

# **Retail Supply Tariffs**

## **2022-23**



### **COMMON ORDER**

**on**

**Tariff for Retail Sale of Electricity  
during FY2022-23**

**&**

**True-up for Retail Sale of Electricity for  
FY2019-20**

**True-up for Retail Sale of Electricity for  
FY2020-21**

**True-up for Distribution Business for  
3<sup>rd</sup> Control Period (FY2014-15 to FY2018-19)**

**True-up for Transmission Business for  
3<sup>rd</sup> Control Period (FY2014-15 to FY2018-19)**

***VOLUME - I***

**30<sup>th</sup> March, 2022**

**Andhra Pradesh**

**Electricity Regulatory Commission**

**4<sup>th</sup> Floor, Singareni Bhavan, Red Hills, Lakdi-ka-pul, Hyderabad 500 004**





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***In the areas of Supply of***

***Southern Power Distribution Company of A.P. Ltd. (APSPDCL)  
Eastern Power Distribution Company of A.P. Ltd. (APEPDCL)  
A P Central Power Distribution Corporation Ltd. (APCPDCL)***

**30<sup>th</sup> March, 2022**



# VOLUME – I

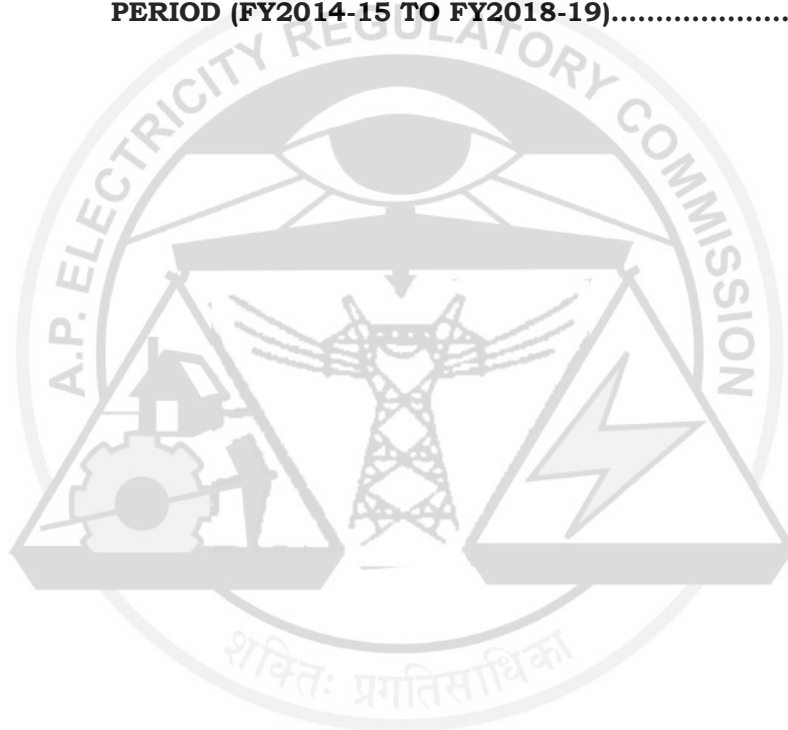
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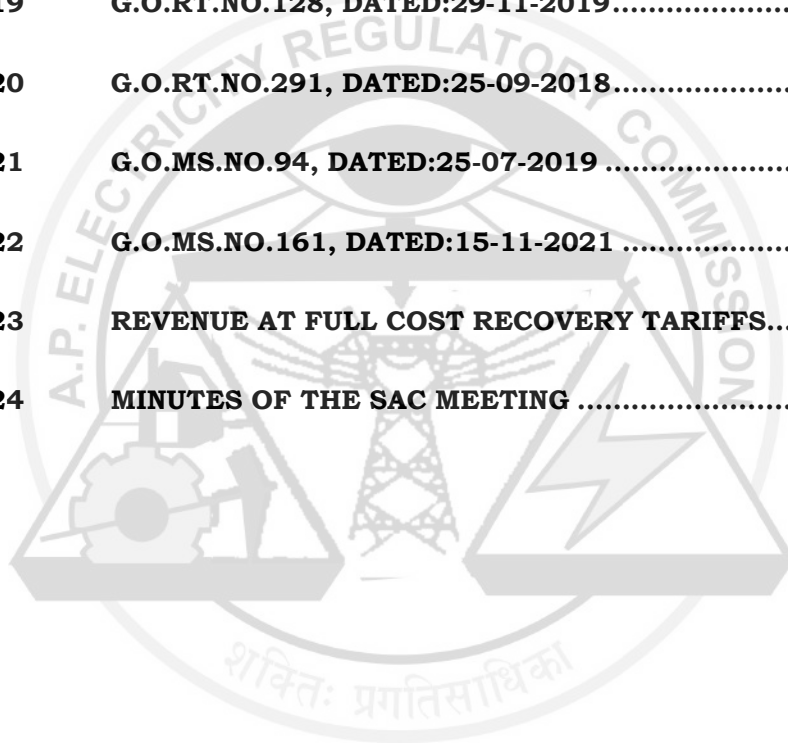


