement(ARR) (6+11)	**18920.15**	**9503.03**	**28423.18**

Expected Revenue from Charges (ERC)

33 The Licensees have computed the Expected Revenue from Charges (ERC) in case they levy the existing/current tariff for retail sale of electricity during FY2016-17 on the forecast sales volume to different consumer categories in their respective areas of supply. The ERC computed in this manner is at ₹23275.66 Cr for the entire State, comprising of ₹14572.76 Cr in respect of SPDCL area of supply and ₹8702.9 Cr in respect of EPDCL area of supply.

34 The Revenue Gap (RG) i.e., the ARR in excess of ERC, for FY2016-17 has been computed by licensees at ₹5147.52 Cr for the entire State, comprising of ₹4347.39 Cr RG in respect of SPDCL and ₹800.13 Cr RG in respect of EPDCL. In short, the Licensees in the State will incur a total of ₹5147.52 Cr financial loss during FY2016-17 in the event of supplying the forecast sales volume of 50732.66 MU, without any external resources or tariff revision during FY2016-17. The summary of ARR, ERC and RG for each Licensee during FY2016-17 is given in the table below:

Table 4: Filings: ARR, ERC and (RG) for FY2016-17 (₹ Cr)

ARR Item	SPDCL	EPDCL	TOTAL
(1)	(2)	(3)	(4)
1.Aggregate Revenue Requirement	18920.15	9503.03	28423.18
2.Revenue from Sale of Energy	14493.43	8613.68	23107.12
3.Non-Tariff Income	79.33	89.22	168.55
4.Total Revenue (2 + 3)	14572.76	8702.9	23275.66
5.Revenue Gap (1-4)	**4347.39**	**800.13**	**5147.52**

Ways and means to handle the Revenue Gap

35 The Licensees have proposed to meet the estimated revenue gap of ₹5147.52 Cr during FY2016-17 through the following two sources;

a) Increasing the tariff by four percent to all consumer categories except for groups A & B of LT-I(Domestic), LT-IV(Agro Based activity), LT-V (Agriculture), LT-VI(C) (NTR Sujala Padhakam), HT-I(B) (Energy Intensive Industries formerly Ferro Alloys), LT-III (Aqua Culture & Animal Husbandry), HT-I(C) (Aqua Culture and Animal Husbandry) and HT-II(B) (Religious Places) and increasing tariff to group C of LT domestic consumers by 2.5% to realize ₹783.02 Cr as additional revenue from tariff during FY2016-17, and

b) Expecting that the remaining revenue gap of ₹4364.5 Cr will be met through subsidy from Government of Andhra Pradesh during FY2016-17.

36 With these two additional sources of revenue, the licensees in accordance with their ARR/FPT filings for FY2016-17 would be able to meet the estimated ARR of ₹28423.18 Cr during FY2016-17. The summary of ARR and revenue as per these computations is given in the table below:

Table 5: Filings: Revenue Requirement and Revenue Gap for FY2016-17 (₹ Cr)

Items	SPDCL	EPDCL	TOTAL
1. Aggregate Revenue Requirement	18920.15	9503.03	28423.18
2. Revenue at Current Tariff	14572.76	8702.9	23275.66
3. Tariff revision proposed	488.35	294.67	783.02
4. Government Subsidy	3859.04	505.46	4364.5
5. Revenue Gap (1-2-3-4)	**0.00**	**0.00**	**0.00**

37 The tariff schedule proposed by Licensees for FY2016-17 is given in the table below:

Table 6: Tariff for FY2015-16 and Proposed by Licensees for FY2016-17

Category	Units	Rates for FY2015-16		Rates for FY2016-17	
		Fixed/Demand Charges in ₹/ Month	Energy Charges ₹/Unit	Fixed/Demand Charges in ₹/ Month	Energy Charges ₹/Unit
LT Category					
LT Category - I: Domestic					
Group A: All Domestic consumers with annual consumption<=600kWh					
First 50 units	kWh		1.45		1.45
51-100 units	kWh		2.60		2.60
101 – 200 units	kWh		3.60		3.60
Above 200 units	kWh		6.70-8.80		6.90
Group B: All Domestic consumers with consumption(<=2400 and >600 units)					
First 50 units	kWh		2.60		2.60
51-100 units	kWh		2.60		2.60
101 – 200 units	kWh		3.60		3.60
201 - 300 units	kWh		6.70-7.22		6.90
Above 300 units	kWh		7.75-8.80		7.75
Group C: All Domestic consumers with annual consumption>2400 units					
First 50 units	kWh		2.60		2.67
51-100 units	kWh		3.25		3.33
101 – 200 units	kWh		4.88-5.63		5.39
201 - 300 units	kWh		6.70-7.22		7.07
301-400 units	kWh		7.75		7.94
401-500 units	kWh		8.27		8.48
Above 500 units	kWh		8.80		9.02

Category	Units	Rates for FY2015-16		Rates for FY2016-17	
		Fixed/Demand Charges in ₹/ Month	Energy Charges ₹/Unit	Fixed/Demand Charges in ₹/ Month	Energy Charges ₹/Unit
LT Category - II: Non- domestic/Commercial					
LT–II(A): Upto 50 Units/Month	kWh/kVAh	53/kW	5.40	55/kW	5.62
LT–II(B): Above 50 Units/Month					
0-50 units	kWh/kVAh	53/kW	6.63	55/kW	6.90
51-100 units	kWh/kVAh	53/kW	7.38	55/kW	7.68
101-300 units	kWh/kVAh	53/kW	8.54	55/kW	8.88
301-500 units	kWh/kVAh	53/kW	9.06	55/kW	9.42
Above 500 Units	kWh/kVAh	53/kW	9.59	55/kW	9.97
LT-II(C): Advertising Hoardings	kWh/kVAh	53/kW	11.58	55/kW	12.04
LT Category - III: Industry					
Industries	kWh/kVAh	53/kW	6.38	55/kW	6.64
Seasonal Industries (Off Season)	kWh/kVAh	53/kW	7.09	55/kW	7.37
Aquaculture & Animal Husbandry	kWh/kVAh	21/kW	4.63	21/kW	3.75
Sugarcane crushing	kWh/KVAh	21/kW	4.63	22/kW	4.82
Mushroom & Rabbit Farms	kWh/kVAh	53/kW	5.63	55/kW	5.86
Floriculture in Green House	kWh/kVAh	53/kW	5.63	55/kW	5.86
LT Category - IV: Cottage Industries					
Cottage Industries upto 10 HP@	kWh	20/kW	3.75	21/kW	3.90
Agrobased activity upto10 HP@	kWh	20/kW	3.75	20/kW	3.75
LT Category – V: Agriculture					
LT-V(A): Agriculture with DSM Measures					
Corporate Farmers & IT Assesses	kWh	0	2.50	0	2.50
Wet Land Farmers (Holdings >2.5 acre)	kWh	* 525/HP/Year	0.50	* 525/HP/Year	0.50
Dry Land Farmers (Connections > 3 nos.)	kWh	* 525/HP/Year	0.50	* 525/HP/Year	0.50
Wet Land Farmers (Holdings <= 2.5 acre)	kWh	0	0	0	0
Dry Land Farmers (Connections <= 3 nos.)	kWh	0	0	0	0

Category	Units	Rates for FY2015-16		Rates for FY2016-17	
		Fixed/Demand Charges in ₹/ Month	Energy Charges ₹/Unit	Fixed/Demand Charges in ₹/ Month	Energy Charges ₹/Unit
LT-V(B): Agriculture without DSM Measures					
Corporate Farmers & IT Assesses	kWh	0	3.50	0	3.50
Wet Land Farmers (Holdings >2.5 acre)	kWh	* 1050/HP/Year	1.00	* 1050/HP/Year	1.00
Dry Land Farmers (Connections > 3 nos.)	kWh	* 1050/HP/Year	1.00	* 1050/HP/Year	1.00
Wet Land Farmers (Holdings <= 2.5 acre)	kWh	* 525/HP/Year	0.50	* 525/HP/Year	0.50
Dry Land Farmers (Connections <= 3 nos.)	kWh	* 525/HP/Year	0.50	* 525/HP/Year	0.50
Category LT-V(C): Others					
Salt farming units with CL up to 15HP $	kWh	20/HP	3.70	20/HP	3.70
Rural Horticulture Nurseries upto 15HP $	kWh	20/HP	3.70	20/HP	3.70
LT Category-VI: Street Lighting & PWS					
LT-VI(A): Street Lighting					
Panchayats	kWh	32/kW	5.64	33/kW	5.87
Municipalities	kWh	32/kW	6.16	33/kW	6.41
Municipal Corporations	kWh	32/kW	6.69	33/kW	6.96
LT-VI(B): PWS Schemes					
Panchayats	kWh/kVAh	32/HP	4.59	33/HP	4.77
Municipalities	kWh/kVAh	32/HP	5.64	33/HP	5.87
Municipal Corporations	kWh/kVAh	32/HP	6.16	33/HP	6.41
LT - VI(C) NTR Sujala Padhakam	kWh/kVAh	10/HP	4.00	10/HP	4.00
LT Category-VII: General					
LT-VII(A) – General Purpose	kWh/kVAh	21/KW	6.86	22/KW	7.13
LT-VII(B) – Religious Places	kWh	20/KW	4.70	21/KW	4.89
LT Category-VIII: Temporary Supply	kWh/kVAh	21/KW	9.90	22/KW	10.30