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## **FROM THE CHAIRMAN'S DESK**

It has been a year since the Commission issued the last Tariff Order for Retail Sale of Electricity for FY 2021-22. The Covid pandemic which wreaked havoc during FY 2020-21 has, unfortunately, continued unabated during most part of FY2021-22 also with the emergence of new strains of virus causing untold misery to the different strata of people in the society. Fortunately, a significant respite from the Covid pandemic has been observed in recent months with the economy bouncing back to the pre-covid level. Hopefully, the pandemic will become endemic in the near future and will be gradually eliminated.

Keeping in view the continued threat posed to the health and lives of the public by the pandemic, the Commission has conducted the public hearings on the petitions filed by the licensees for the determination of the Retail Supply Tariffs, Cross Subsidy Surcharges (CSS) for FY2022-23, and True-UP of Retail Supply Business for FY2020-21 in the virtual mode on 24.01.22, 25.01.22 and 27.01.22 in Visakhapatnam. All the stakeholders were provided an opportunity to participate in the public hearings virtually from the offices of all the Executive Engineers in the State.



For FY 2022-23, the Commission has taken a decision to club the orders related to the determination of Tariffs for Retail Sale Electricity for FY2022-23 along with the True-Up of Power Purchase Costs for FY2020-21, True-Up of Power Purchase Costs for FY2019-20, True-Up of Transmission Business for FY2014-19 and True-Up of Distribution Business for FY2014-19 and issue this common order as the costs approved in these orders are part and parcel of the Retail Supply Business. Accordingly, the Commission divided this common order into two Volumes. Volume-I consists of the determination of Retail Supply Tariffs and CSS for FY2022-23 and Volume-II consists of the determination of True-Ups of Power Purchase Costs for FY2019-20 and FY2020-21, True-Ups of Transmission and Distribution Businesses for FY 2014-19.

As most of the stakeholders may be aware, the DISCOMs are in a dire financial situation with their combined losses standing at a whopping Rs.28,000 crores. In this regard, it may be noted that the collapse of the DISCOMs due to their financial losses is not in the best interests of the consumers. In order to bail out the DISCOMs, the Commission has been taking several proactive steps like addressing the letters to the GoAP to release the pending dues, issuing stern directions to the DISCOMs to realise the subsidy dues from the government and the CC arrears from the government departments and local bodies and to disconnect the services if the CC dues are not paid, optimization of power purchase costs, reducing the dependency of the DISCOMs on the government subsidies to the extent possible, and only approving those investment proposals that actually provide the benefits and do not impose any unnecessary financial burden on the DISCOMs, etc.

However, these measures alone are not sufficient to bail out the DISCOMs unless the same are backed up by the increase in retail tariffs to commensurate with

the increase in the power purchase and other costs. For example, there has been no increase in the tariff for 0-50 units slab for the domestic category during the last two decades. Even for other slabs in the domestic category, the tariffs were last revised in FY 2013-14 except for the tariff for units >500 units and change in Groupings. Further, in a recent judgement, the Hon'ble High Court of AP has upheld the PPAs relating to Wind & Solar Power developers. As a result, the Commission is required to pay full tariff as per PPAs for solar and wind power. With this addition of about Rs.3300 Cr. in ARR, the cost of the tariff has gone up considerably.

In the above backdrop, the Commission has come to the conclusion that the DISCOMs are no longer in a position to sustain their operations unless the tariffs for retail supply are increased. In this regard, the Commission has examined the possibility of increasing tariffs for other categories of consumers such as industrial and commercial, etc. by sparing the poor and middle-class domestic consumers and noticed that these categories of consumers are already saddled with high tariffs. Any further increase in tariffs for these categories is highly unsustainable for them. For example, if the tariffs to the industrial category become so unsustainable, it will lead to the closure of the industries which will affect the livelihood of millions of people and the economy of the State as a whole. As regards the agricultural category, the GoAP is bearing the entire burden of agricultural consumption at the CoS rate for this category. Further, the Commission has to comply with the mandate of National Tariff Policy, 2016, and the orders of Hon'ble APTEL not to increase the tariffs of subsidising categories beyond 120% of their Cost of Service. Moreover, as per the National Tariff Policy, 2016, the tariff for consumers below the poverty line shall be at least 50% of the average cost of supply. For the aforementioned reasons, the Commission has been left with no option other than to increase the tariffs for domestic consumers across all the slabs depending on the scale of their

consumption. However, keeping in view the less paying capacity of the poor and middle-class consumers, the Commission affected only modest increases to the tariffs of these consumers. Even after the above increase, the tariffs for the consumption up to 75 units are still much below 50% of the average cost of supply. The Commission, while rationalising tariff structure by progressively increasing tariff, based on higher consumption also decided to abolish the groups among domestic consumers and introduce a common telescopic system to rectify the anomaly of sudden jump in CC charges with the difference of one unit in the older slab system. At present, the Goshalas are being billed under category IV-C. The Goshalas requested the Commission to include them under category V (B). However, the Commission feels that their nature of the activity is religious and accordingly brought them under the religious category fixing the tariff payable by them at Rs.3.85/unit.

While it is important to balance the interests of the DISCOMs and the consumers as regards the tariff, it is equally imperative that the DISCOMs shall improve the quality of the services rendered by them in areas such as the Standards of Performance (SoP), compensation to the victims of electrical accidents, payment of compensation under the works of licensees rules, and the release of agriculture services strictly as per seniority, etc. In this regard, the Commission has taken several measures to improve the licensees' performance in the said service areas such as amending the SoP Regulation to provide for automatic compensation by the DISCOMs to the consumers for failure to meet standards in respect of certain services, issuing guidelines for the release of agriculture services, obtaining the quarterly reports from the licensees to monitor their performance in the said service areas, posting of the SoP data and the details of agriculture services released on the websites of the Commission and the DISCOMs. I am happy to note that the above measures have started yielding results as seen from the marked improvement in the said services

over a period of time and remarkable reduction of complaints on DISCOMs' services in the recent public hearings on ARR as compared to the earlier public hearings. Apart from the above measures, the Commission is providing assistance to the consumers whenever they are bringing their genuine grievances to the notice of the Commission, calling for reports from the licensees and issuing appropriate directions to them to take action for redressal of genuine grievances of the consumers.

On its part, the State Government has extended its cooperation in the best possible manner by undertaking to bear the entire subsidy burden of Rs.11,123 crores and thereby avoiding the necessity of increasing the tariffs to the majority categories of consumers to fill the revenue gap.

I take this opportunity to appreciate the CMDs, officers/staff of the DISCOMs, and other stakeholders for the unstinting cooperation extended by them to the Commission during the public hearings. I must also place on record my appreciation for the impeccable conduct of the representatives of the political parties and consumer organisations while submitting their views during the public hearings. In this context, I would like to inform the stakeholders that through the virtual mode of hearings, the Commission could hold wider consultations with the consumers from the nuke and cranny of the State and gather their valuable views instead of holding public hearings through physical mode at a few places in the State.

My colleague members of the Commission Sri P. Rajagopal Reddy, Sri Thakur Rama Singh, are the two pillars of support to me in performing this daunting task. I will be failing in my duty if I do not acknowledge the contribution of the SAC members who guided the Commission through their valuable suggestions in the SAC meeting held on 28-01-2022. The officers and staff of the Commission, in particular,

Mr. D. Ramanaiah Setty, ably assisted by Smt.P.V.Padmaja, Mr.P.Murali Krishna, Mr. C.Ramakrishna and Mr. K.Raja Bapaiah and the SPDCL's team of officers led by Mr. P.H. Janaki Ram, Smt. A.Srilatha of APEPDCL, Sri R. Sai Srinivas of APCPDCL and Smt.P. Jyostna Rani of APTRANSCO, deserve special praise for their marathon efforts in bringing out this stupendous work. All in all, I think the Commission has come out with a balanced order after duly addressing the concerns of all the stakeholders, given the various constraints. I assure all the stakeholders that the shortcomings, if any, that may be noticed in the working of this common order will be redressed in future tariff orders.

Hoping for a better future for the power sector,

**Yours sincerely,**

**Sd/-**

**(JUSTICE C. V. NAGARJUNA REDDY)**

**CHAIRMAN**