Category	Units	Rates for FY2015-16		Rates for FY2016-17	
		Fixed/Demand Charges in ₹/ Month	Energy Charges ₹/Unit	Fixed/Demand Charges in ₹/ Month	Energy Charges ₹/Unit
HT Categories					
HT-I: Industry					
HT-I(A): General					
132 KV and above	kVAh	₹371/kVA/Month of maximum demand recorded or 80% of CMD whichever is higher	5.15	₹386/kVA/Month of maximum demand recorded or 90% of CMD whichever is higher	5.36
33 KV	kVAh		5.57		5.79
11 KV	kVAh		6.02		6.26
Lights & Fans					
132 KV and above	kVAh		5.15		5.36
33 KV	kVAh		5.57		5.79
11 KV	kVAh		6.02		6.26
Industrial Colonies					
132 KV and above	kVAh		5.96		6.20
33 KV	kVAh		5.96		6.20
11 KV	kVAh		5.96		6.20
Seasonal Industries					
132 KV and above	kVAh	₹371/kVA/Month of maximum demand recorded or 80% of CMD whichever is higher	6.33	₹386/kVA/Month of maximum demand recorded or 90% of CMD whichever is higher	6.58
33 KV	kVAh		6.59		6.85
11 KV	kVAh		7.25		7.54
Time-of-Day Tariff (6 PM to 10 PM)					
132 KV and above	kVAh		6.20		6.45
33 KV	kVAh		6.62		6.88
11 KV	kVAh		7.07		7.35
HT-I(B): Energy Intensive Industries					
132 KV and above	kVAh		4.81		4.81
33 KV	kVAh		5.23		5.23
11 KV	kVAh		5.68		5.68
HT-I(C): Aquaculture & Animal Husbandry					
11 KV	kVAh	New category		Rs.21/kVA	3.75

Category	Units	Rates for FY2015-16		Rates for FY2016-17	
		Fixed/Demand Charges in ₹/ Month	Energy Charges ₹/Unit	Fixed/Demand Charges in ₹/ Month	Energy Charges ₹/Unit
HT-II(A): Others					
132 KV and above	kVAh	₹371/kVA/Month of maximum demand recorded or 80% of CMD whichever is higher	6.33	₹386/kVA/Month of maximum demand recorded or 90% of CMD whichever is higher	6.58
33 KV	kVAh		6.59		6.85
11 KV	kVAh		7.25		7.54
Time-of-Day Tariff (6 PM to 10 PM)					
132 kV and above	kVAh		7.38		7.68
33 kV	kVAh		7.64		7.95
11 kV	kVAh		8.30		8.63
HT-II(B): Religious Places					
11 kV	kVAh	New category		Rs.21/kVA	4.89
HT-III: Public Infrastructure & Tourism					
132 KV and above	KVAh	₹371/kVA/Month of maximum demand recorded 80% of CMD whichever is higher	6.01	₹386/kVA/Month of maximum demand recorded or 90% of CMD whichever is higher	6.25
33 KV	KVAh		6.31		6.56
11 KV	KVAh		6.91		7.19
Time-of-Day Tariff (6 PM to 10 PM)					
132 KV and above	kVAh		7.06		7.34
33 KV	kVAh		7.36		7.65
11 KV	kVAh		7.96		8.28
HT–IV: Irrigation, Agriculture & CPWS					
Lift Irrigation & Agriculture	kVAh		5.64		5.60
CP Water Supply Schemes	kVAh		4.61		4.79
HT-V: Railway Traction					
132 Kv	kVAh		6.68		6.95
HT-VI: Townships & Residential Colonies	KVAh	₹53/kVA/ Month of Billing demand	5.96	₹ 55/kVA/Month of Billing demand	6.20
RESCOs					
Kuppam	Kwh		0.24		0.41
Anakapalli	KWh		1.38		1.53
Cheepurupalli	KWh		0.22		0.26

Category	Units	Rates for FY2015-16		Rates for FY2016-17	
		Fixed/Demand Charges in ₹/ Month	Energy Charges ₹/Unit	Fixed/Demand Charges in ₹/ Month	Energy Charges ₹/Unit
HT- VII: Green Power	kVAh		11.32		11.32
HT – VIII: Temporary		1.5 times of the Tariff of corresponding HT category		1.5 times of the Tariff of corresponding HT category	
@ - Units which exceed 10 HP connected load shall be billed at tariff specified for LT-III Industrial category					
* -Equivalent flat rate of tariff					
$ - Units with connected load more than 15 HP shall be billed under LT –III Industrial Normal tariff					
Note: All other conditions are as per in the Chapter - XII of the Retail supply Tariff Schedule for FY2015-16.					

Other proposals made by Licensees

38 The licensees have made other proposals in their ARR/FPT filings for FY2016-17 as described below:

a. LT-I(domestic) category to be divided in to three groups i.e. 'A', 'B' & 'C' with group 'A' consumer having consumption up to 600 units per year, group B consumer up to 2400 units per year and group 'C' consumer above 2400 units per year. Separate slabs for each of the above groups.

b. No tariff increase for groups A & B of LT-I (Domestic), LT-IV (B)(Agro Based activity), LT-V (Agriculture), LT-VI(C) (NTR Sujala Padhakam), HT-I(B) (Energy Intensive Industries formerly Ferro Alloys).

c. A single sub-category under LT-III by the name of LT-III (Aqua culture & Animal Husbandry) for pisiculture/prawn culture and poultry farms along with reduction in Tariff. Further, HT-I services for Poultry Farms, Pisciculture, Prawn culture and Dairy Farms to be brought under a new sub-category i.e. HT- IC (Aquaculture & Animal Husbandry) with the tariff same as that of LT-III(Aqua culture & Animal Husbandry).

d. Existing HT-III (Bus Stations, Railway Stations and Airports) category to be renamed as HT-III (Public Infrastructure & Tourism) which shall include Airports, Bus Stations, Railway Stations and eligible Tourism Infrastructure Projects as per the Andhra Pradesh Tourism Policy 2015.

e. Tariff for HT IV (A) Govt. Lift Irrigation & Agriculture to be charged at Cost of Service (CoS).

f. Creation of a new sub category called HT-II(B) (Religious Places) applicable for religious places currently being billed under HT-II. These would be charged the same tariff as that of LT-VII(B) (Religious places).

g. Tariff increase for other categories as follows:

   4% increase in Demand Charges, Energy Charges, and Time of Day tariff. No change in other components of tariff i.e. customer charges and minimum charges. 2.5% increase in energy charges for Domestic Group C.

h. HT billing demand to be charged on the maximum demand recorded during the month or 90% of the contracted demand, whichever is higher, except for HT-VI Townships & Residential Colonies category.

i. Providing high reliable/uninterrupted power supply to HT consumers at 33 kV and above in the cities/areas of Visakhapatnam, Kakinada, Rajahmundry, Krishnapatnam, Sri City and Tirupati from April 2016 with additional reliability charge of ₹0.25/ Unit w.e.f. October 2016 for all HT consumers at 33 kV and above in the above areas.

j. Monthly billing for all rural domestic consumers who are currently being billed on a bi-monthly basis.

k. Determination of cross subsidy surcharge based on methodology prescribed in Tariff Policy to be levied by licensees on consumers who opt for open access during FY2016-17. The licensees have also computed the cross subsidy surcharge for different HT consumer categories based on methodology prescribed in Tariff Policy and provided the relevant data/computations in ARR/FPT filings for FY2016-17.

Conclusion

39 The Commission has decided to consider the ARR/FPT filings made by the licensees, which are mentioned in brief in this Chapter, as the basis for determination of ARR and tariff for retail sale of electricity with due weight being given to views/objections/ suggestions of stakeholders, as discussed in subsequent chapters of this order.

CHAPTER - II
STATEMENT OF GOVERNMENT OF ANDHRA PRADESH

40 On behalf of the Government of Andhra Pradesh, the Principal Secretary to Government/Energy, I&I Department stated before the Commission during public hearing at Hyderabad on 14-03-2016, as follows:

41 "All the Electricity utilities have performed exceptionally well during this year. The transmission and distribution utilities have reduced T&D losses from 10.97% in FY2014-15 to 10.37% in FY2015-16 (upto January 2016).

42 Number of consumers in Andhra Pradesh as on 31st January 2016 is 1.59 Crores, out of which, 15.2 Lakh are agriculture consumers. Both Discoms have been implementing HVDS for agriculture consumers in order to give them better quality of power. This has been done by reducing the length of conventional LT Lines.

43 APDiscoms are implementing DSM initiatives in domestic housing lighting, municipal street lights and agricultural pump-sets. The investment is made by EESL, a Public Company owned by Central PSUs of Power Sector under an ESCO Model. Under this program around 1.82 Cr. incandescent bulbs are replaced by energy efficient LEDs in the state as on February, 2016. So far 3.04 Lakh Street Lights have been replaced as against total target of 5.4 Lakh 214 no. pumpsets have been replaced with energy efficient pumpsets.

AP Government has taken several initiatives in encouraging Renewable Energy in the state. APDiscoms have signed PPAs for Solar power for 619 MW in 19 projects to be commissioned by April 2016. 4000MW capacity of Solar Parks are being developed in the state. NTPC is setting up 2 Solar Parks of 2000MW capacity in Anantapur and Kurnool Districts. APDiscoms plan to install 50,000 solar pump-sets in the next 5 years; 3024 solar pumpsets were already installed in the state so far.

44 Andhra Pradesh is the first state in the country to achieve 100% electrification to all villages in the state and the government envisages to supply power to the remaining Households in the State by June, 2016.

45 The Government is committed to the welfare of the farmers and will provide free power to all eligible agriculture consumers. Government will provide necessary support for this purpose.

46 The Government is committed to the cause of industrial development in the State and it is a matter of pride that the State of Andhra Pradesh has one of the lowest HT Industrial Tariffs in the Country. The Government aims to supply 24/7 quality and reliable and also provide high quality interruption free supply to high growth clusters in the state.

47 To conclude, the Government is committed to provide necessary financial assistance to power sector and subsidy to the utilities in accordance with the provisions of Section 65 of the Electricity Act, 2003. This would enable the Government to meet its objective of ensuring quality power supply to all consumers and also in extending necessary assistance to BPL families and farm sector".

CHAPTER - III
OBJECTIONS, RESPONSES AND COMMISSION'S VIEWS

Delayed submission of ARR Proposals:

48 Sri Mummareddi Venugopala Rao, Senior Journalist & Convenor, Centre for Power Studies, Hyderabad; Sri Penumalli Madhu, State Secretary, Communist Party of India (Marxist), Andhra Pradesh Committee, Vijayawada; Sri Ch. Narasinga Rao, Secretariat Member, Communist Party of India; Dr. B. Ganga Rao, Secretary, Greater Visakha City Committee, Communist Party of India (Marxist); Sri Kandharapu Murali, Chittoor District Committee, Communist Party of India (Marxist) and Sri K. Lokanadham, District Secretary, Viskha District Committee, Communist Party of India (Marxist); Sri S. Ramesh, General Secretary, CITU, Visakhapatnam have stated that both the Discoms have not explained the reasons for delay in filing 'the proposed tariffs' and 'revenue with the proposed tariffs' with the Commission.

Sri K. Rajendra Reddy, President, Rashtriya Raithu Seva Samithi, Pakala, Chittoor Dist. has stated that according to section 64(3) of the Electricity Act, 2003, licensees have to file application for determination of tariff, One hundred and twenty days before the said tariffs come into force.

Discoms Response: The licensees have faced certain unavoidable circumstances in filing the ARR viz. delay in receipt of information on power / fuel availability, finalization of power purchase cost and due to additional time required for examining the UDAY scheme, which would have material impact on the overall ARR. The licensees also required additional time in analyzing the impact of various tariff options to have the least impact on the consumers with tariff hike.

Commission's View: The saving clause in Regulation No. 4 of 2005 enables the Commission to entertain the filings in the interests of both the Discoms and consumers and the Commission exercised its jursidiction in this regard in public interest and interests of justice.

MYT Regulation not followed by Discoms:

49 Sri P. Narendranath Chowdary, Managing Director, The Andhra Sugars Limited, Kovvur, W.G.Dist, has stated that the present filings are not in accordance with MYT Regulations for the reason that they are on annual basis and not for the entire period as required under the Regulations.

Sri B. Vijaisagar, Chairman, Consumers Awareness and Research Centre, Kakinada has stated that the objective of ensuring reasonable certainty of power charges for customers for a period of three years as contemplated in Multi Year Tariff Regulations is totally ignored by APEPDCL.

Discoms Response: As per Regulation No. 4 of 2005, the licensee is required to file the Aggregate Revenue Requirement (ARR) for Retail Supply Business and Tariff proposal for the entire control period i.e., for the period from FY 2014-15 to FY 2018-19. However, AP Discoms requested the Commission to allow for submission of the ARR and Tariff filing for Retail Supply Business for FY 2016-17 on an yearly basis instead of the entire control period, and same was approved by the Commission vide Proceedings No. T-41/2015, Dt.20-11-2015.

Commission's view: The response of the Discoms adequately answers the issue raised.

Discoms' Submissions are unreasonable:

50 Sri Meesala Basavapunnaiah, President, Hire Working (Non-Trading) Rice Millers Association has stated that,

i) "Discoms" are submitting unreasonable and unlawful profit and loss statements showing abnormal and unreasonable amounts and submitting proposals for enhancement of Electrical Tariffs indiscriminately as they like, in the pretext of covering the loss in every year submission since 2011-2012.

ii) The statement of Discoms that they are suffering huge losses is not acceptable, even though they are enhancing and collecting high tariffs, levying unlawful charges and getting huge amounts from the Government in the name of subsidy.

iii) The statement of "Discoms" showing the income from the present charges as Rs.23,275/- Crores is not acceptable and their profit and loss statements need to be checked, by experienced officials.

iv) The A.R.R. proposals submitted for enhancement of Electrical Tariffs for the year 2016-2017 were submitted by violating the Act and Rules and therefore are not in order.

v) Neither the "Discoms" nor APERC since the year 2012-13, have taken Sec.58, 59; 6th schedule of APES Act 1948 and Sec. 26(1)(3), Clause A,B,C of APERC Act 1998 read with Sec. 57, 57(A) of APES Act, 1948 into consideration, in ARR submissions. APERC is also accepting the unlawful proposals without proper observations and consequently putting the consumer at heavy loss.

Discoms Response: Aggregate Revenue Requirement (ARR) is being prepared with projections based on the actuals in the previous year(s), Power procurement (PPAs and Short term purchases), Distribution MYT Order, Transmission Tariff Order, SLDC Tariff Order etc. The Tariff proposals are being submitted after considering subsidy envisaged from GoAP.

The following are the reasons for loss / gain in the revenues in comparison to the relevant Tariff Orders.

a) Change in sales mix: Change in the expected rain falls, change in the atmospheric conditions, change in the expected socio – economic conditions, etc. are some of the reasons for change in sales mix as compared to the approved sales mix in the Tariff Orders.

b) Change in power purchase cost: The projections in respect of generators (having PPAs) are being made as per the approved PPAs. The actual PP Cost will be as per the actual payments made to the generators in accordance with the PPAs. During the periods of shortage of power, short term power purchases are being made, the actual cost of which will be as per the prevailing market rates.

c) Changes in Transmission, PGCIL, ULDC & SLDC Charges: The projections in respect of interstate charges are being made as per the approved Transmission Tariff Order. The actual charges will be as per the actual payments made.

d) Interest paid on consumer security deposit: Change in interest rate paid on consumer security deposits (rates are being approved by RBI). Based on the Annual Accounts, the losses / gains are being computed and true-up filings are being submitted to the Commission.

All the charges being collected are in accordance with the relevant Tariff Orders only.

With regard to the correctness of the accounts, all the Annual Accounts of the Discoms are being audited by CAG.

Commission's view: The Electricity Supply Act, 1948 was repealed by subsection 1 of Section 185 of the Electricity Act, 2003, save as otherwise provided in that Act. The Andhra Pradesh Electricity Reform Act, 1998 was saved only to the extent to which it is not inconsistent with the provisions of Section 185(3) of the Electricity Act, 2003. The filings are received and considered with reference to the presently existing statutory scenario. The profits or losses or tariffs or charges or amounts projected by the Discoms are thoroughly verified with reference to all available data and accepted only to the extent probablised to be correct and acceptable.

Objections on Discoms' sales forecast:

51 Sri Potluri Bhaskara Rao, Executive Director, Andhra Pradesh Chambers of Commerce and Industry Federation, Vijayawada; Sri O.L. Kantha Rao, Secretary, AP Spinning mills Association, Guntur and Sri Shiva Kumar, Vice Chairman, Spinning mills Association have stated that the growth forecast of over 13% in HT 11 kV and 33 kV and an over-all growth of 14.7% is in itself out of tune with the economic growth of 7 to 7.5% at the National level, but a growth of 49% in HT 132 kV is definitely unexplainable. The Commission is requested to direct the Discoms to revalidate their forecast proposals, since the sales forecast is the very basis of power purchase plans, the ARR and consequently, the tariff proposals.

Sri D.L.S. Prasad, Srinivasa Cotton & Oil Mills (P) Ltd., Guntur has stated that HT consumers account for 57.3% of the revenue and contribute to consumption of 38%, as seen from the Table. Any reduction in HT consumption, the resultant financial health needs no explanation.

Sl. No.	Category	Sales Forecast 2016-17 (MU)	Revenue (Rs. Crores)
1	HT 11 kV	2968	2106
2	HT 33 kV	4254	2745
3	HT 132 kV	5644	3436
4	Total (1+2+3)	12866	8307
5	Total Sales	33809	14493
6	Percentage (4/5)	38	57.3

With the present forecast, the revenue gaps will be too high for economic sustainability of the Discoms and hence it is necessary to validate the sales forecast.

Sri M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation, Hyderabad has stated that AP Discoms' estimation of power requirement for the ensuing year (55,565 MU) is based on overestimation of consumption growth. In the case of SPDCL, over all estimated growth in consumption is double to that of the current year growth rate and in the case of H.T. supply it is more than three times.

Discoms Response: The sales are projected based on the actuals in the previous year(s) duly considering the Compounded Annual Growth Rate (CAGR) and expected future loads. The requirement of power to upcoming lift irrigation schemes, which is the major reason for high growth rate in HT, is computed as per the data provided by the irrigation department.

Commission's View: The sales forecast projected by the Discoms has been duly verified with the available data and the Commission also obtained independent data on its own wherever feasible like the data about lift irrigation obtained from the Irrigation Department of GoAP. The sales forecast projected has been accordingly reduced to reasonable and realistic levels.

Agriculture is excess supplied, un-metered and inflated demand projected by Discoms:

52 Sri M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation, Hyderabad and Sri Y. Sambasiva Rao, CPI (ML) New Democracy, AP Secretariat Member, Vijayawada have stated that it has become a standard practice for the Discoms to project inflated agricultural demand and for the Commission to reduce the same and for the Discoms to show revised estimates of higher consumption for agriculture. Genuine criticism is being voiced every year that a part of transmission and distribution losses is being included in agricultural consumption. If the Commission reduces the projected sale of power to agricultural services during 2016-17, the projected revenue requirement and revenue gap would come down.

Metering all agricultural services would be an ideal measure to overcome this unreliable information. It would be easier to meter 1.5 lakh DTRs instead of 15 lakh agricultural services in the state.

Sri B.N. Prabhakar, President, Society for Water, Power & Natural resources conservation Awareness and Monitoring (SWAPNAM) has stated that as there is always a dispute between Discoms and public about the agricultural consumption in the State, the Commission may undertake a review through any third party or members of the Commission itself by making field visits at least one mandal in each district and record the following, which will be beneficial to Discoms, if higher capacity motors are found.

- Number of agricultural connections as per record of DISCOM in the section office.
- Actual connections available in the field and their capacities, to be recorded by the team on physical verification.

M/s Maharshi Alloys Pvt. Ltd., Hindupur have stated that Discoms are supplying unmetered free power to agriculture, over and above the estimates, without adhering to the orders passed by APERC and the burden is being passed on to the industries. The Commission should disallow such quantum of energy from the ARR calculation and the whole agriculture subsidy burden has to be borne by the Government.

Sri K. Rajendra Reddy, President, Rashtriya Raithu Seva Samithi, Pakala, Chittoor Dist. has stated that in the absence of meters there is a controversy regarding agricultural consumption. The Commission is requested to direct the Licensees to evolve a time bound plan for metering of all agricultural services.

Discoms Response: Agricultural sales are being estimated as per the ISI methodology approved by the Commission. The actual sales may vary from the projections due to reasons beyond the control of the licensees, viz. rainfall, climatic changes, marketing strategies, etc. The sales projection has no regard to the no. of agricultural services. All new services and DTRs are being released with meters.

Commission's View: The projected agricultural consumption being higher than the actual agricultural consumption is impliedly admitted by the Discoms themselves. But the agricultural consumption being not metered, an element of guess and estimate is becoming inevitable. The Commission kept the historical and physical data available regarding agricultural consumption in view in limiting the probable agricultural consumption in 2016-17 to the projected actual consumption in 2015-16. Any part of the transmission and distribution losses being disguised as agricultural consumption is not evidenced by any positive material. Hopefully, metering of all agricultural connections will materialize at least in the near future to avoid any suspicions.

No need to increase the tariffs if full subsidy is extracted from GoAP:

53 Sri K. Rajendra Reddy, President, Rashtriya Raithu Seva Samithi, Pakala, Chittoor Dist. has stated that as per the ARR of the APSPDCL, the allocated expenditure for LT-V category is Rs.4587.10 Crs. and the revenue computation for FY 2016-17 is Rs.62.82 Crs. As such, the net expenditure for LT-V will be Rs.4524.28 Crs. GoAP is expected to pay the licensee the entire expenditure in terms of Sec.65 of EA 2003.

But the licensee is envisaging Govt. subsidy as Rs.3859.04 Crs. only. As the deficit at current tariffs is only Rs.4347.39 Crs., and the licensee is entitled to get a subsidy of Rs.4524.28 Crs., there will be a revenue surplus of Rs.176.89 Crs. obviating the need for enhancing tariffs.

Sri V. Rambhoopal, District Secretary, CPM, Anantapur has stated that the tariffs need not be increased if the GoAP pays all the dues to Discoms.

Discoms Response: It is necessary to provide subsidized tariffs to certain group of consumers who cannot afford to pay at CoS. For certain group of consumers tariff is being fixed lesser than CoS, called as subsidized categories and for certain category of consumers tariff is being fixed at higher than CoS, called as subsidizing categories. After considering these cross subsidies between the categories under section 65 of EA 2003, the GoAP is providing tariff subsidies towards free power supply to agricultural and other category of consumers, the subsidy is being provided after considering cross subsidies from other subsidizing categories during the process of tariff design. Hence, the subsidy provision is at the discretion of the GoAP.

Commission's View: The extent of subsidy required from GoAP is a matter of arithmetical calculation on the conclusions of the Commission about the quantum of energy to be supplied to the subsidized categories and the GoAP expressed its willingness to provide the same under Section 65 of the Electricity Act, 2003. The Discoms did not project any dues of subsidy from GoAP. The projections in the budget proposals of GoAP for FY2016-17 are also kept in view in seeking the amount of subsidy required and any shortfall can be made good in the supplementary budget.

No need for hike if Govt. provides the subsidy envisaged by Discoms:

54 Sri Mummareddi Venugopala Rao, Senior Journalist & Convener, Centre for Power Studies, Hyderabad; Sri Penumalli Madhu, State Secretary, Communist Party of India (Marxist), Andhra Pradesh Committee, Vijayawada; Sri Ch. Narasinga Rao, Secretariat Member, Communist Party of India; Dr. B. Ganga Rao, Secretary, Greater Visakha City Committee, Communist Party of India (Marxist); Sri B. Tulasidas, Vijayawada; Sri Kandharapu Murali, Chittoor District Committee, Communist Party of India (Marxist) and Sri K. Lokanadham, District Secretary, Viskha District Committee, Communist Party of India (Marxist) and Sri Ch. Babu Rao, CPI (M),have stated that, against the projected revenue deficit of Rs.5148 Crore, the Discoms have envisaged a subsidy of Rs.4364 crore - Rs.3859.04 crore for SPDCL and Rs.506 crore for EPDCL - to bridge the revenue gap after the proposed tariff hike. If the Government really provides the subsidy envisaged by the Discoms for the year 2016-17, with the reduction of their ARR and revenue gap that is likely to be determined by the Commission, probably there will be no need for tariff hike at all. On the contrary, there will be scope for reducing tariffs.

Sri B. Ramaswamy Reddy, Rtd. SE, APSEB, Cuddapah has stated that the projection of revenue deficit at Rs.5,148 Crore by Discoms has given scope for hike in tariffs and the proposal should be considered only after receiving a reply from GoAP on the subsidy assured, by which the hike will become moderate.

Sri Yellapu Suryanarayana, President and Sri Rasamsetty Rajababu, Secretary, Bharatiya Kisan Sangh have stated that the Government shall announce the subsidies to each sector before preparing ARRs and the Commission to fix the time limit for ARRs submission to the licensee, only after announcing the budget.

Discoms Response: Aggregate Revenue Requirement (ARR) is being prepared with projections based on the actuals in the previous year(s) Power procurement (PPAs), Short term purchases, Distribution MYT Order, Transmission Tariff order, SLDC Tariff order, etc., The Tariff proposals are being submitted after considering envisaged subsidy from Govt. of AP.

Commission's View: The reply to the preceding point holds good.

High revenue deficit and inflated claims by Discoms:

55 Sri Mummareddi Venugopala Rao, Senior Journalist & Convenor, Centre for Power Studies, Hyderabad; Sri Penumalli Madhu, State Secretary, Communist Party of India (Marxist), Andhra Pradesh Committee, Vijayawada; Sri Ch. Narasinga Rao, Secretariat Member, Communist Party of India; Dr. B. Ganga Rao, Secretary, Greater Visakha City Committee, Communist Party of India (Marxist); Sri B. Tulasidas, Vijayawada; Sri Kandharapu Murali, Chittoor District Committee, Communist Party of India (Marxist) and Sri K. Lokanadham, District Secretary, Viskha District Committee, Communist Party of India (Marxist), Sri Ch. Babu Rao, CPI (M) have stated the following.

The total revenue deficit and regulatory gap works out to a whopping Rs.11567.98 Crore for the three financial years from 2014-15 to 2016-17. The true up claim of Rs.4338 Crore for 2014-15 made by APSPDCL in its ARR projections for 2015-16 confirms that the Discom has been making inflated and impermissible claims in the light of the true up approved by the Commission for Rs.552 Crore for 2014-15 in the tariff order for 2015-16 and the present projection of an additional sum of Rs. 2066.40 Crore for the same financial year as regulatory gap, both of which work out to Rs.2618.40 Crore against Rs.4338 Crore claimed under true up earlier.

Discoms' Response: The licensee submits that the non increase of tariff in FY2014-15 and increase in power purchase cost in FY2014-15 are the main reasons for the high revenue gap of previous years. The Discoms submitted all the relevant data to the Commission along with ARR filings.

Commission's View: The acceptability of the revenue deficit projected was verified with reference to available data.

Power purchase cost proposals need to be verified:

56 Sri Potluri Bhaskara Rao, Executive Director, Andhra Pradesh Chambers of Commerce and Industry Federation, Vijayawada; Sri O.L. Kantha Rao, Secretary, AP Spinning mills Assosiation, Guntur; Sri D.L.S. Prasad, Srinivasa Cotton & Oil Mills (P) Ltd., Guntur and Sri Shiva Kumar, Vice Chairman, Spinning mills Association have stated that the power purchase costs as given in the ARR proposal are 81.28% in respect of APSPDCL. The unit rate for AP Genco thermal power plants at Rs.5.14/ kWh is the second highest in the merit order of the purchase, next only to the market purchase at Rs.5.17/ kWh. There is a substantial difference of Rs.1.4/kWh with that of TS Genco (27% lower than AP Genco). Power purchase Cost from AP Genco is higher than NCE purchases. Considering that 18776 MU (28%) of the total purchases of 66,839 MU is from AP Genco, a critical re-validation of this procurement cost is called for. AP Genco stations are one of the most efficient in the Country. Is the higher efficiency at such a high cost? Is this financial prudence?

AP Genco thermal projects forms about 30% of the total requirement of the Discoms and it is extremely unfortunate that the consumers are expected to raise objections on the ARR even before the tariff of AP Genco is finalized. The Commission is requested to ensure that this anomaly will not arise for consumers to face.

Discoms Response: The power purchase cost contributes to 80% of the total expenditure. The actual power purchase cost during the H (1) of 2015-16 is considered for projections.

Commission's View: The financial prudence of AP Genco is not the subject matter of the present enquiry.

Follow Merit Order Dispatch for Power Procurement:

57 Mr. Rajesh K Mediratta, Director (Business Development), and Sri Naga Aditya Erranki, Indian Energy Exchange (IEX) have stated that the Discoms have estimated the power purchase cost (Rs.26,378 Cr.) without any consideration to cheaper electricity available on the Power Exchanges. The power procurement must be strategized on the basis of merit order stack. Discoms shall consider marginal cost of power purchases from all the sources while preparing their day-ahead dispatch schedule from Generators under long term PPA, Power Exchange Volume, Short term/Medium Term bilateral Contracts. IEGC specifies that power procurement should be on the basis of Merit Order Dispatch (MOD). Commission may direct the Discoms to adopt the MOD principle and shall be authorized to appoint an agency for audit of Discoms' records of their most optimal merit order dispatch.

Commission's Views: The Discoms may examine the feasibility and permissibility of the suggested course of action.

Why purchase of Excess NCE?

58 Sri Mummareddi Venugopala Rao, Senior Journalist & Convener, Centre for Power Studies, Hyderabad; Sri Penumalli Madhu, State Secretary, Communist Party of India (Marxist), Andhra Pradesh Committee, Vijayawada; Sri Ch. Narasinga Rao, Secretariat Member, Communist Party of India; Dr. B. Ganga Rao, Secretary, Greater Visakha City

Committee, Communist Party of India (Marxist); Sri Kandharapu Murali, Chittoor District Committee, Communist Party of India (Marxist) and Sri K. Lokanadham, District Secretary, Viskha District Committee, Communist Party of India (Marxist) and Sri Ch. Babu Rao, CPI (M); Sri S. Ramesh, General Secretary, CITU, Visakhapatnam have stated that the projected purchase of non-conventional energy works out to 9.79% of the projected sale out of which 2.88% is solar power. When the Discoms are obligated for purchase of only 5% of NCE out of their total sales, including 0.25% of solar power under Renewable Power Purchase Obligation (RPPO), purchase of an excess NCE of 2429MU at exorbitant tariffs imposes avoidable additional burden on the consumers and is unjustified.

There is no justification in APEPDCL's proposal for purchase of an additional 2056.06 MU of NCE (that too on long term basis) from 2016-17 to 2019-20, to meet its backlog under RPPO for the years from 2012-13 to 2015-16, when the actual purchase requirement of additional NCE to meet the back log is ranging from 422.65 MU in 2016-17 to 588.97MU in 2019-20.

Er. A. PunnaRao, F.I.E., Convenor, Praja Energy Audit Cell, Ashoknagar, Vijayawada has stated that the Discoms should be directed to limit the NCE power purchases to 5% only, as they have proposed to purchase 10.2% at high cost, which will burden the consumers.

Discoms Response: The licensees submit that the high average solar tariff is mainly due to the first phase of the JNNSM scheme where Discoms are obligated to procure power at around Rs.15 to 18 per unit, in order to encourage clean and environment friendly solar power. But, due to the proactive measures taken up, a healthy ecosystem is build up for the solar power within the state, resulting in the country's lowest tariff of Rs.4.63 per unit, during the recent solar tender. Encouraging renewable will also help in minimal environmental impact as compared to the conventional sources of power and attract manufacturing industries which helps the whole state.

The licensees submit that the RPPO obligation is more of a guideline to encourage renewables in the country which enables higher benefits in the long run due to inherent advantages like environment friendly technology and also the cost trajectory will become attractive over the years as technology advances, whereas the conventional power is becoming costly over the years.

Commission's View: The need for promoting green energy for environmental protection and the necessity to keep the power purchase cost at a reasonable level have to be delicately balanced. The ecological balance has to be maintained to avoid any catastrophe to humanity which cannot be measured only in monetary terms. National and State policies in this regard also have to be kept in view.

Views on Minimum Billing Demand:

59 Sri Potluri Bhaskara Rao, Executive Director, Andhra Pradesh Chambers of Commerce and Industry Federation, Vijayawada; Sri D.L.S. Prasad, Executive Member and Sri P. Kotireddy of All India Cotton Seed Crushers Association, Mumbai have stated that, increase of tariff and the minimum billing demand to 90% of CMD is a cut throat for the industry.

Sri K.V.Rao, General Manager – Projects and P&I, Coromandel International Limited, and Sri E. Dayanand, Joint General Manager, Essar Steel India Ltd., Visakhapatnam have stated that, increase in minimum billing demand will add to the cost without concurrent increase in production volume.

Sri R. Kishore, Deputy Manager, M/s Amara Raja Batteries Limited has stated that there will be adverse financial impact on the industries and it will become very difficult to compete with other state industries, if the minimum billing demand limit is increased.

Sri Surya Prakasa Rao, Former Director (Commercial), APCPDCL and Former Secretary, APERC has stated that the proposal to the increase minimum billing demand is a retrograde step.

Sri Y.V. Subba Rao, Managing Director, M/s RPP Limited, Hyderabad, Sri M. Ramachandra Rao, Managing Director, The Gowthami Solvent Oils Limited, Hyderabad; and Sri G. Ganesh babu, Managing Director, Espar Pak Limited, Hyderabad on behalf of Shivani Power Spinners Ltd., Thirumala Hydel Power Projects Ltd., Sri Dhanalakshmi Cotton & Rice Mills Pvt. Ltd., Sri Jayalakshmi Powercorp Ltd., Sagar Power Ltd., Trident Power Systems Ltd., Akshay Profiles Ltd., SKJ Power Projects Ltd. have stated that the proposed increase of the minimum billing demand seriously affects the consumers insofar as they may like to source power under open access because of getting saddled with the demand charges whether or not power is availed from the licensee. The minimum billing demand may be retained at 80%.

Sri K.N.Rao, Factory Manager, ITC Limited, Chirala, M/s Bharathi Cement Corporation Pvt. Ltd., M/s Penna Cement Industries Ltd. have stated that there are States where the minimum billing demand is less than the existing 80%. Mere reference to two States, for increase, is not a sufficient reason. Any cogent reasoning or justification is not given for the proposal and the same may not be accepted. In fact, considering the diversity of loads recognized for system planning, there appears to be good reason and ground to reduce the minimum billing demand.

Sri Gopal Choudary, Learned Council has stated that the diversity factor of the engineering industries which is typically 50 to 60%, even in case of cluster of loads, is not being considered / applied while arriving at the billing demand limits. The fixed cost commitments of the Discoms towards the establishment of network are met by all the consumers in a diverse manner. The billing demand should be retained at 80% only.

Sri P. Narendranath Chowdary, Managing Director, The Andhra Sugars Limited, Kovvur, W.G.Dist, has stated that the proposed change of tariff minimum billing from 80% to 90% is unreasonable and aimed to increase the DISCOMS' revenue only but not for the welfare of consumers, since the industries may not consume power for tariff minimum due to plant operating conditions and product demand.

Smt. P. Vydehi, Secretary i/c, The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTACCI), Hyderabad and Shri Bhushan Rastogi, FAPCCI have stated that the proposal of increase in minimum billing demand is unreasonable and will increase burden of industrial consumers in the present days of recession and high degree of volatility.

Sri Kothapalli Ramakrishnamraju, President, Resident welfare Association, Visakhapatnam has stated that, the proposed billing demand for HT Services shall be applied to all categories without discrimination.

Sri P.V. Subba Reddy, MUS Trust, Hyderabad has stated that the proposal for increase of minimum BMD to 90% is not correct when surplus power is estimated.

M/s Synergy Castings Ltd., have opposed the increase of minimum billing demand.

Discoms Response: To recover fixed cost of generators and network cost, the demand charges are being collected. Due to increase in the total quantum of fixed cost portion in both generation and network and in view of the improved and uninterrupted supply, the proposal for billing MD at 90% is justified. The States of Madhya Pradesh and Tamil Nadu are already implementing the same since 2012-13.

In the Tariff Order FY2015-16 the Commission has exempted billing demand to HT-VI Townships & Colonies. The same is proposed by the Discoms for FY 2016-17 with a view to give concessional tariff to HT category-VI.

Commission View: The objections received positive consideration from the Commission.

Not to increase energy charges for the subsidizing consumers:

60 Sri Potluri Bhaskara Rao, Executive Director, Andhra Pradesh Chambers of Commerce and Industry Federation, Vijayawada; Sri D.L.S. Prasad, Executive Member and Sri P. Kotireddy of All India Cotton Seed Crushers Association, Mumbai have stated that energy cost essentially depends on the power purchase cost which itself is well over 80% of the ARR. Even at the current tariffs HT consumers are bearing 57.3% of the revenue of the DISCOMS for a consumption of 38%. The mandate of National Tariff Policy for the tariff to be at ± 20% of CoS has to be given serious thought by the Commission. At the bottom line, at least a downward trajectory in comparison to the previous years, will hopefully be seen by the cross subsidizing HT consumers.

Sri R. Kishore, Deputy Manager, M/s Amara Raja Batteries Limited has stated that proposed hike increases the financial burden on industries and also the promotion of new industries will become bleak. To safeguard the interests of consumers and to encourage the economy, it is requested to continue the existing tariff for the FY2016-17.

Sri Surya Prakasa Rao, Former Director (Commercial), APCPDCL and Former Secretary, APERC has stated that if the objective is to enhance revenues through increased sales of energy, rebate should be given to industries, considering the fact that they contribute high level of Cross-Subsidy. If the objective is to discourage setting up of Industries in those areas for any reason, then higher tariff may be justified as a deterrent.

Discoms Response: Average Cost to Serve (CoS) for the FY 2015-16 as approved by the Commission for the State was Rs 5.38/Unit, whereas, revised average Cost to Serve (CoS) for the current year is Rs 5.92/Unit. The State level CoS for the ensuing year i.e. FY2016-17 is estimated to be at Rs. 5.60/Unit. This implies an increase of Rs. 0.22/ Unit (4.05 % increase) when compared to approved average CoS. Also, the average CPI inflation in India was 5.41% year-on-year in November 2015. The licensees would like to propose a nominal increase in the tariffs to meet the increased costs.

Commission's View: The views have been kept in mind in limiting the increase in Energy charges to minimum possible levels.

Off-peak consumption to be incentivized:

61 Sri Potluri Bhaskara Rao, Executive Director, Andhra Pradesh Chambers of Commerce and Industry Federation, Vijayawada; Sri O.L. Kantha Rao, Secretary, AP Spinning mills Assosiation, Guntur; Sri D.L.S. Prasad, Executive Member and Sri P. Kotireddy of All India Cotton Seed Crushers Association, Mumbai and Sri Shiva Kumar, Vice Chairman, Spinning mills Association have stated that If TOD has a justification, by the same token a reduction in the base tariff is also called for during non peak hours. Major Industrialized States have a discount in their tariff for energy usage during non-peak hours. The HT consumers are at disadvantage in the competitive edge to Maharashtra and Gujarat, not only for new investments, but also for the existing industries. The entire tariff proposals require rationalization, for the industries to exist in the State, besides growth, as contemplated by the Government of Andhra Pradesh.

Sri R. Kishore, Deputy Manager, M/s Amara Raja Batteries Limited has stated that the TOD tariff of Rs. 1/unit itself is an additional burden for industrial consumers. The percentage increase on the TOD tariff every year will increase the burden further on industrial consumers.

Smt. P. Vydehi, Secretary i/c, The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTACCI), Hyderabad and Shri Bhushan Rastogi, FAPCCI have stated that ToD tariff approved by the Commission is not only in contrast to the applicable scheme in other States but is also counter-productive to demand side management as it offers no incentive to consumers to shift their demand to off-peak periods.

M/s Synergy Castings Ltd., have opposed the levy of ToD.

Discoms Response: AP Discoms have extended ToD tariff to Industries to recover partial additional charges over and above the tariff applicable, to meet the expensive power. Further, for the consumers who cannot shift their demand/ requirement due to their nature of operation such as continuous loads, then AP Discoms may have to purchase from expensive sources to meet the demand.

Commission's View: While the proposal for any increase in Time of Day tariff did not receive acceptance from the Commission, the distribution companies may examine and take a view on incentivizing off-peak consumption, in future.

Reliability Charge is not acceptable:

62 Sri Potluri Bhaskara Rao, Executive Director, Andhra Pradesh Chambers of Commerce and Industry Federation, Vijayawada; Sri O.L. Kantha Rao, Secretary, AP Spinning mills Assosiation, Guntur and Sri D.L.S. Prasad, Executive Member, All India Cotton Seed Crushers Association, Mumbai, and Sri Shiva Kumar, Vice Chairman, Spinning mills Association have stated that the concept of reliability charge is not understood, when in fact, by any stretch of imagination the Discoms in fact are expected to be reliable in terms of supply. The fact of the matter is all HT consumers, besides LT, have been long suffering consumers of electricity with power cuts, shortages, power blinks, and several other tribulations. Prima facie, the Commission is urged to straight away reject this hidden tariff. On the other hand, the Discoms should be asked to accept a penalty of 4% on the tariff finalized by APERC for unreliable services as and when recorded in the ABT meters on a basis that may be fixed by APERC.

Sri R. Kishore, Deputy Manager, M/s Amara Raja Batteries Limited has stated that the detailed conditions for uninterrupted power supply were not clearly defined in the proposal. The proposed refund of reliability charge based on percentage reduction of SAIDI (System Average Interruption Duration Index) is not specific. Option to avail reliable supply should be given to individual consumer and it cannot be implemented to all the consumers, as there will be financial burden. The licensee should supply power without any interruptions with the existing tariff itself. The present supply conditions are reasonably reliable for 132 kV and 33kV HT services.

Sri Surya Prakasa Rao, Former Director (Commercial), APCPDCL and Former Secretary, APERC has stated that the proposal to levy 25 paise / unit for the so called interruption-free supply is vague and not supported by any reasoning. Electricity Act permits reasonable classification of consumers based on the factors specified u/s 62(3), but such classification should have nexus to the objective sought to be achieved.

M/s Synergy Castings Limited have opposed the levy of Reliability Charges

Sri M.S.S. Sarma, AP Ferro Alloys Producers Association; Sri M.R. Prasad, Secretary General, AP Ferro Alloys Producers Association, Hyderabad and Sri Vijaya Gopal Reddy, Manish Reddy Ferro Alloy Industries have stated that introduction of Reliability charge is strictly opposed.

Sri R. Bhaskar, General Manager, DNW Department, Rashtriya Ispat Nigam Ltd., Visakhapatnam has stated that, the proposed reliability charge in addition to the HT tariff is incorrect and unjustifiable as it is the basic obligation of Discoms to provide reliable and uninterrupted power to all their consumers and it cannot be claimed as an extra / special service to a special category.

Sri K.V.Rao, General Manager – Projects and P&I, Coromandel International Limited, Vishakhapatnam and Sri E. Dayanand, Joint General Manager, Essar Steel India Ltd., Visakhapatnam have stated that it is the obligation of any power distribution company to provide reliable and uninterrupted power to all the consumers.

Smt. P. Vydehi, Secretary i/c, The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTACCI), Hyderabad and Shri Bhushan Rastogi, FAPCCI have stated that levy towards uninterrupted power supply is speculative without any supporting cost analysis, scheme or plan.

Discoms Response: Interruption free power is viewed as one of the most important drivers for industrial growth. The licensees are targeting to bring down the System Average Interruption Duration Index (SAIDI) by 40% by March 2017 as compared to April 2016. In case the licensees fail to meet the target, the licensees shall refund the reliability charge as proposed in the Tariffs.

Commission's View: Reliability should be the basic feature of the public utilities and cannot be promoted as an extra virtue for which the consumers should be burdend with further charges.

Reliability to be maintained at 11 kV Level too:

63 Sri Kothapalli Ramakrishnamraju, President, Resident welfare Association, Visakhapatnam has stated that reliability charge at Rs. 0.50 per unit may be considered for the consumers of 33 kV and above since the uninterrupted supply is highly benefiting production with high profits. Providing reliable supply at 11 kV level, wherever feasible, may also be considered.

Discoms Response: The Discoms intends to roll out this initiative of providing high reliable / uninterrupted power supply to HT consumers at 33 kV and above in the following cities / areas from April 2016:

Visakhapatnam, Kakinada, Rajahmundry, Sri City, Krishnapatnam and Tirupati.

The aim of the Discoms is to provide uninterrupted power supply to all the consumers. Any how the suggestions are noted.

Commission's View: The suggestion received no consideration in view of the response to the preceding point.

Objections on grouping of Domestic Categories:

64 Sri Mummareddi Venugopala Rao, Senior Journalist & Convener, Centre for Power Studies, Hyderabad; Sri Penumalli Madhu, State Secretary, Communist Party of India (Marxist), Andhra Pradesh Committee, Vijayawada; Sri Ch. Narasinga Rao, Secretariat Member, Communist Party of India; Dr. B. Ganga Rao, Secretary, Greater Visakha City Committee, Communist Party of India (Marxist); Sri Kandharapu Murali, Chittoor District Committee, Communist Party of India (Marxist) and Sri K. Lokanadham, District Secretary, Viskha District Committee, Communist Party of India (Marxist) and Sri Ch. Babu Rao, CPI (M) have stated that though the Discoms claim that the groups are proposed "with no tariff change", their intention is to reduce cross-subsidy / subsidy. The Discoms should quantify the additional cross subsidy that accrues on account of the proposed hike. If the Government provides additional subsidy required, there will be no need to introduce the proposed three groups with tariff hikes proposed.

Sri Surya Prakasa Rao, Former Director (Commercial), APCPDCL and Former Secretary, APERC has stated that categorization of domestic Consumers into A, B and C groups based on previous year consumption appears to be misconceived and can be done on the basis of slabs of current month consumption adopting telescopic Tariff Structure, if the objective is to avoid tariff shock while crossing the slab.

Prof. G. Krishna Rao, (Retd. Professor, AU), Federation of Farmers Association has stated that the criterion for the proposed grouping is not understood, as about 40% consumers are in the consumption range of 100 – 300 units per month. The grouping has to be modified.

Sri Tirupathi Rao, District Committee Member, CPM, Srikakulam has stated that monthly consumption under group 'A' should be enhanced to 200 units per month instead of 50 units.

Sri M. Ramesh, District Secretary, TDP, Srikakulam has stated that there should be one slab up to 100 units and the slab of 50 to 100 units is to be removed.

Sri Kondapalli Vasudevarao, Editor and Publisher, Electricals Electronics & General Information magazine has stated that as per the details given by APEPDCL in the ARR proposals, there are about 25 lakhs of consumers who consume below 30 kWh (units) per month. As such, a new slab of 0-30 units at Rs. 1.45 per unit, and groups for 'below 100 units consumption' and '600 to 1200 units consumption' should be formed. Tariff hike proposed for certain categories are not uniform.

Sri Ramanayudu, District Secretary CPI, Tirupati has stated that free supply should be given up to a consumption of 50 units and Rs.1.45/unit should be charged up to 200 units.

Sri U. Bhaskara Rao, State president, Bharatiya Kishan Sangh (BKS) has stated that the tariff for the electricity consumption up to 200 units should be fixed as Rs. 1.45/-.

Sri V. Rambhoopal, District Secretary, CPM, Ananatpur has stated that the proposed grouping would confuse the consumers and the group proposed for 201-300 units at Rs.6.90/unit would cause burden on consumers having consumption below 250 units.

Sri V. Venkatadri, Retd. Teacher has stated that levy of higher tariff for higher consumption is illegal. Consumption less than 300 units per month shall be considered as normal.

Sri B. Vijaisagar, Chairman, Consumers Awareness and Research Centre, Kakinada has stated that the tariff proposed for railways (traction) at Rs.6.68 ps. per unit is on par with domestic consumers using more than 250 units per month, and is not prudent.

Sri Kothapalli Ramakrishnamraju, President, Resident welfare Association, Visakhapatnam has stated that, APEPDCL's proposal of unit rates, with consumption levels of <600 units, >600 to <2400 units, >2400 units respectively during last year, is no way justified since the buildings occupied by tenants may be vacated from time to time. The financial burden will be on the owner or the new tenant. Any tariff proposal for these categories shall only be based on the consumption of particular billing period in 2016-17, with the unit rates as proposed.

Sri Ch.V.V.S.Bapiraju, Secretary, Greater Visakhapatnam Municipal Corporation (GVMC), Visakhapatnam has stated that the three (3) consumer groups which have been categorized as “below 600 units”, “600 to 2400 units” and “greater than 2400” may be modified into two (2) groups as “below 1200 units” and “above 1200 units”.

Further he proposed the revised rates for the groups as follows.

Group A: Annual Consumption below 1200 units

0 – 100 units - Rs. 3.00/unit

101 – 200 units - Rs. 4.00/unit

201 – 800 units - Rs. 7.80/ unit

801 – 1200 units - Rs. 9.00/ unit

Group B: Annual Consumption above 1200 units

0 – 100 units - Rs. 4.00/unit

101 – 200 units - Rs. 5.00/unit

201 – 800 units - Rs. 8.80/unit

800 – 1200 units - Rs. 10.00/unit

Sri Yellapu Suryanarayana, President and Sri Rasamsetty Rajababu, Secretary, Bharatiya Kisan Sangh, have stated that the consumers are burdened unknowingly in the group billing method and as such it shall not be implemented in the tariff for 2016-17.

Sri P.V. Subba Reddy, MUS Trust, Hyderabad has stated that multiple categories complicate the tariff structure.

Sri V. Rambhoopal, District Secretary, CPM, Anantapur has stated that the proposed grouping would confuse the consumers.

Sri Katuru Hari kishore kumar Reddy, Bharatiya Kisan Sangh, AP of Paturu, Kovuru Mandal, Nellore Dist., Sri Gadagottu Srirambabu, State President, Bharatiya Kisan Sangh, Poluru, Prakasham Dist., Sri Poondla Srinivasula Reddy, District President, Daamaramadugu, Nellore Dist. Sri Addagada Satiskumar, Raashtra Yuva Pramukh, Bharatiya Kisan Sangh, Nagulapalem, Prakasham Dist., Sri Alturu Hari Sarvothama Reddy, Mandal President, Bharatiya Kishan Sangh, Damaramadugu Post, Nellore Dist., Sri Unnam Simhadri, State Organizing Committee member, Bharatiya Kishan Sangh, Ananta Sagaram, Prakasham Dist., have stated that the domestic consumers shall be formed into three (3) groups instead of the proposed four (4) groups for 2016-17. Grouping the consumers based on their last year (2015-16) consumption is inappropriate and unacceptable. The average consumption shall be considered based on the upper limit of the slab of the group but not on the lower limit. Considering the lower limit of the slab for arriving at the annual average consumption is a new hoax to deceive the consumers. Discoms shall give account copy to each consumer informing the units consumed, at the end of 2016-17 based on which grouping for 2017-18 can be done.

The following groups shall be formed for 2016-17.

Group - A:

0 – 50 units - Rate Rs. 1.45/unit
51-100 units – Rate Rs. 2.60/unit
Annual Average Consumption – 1200 units.

Group – B:

0 – 50 units - Rate Rs. 2.60/unit
51-100 units – Rate Rs. 2.90/unit
101-200 units – Rate Rs. 3.60/unit
Annual Average Consumption – 2400 units.

Group – C:

0 – 50 units - Rate Rs. 3.00/unit
51-100 units – Rate Rs. 4.00/unit
101-200 units – Rate Rs. 6.00/unit
201-300 units - Rate Rs. 7.50/unit
Annual Average Consumption – 3600 units.

Group – D:

0 – 50 units - Rate Rs. 3.00/unit

51-100 units – Rate Rs. 4.00/unit

101-200 units – Rate Rs. 6.00/unit

201-300 units - Rate Rs. 7.50/unit

301-400 units - Rate Rs. 8.00/unit

401-500 units - Rate Rs. 8.50/unit

Above 500 units – Rate Rs. 9.10/unit

- Telescopic method shall be strictly implemented in each group.

Sri Polisetti Chalapati has stated that consumption less than 400 units shall be charged at Rs. 2.60/-.

Er.T.V. Ramana Murty, Secretary General, Eastern Discom Power Engineer Association has stated that consumers have to be categorized into groups and tariffs shall be fixed as follows:

Category –I (Domestic):

0 – 100 units - Rs. 1.50/unit up to 1 kW only.
>100 units - Rs. 3.00/unit up to 10 kW

Category –II (Non- Domestic):

0 – 100 units - Rs. 6.00/unit, up to 1 kW without fridge.
>100 to 500 units - Rs. 8.00/unit, up to 5 kW with fridge.
>500 units – Rs. 10.00/unit, above 5 kW

Category –II (Hoardings):

Below 1 kW – Rs. 15.00/unit
1 kW to 3 kW – Rs. 20.00/unit
Above 3 kW to 5 kW – Rs. 25.00/unit
Above 5 kW – Rs. 30.00/unit

Category VII : General Purpose

VII (A) :

1) Govt. Schools and colleges : Rs. 7.00 / unit
2) Other than Govt. Schools, Colleges and Hostels (Private) : Rs. 15.00 / unit

VII (B) : Religious Places

Under the control of Endowments Dept.:

1) Up to 5 kW : Rs. 5.00 / unit
2) Above 5 kW : Rs. 10.00 / unit

Others:

For all units : Rs. 12.00 / unit

Category VIII: Temporary

For all units : Rs. 15.00 / unit

HT V: Railway Traction

For all units : Rs. 8.00 / unit

Sri Y. Siddayyanayudu, President, District Farmer Federation, Diguvamaagam, Chittoor Dist. has stated that Domestic tariffs should not be changed and uniform rates are to be fixed irrespective of the usage.

Sri Davuluri Narasimhulu Nayudu, Aadenapalli and Sri C. Chinnaswamy, Pakala Mandal, Chittoor Dist., have stated that tariffs shall not be increased every year.

Sri C.V. Mohan Rao, Secretary, Repalle Pattanabhivrudhi Sangham, Repalle, Guntur has stated that the proposed grouping methodology imposes high financial burden on middle class, SC and ST categories.

Sri S. Kesavulunaidu of Kanamakrindapalle (V), Sri K. Guruswamynaidu of Surinenipalli (V), Sri N. Muniratnamreddy, Ganugapenta, in Pakala Mandal, Chittoor Dist., Sri Bollineni Chandramoulinayudu, Sankhampalle in Pakala Mandal in Chittoor District have stated that it is not correct to propose grouping of the domestic consumers based on their consumption in the year 2015-16.

Sri A. Bhaskar Reddy, P.Kothakota, Chittoor Dist. has stated that the proposal for categorizing A, B and C groups of the domestic consumers has to be rejected and the existing categories shall be continued.

Sri K. Rajendra Reddy, President, Rashtriya Raithu Seva Samithi, Pakala, Chittoor Dist. has stated that the proposed grouping of consumer of LT-I based on last year consumption is not logical. Consumption for any consumer is not stable but variable and as such grouping is not desirable, and last year practice may be continued. In LT-III itself there are six different sub categories, which should have been sub categorized as LT III (a), LT III (b), LT III (c), LT III (d), LT III (e) and LT III (f) for easy Identification and similarly in some other categories also.

Discoms Response: The licensees have projected the proposed revenue after grouping of domestic consumers based on actual consumption data for FY2014-15 and apportionment for FY2016-17. The revenue actually realized may certainly undergo a change with respect to the projected revenue and the same shall be factored in the True-Up of ARR for FY2017-18. If the proposed tariffs for the three groups are implemented, the additional revenue to APEPDCL is Rs. 14.95 Crores and to APSPDCL it is Rs.25.09 Crs., and is as follows.

Revenue impact due to proposed Tariff for the three Groups for the FY 2016-17

Domestic consumer Categories	APEPDCL		APSPDCL	
	No. of consumers	**Total Revenue Impact due to proposed tariff (Rs. Crs)**	**No. of consumers**	**Total Revenue Impact due to proposed tariff (Rs. Crs)**
Group A: Annual consumption ≤ 600 Units				
0-50	1425109	0.00	2468351	0.00
51-100	174375	0.00	624612	0.00
101-200	8870	0.00	63244	0.00
Above 200	439	0.00	2317	0.00
Group B: Annual consumption ≤ 2400 and ≥ 600 units				
0-50	401031	0.00	410264	0.00
51-100	1229406	0.00	1464478	0.00
101-200	807306	0.00	1336310	0.00
201-300	74846	0.00	131702	0.00
Above 300	14308	0.00	22059	0.00
Group C: Annual consumption >2400 units				
0-50	42774	1.71	44422	2.26
51-100	33378	2.01	35819	2.70
101-200	142616	2.45	179610	5.95
201-300	117974	2.68	188909	5.54
301-400	54254	2.67	88310	3.16
401-500	26284	1.37	43894	1.82
Above 500	29573	2.05	53537	3.66
Total	**4582543**	**14.95**	**7157838**	**25.09**

As the subsidy amount will be decided by Govt. of A.P., it is not under the purview of the Licensee.

Tariffs are independent of affordability / income level of consumers. Under the existing tariff regime, high-income consumers are likely to enjoy concessional tariffs intended for low-income consumers, in case their consumption during any month is reduced. Ex: If a consumer having an average consumption of 200 units/month consumes 30units/ month, he will be charged at Rs. 1.45/- per unit.

To ensure power to all at affordable prices, tariff has been designed with certain class of consumer categories as subsidized categories and others as subsidizing categories.

Also grouping of domestic consumers on the basis of previous year consumption is aimed to address many of the issues prevailing in the existing slabs. This is a move towards a more rational tariff structure which ensures lowest tariffs to low-income consumers and higher tariffs for high-income in consumers irrespective of monthly consumption which is very dynamic.

In the new grouping method, no hike is proposed for the low income category consumers and thus they are benefited and 2.5% hike is proposed for the high income category consumers. The consumers that are coming under Groups A, B and C are 35%, 55% and 10% respectively. As such, only 10% of consumers are coming under the tariff hike.

However, revision of grouping and charges is in the purview of the Commission.

Commission's View: The proposed regrouping of the domestic consumers has been carefully examined duly taking into account the various well meaning suggestions received from the objectors in writing and/or during public hearings. The classification of the lower end consumers at A and B categories was revised increasing the maximum limits of consumption permissible in each category by 50% and 12.5% respectively which avoids any tariff shocks to poor and lower middle class consumers for any marginal increases in consumption in 2015-16. Rationalization and simplification of the categories of domestic consumers will help the consumers in the long run. Wherever tariffs are proposed to change to the next level for every 100 units, average tariffs at that level are accepted and otherwise no increase in tariffs for domestic consumers is permitted.

Concessional Tariff for Sugar Cane Crushers and others:

65 Sri Jalagam Kumara Swamy, State Organising Secretary, Bharatiya Kisan Sangh, Vijayawada; Sri G. Krishnakumar, Lawyer and Legal Cell convenor, Bharatiya Kisan Sangh, Vuyyuru; Sri Medasaani Vijayabhaskar, President, Bharatiya Kisan Sangh; Sri Maddireddy Srinivasa Reddy, Kotharepudi, Krishna District and Sri Shirsham Venugopal Reddy, Chatray, Krishna Dist., have stated that minimum tariff, as for poultry farms, shall be fixed to sugar cane crushers, treating as agricultural machinery.

Sri Yellapu Suryanarayana, President and Sri Rasamsetty Rajababu, Secretary, Bharatiya Kisan Sangh, have stated that Sugar cane crushing shall be treated on par with agriculture or a sub-category with a tariff of Rs. 1/- per unit shall be formed.

Sri K. Rajendra Reddy, President, Rashtriya Raithu Seva Samithi, Pakala, Chittoor Dist. has stated that Sugarcane crushing, mushroom and rabbit forms, floriculture in green houses may also be considered along with aqua culture and animal husbandry for similar tariff as these activities also are agro based.

Both the sub groups in LT- IV may be merged into one category with a tariff of Rs.3.75/-. Under the changed circumstances agro based activities are to be defined and a complete list of activities, which the Licensee considers as agro based is to be provided. It is not justified to enhance tariff to LT VII (b), as the category itself was created after prolonged representations, with concessional tariff under special conditions.

Sri Katuru Hari kishore kumar Reddy, Bharatiya Kisan Sangh, AP of Paturu, Kovuru Mandal, Nellore Dist., Sri Gadagottu Srirambabu, State President, Bharatiya Kisan Sangh, Poluru, Prakasham Dist., Sri Poondla Srinivasula Reddy, District President, Daamaramadugu, Nellore Dist. Sri Addagada Satiskumar, Raashtra Yuva Pramukh, Bharatiya Kisan Sangh, Nagulapalem, Prakasham Dist., Sri Alturu Hari Sarvothama Reddy, Mandal President, Bharatiya Kishan Sangh, Damaramadugu Post, Nellore Dist., Sri Unnam Simhadri, State Organizing Committee member, Bharatiya Kishan Sangh, Ananta Sagaram, Prakasham Dist., have stated that the Sugarcane juice extractor machines up to 10 HP shall be included in Category-IV, fixing the tariff at Rs.3.75/unit. The machines are used by the farmers for manufacturing Jaggery which is a small scale industry and related to Agriculture. As such, power supply to such machines shall also be given from agriculture feeders with the permission of DE/Operation.

Discoms Response: Sugar cane crushing is treated as agriculture related industry and the charges are levied accordingly.

Commission's view: The requests are considered to be deserving acceptance and relief is provided accordingly in respect of sugar cane crushing.

Consider one Category for LT-V:

66 Sri Katuru Hari kishore kumar Reddy, Bharatiya Kisan Sangh, AP of Paturu, Kovuru Mandal, Nellore Dist., Sri Gadagottu Srirambabu, State President, Bharatiya Kisan Sangh, Poluru, Prakasham Dist., Sri Poondla Srinivasula Reddy, District President, Daamaramadugu, Nellore Dist. Sri Addagada Satiskumar, Raashtra Yuva Pramukh, Bharatiya Kisan Sangh, Nagulapalem, Prakasham Dist. Sri Alturu Hari Sarvothama Reddy, Mandal President, Bharatiya Kishan Sangh, Damaramadugu Post, Nellore Dist., Sri Unnam Simhadri, State Organizing Committee member, Bharatiya Kishan Sangh, Ananta Sagaram, Prakasham Dist., have stated that, since Discoms have agreed that 90% farmers are following DSM methods, Only 'A' should be remained in LT-V category, 'B' and 'C' should be removed.

Discoms Response: Free power is to be given for those who are using DSM scheme. As such, LT V (A) and (B) are to be continued.

Commission's View: There appears no strong reason to disturb the present categorization.

Less tariff projected for M/s HNPCL:

67 Sri Sidharthadas, Vice President-Commercial, Hinduja National Power Corporation Limited, has stated that as per the submission to APPCC, the fixed and variable costs for FY2016-17 were projected at Rs. 2.67/ unit and Rs.1.89 / unit respectively. But AP

Discoms, in their ARRs filed with APERC, have mentioned the fixed cost as Rs.2.16/unit and variable cost as Rs. 1.8/unit variable cost, which is incorrect.

The tariff for HNPCL project filed in ARR by APEPDCL & APSPDCL is grossly insufficient for the plant to recover its fixed and variable costs necessary to operate the plant and service its debt obligations. As such, amendment to the PPA in line with the MoA is under discussion which is expected to be completed shortly. The Discoms are requested to revise the fixed cost and variable costs of HNPCL project in the ARR to make them consistent with the tariff as projected.

Discoms Response: Since, the tariff for the first year of operation for the two units of HNPCL has not been determined by the Commission, the licensees have considered an indicative fixed cost of Rs.2.16/unit and indicative variable cost of Rs. 1.8/unit in the ARR filing of Retail Supply Business of FY2016-17.

Commission's View: The matter is pending determination before the Commission in its adjudicatory functions and hence no view is expressed. However, in O.P. No. 21 of 2015, the Commission has fixed an interim tariff of Rs. 3.61 per unit pending the final decision on the petition.

Objections of Railways:

68 Sri **R.K. Sharma**, Chief Electrical Distribution Engineer, South Central Railway, has stated the following.

i. Railways are a bulk consumer and paying major amounts to DISCOMs. For the year 2015-16, the projected revenue of DISCOMs from railway traction alone is 21 % of total payments received under HT 132 kV & above category.

ii. The proposed tariff at Rs.6.95 per kVAh will amount to an increase of 0.27 paise per unit (i.e. 4% increase) and is higher than 44.5% over the tariff proposed for HT-I (B) category.

iii. National tariff policy Para 8.3 (2) states that "for achieving the objective that the tariff progressively reflects the cost of supply of electricity, the Appropriate Commission would notify roadmap such that tariffs are brought within ± 20% of the average cost of supply. The road map would also have intermediate milestones based on the approach of a gradual reduction in cross subsidy." The comparative variation of tariff proposed with respect to energy intensive industries is as given below.

Category	**Supply availed At**	**Type of Industry**	**Organization**	**Effect on environment**	**Proposed Tariff for 2016-17**	**Variation over Avg. COS**
HT-1(B)	132 kV	Power Intensive	Production oriented	--	Rs. 4.81	-14.3%
HT (V) Railway Traction	132 kV	Power Intensive	Public service	Energy efficient and eco friendly	Rs. 6.95	+23.9%

iv. Railway traction is also power intensive and loads are for passenger & goods train services which are run round the clock. There is no distinction of peak to non-peak hours and most of the goods trains are run during night time which is off peak period forming base load of DISCOMs and supporting the grid stability. Apart from this, Railways maintain higher power factor. Contribution of Railways to economic and social developments of country far outweighs the advantages of HT-I (B). Railway pleads before the Commission to critically examine the preferential treatment / subsidy given to HT 1(B) which is unjustifiable and against basic principles of Electricity Act 2003 (Section 61). Railways are to be declared as Energy Intensive Industry and tariffs should be fixed on par with HT1-