



SOLAR POWER DEVELOPERS ASSOCIATION

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SPDA/DG/2021/306

April 20, 2021

Sub: Clarification required on APERC's Retail supply Tariff order for FY21-22 – Reg.

Ref: APERC's Retail supply Tariff order for FY 2021-2022 dt. 25.03.2021.

Honble Shri Rajagopal Reddy ji,

Greetings from Solar Power Developer Association.

We are an independent industry association, committed to promoting the solar sector in India. We provide a neutral platform for policy advocacy, discussions, and examination of issues critical to the development of the solar sector and are well recognized by the Ministry of New and Renewable Energy (GoI). SPDA represents around 50-member companies from the solar sector providing their assistance in policy evolution and a healthier investment climate for renewable energy projects and services. The member companies of SPDA includes all the large players who have actively contributed with more than 75% of total capacity operation in India.

Citing to the above subject and vide Ref (1), we would like to inform you that, APERC has published Retail supply Tariff order for FY 2021-2022.

We wish to bring to your kind notice that, in the ARR filings for FY 2021-22 AP Discoms have considered the NCE generation at full tariff @ Rs 4.53/kWh, whereas the commission in its retail supply tariff order has considered power purchase cost from Wind and solar as @ Rs 2.43/kWh & Rs 2.44/k Whrepectively.

We are herewith submitting the extract of the table from the ARR filed by APSPDCL for FY 21-22:

SPDCL- PP Summary _FY 2021-22

Ownership/ Source	Dispatch	Fixed Costs (Rs Cr)	Variable Costs (Rs Cr)	Total Costs (Rs/ Cr)	PU FC	PU VC	PU TVC
AP Genco- thermal	7783.27	1107.28	2698.97	3806.24	1.42	3.47	4.89
CGS	6972.33	813.95	2124.85	2938.81	1.17	3.05	4.22
Thermal-IPPs	682.42	115.72	166.71	282.43	1.70	2.44	4.14
Joint Sector	4917.63	731.57	1501.27	2232.83	1.49	3.05	4.54
Hydel	1299.2	248.4	0.00	248.4	1.91	0.00	1.91
NCE/RE	14022.7	0.00	6349.42	6349.42	0.00	4.53	4.53
Market/ Short Term	158.85	0.00	58.71	58.71	0.00	3.7	3.7
D<>D	-8,440.81	0.00	-3,729.28	-3,729.28	0.00	4.42	4.42
TOTAL	27395.6	3016.92	9170.65	12187.56	1.10	3.35	4.45

1 | Page

Former

- Deputy National Security Advisor, Govt. of India
- Defence Secretary, Govt. of India
- Secretary Defence Production, Govt. of India
- Secretary Ministry of Health, Govt. of India
- Director General, Sports Authority of India

From the above table, it is very much evident that AP Discoms to recover the power purchase cost of NCE supply have submitted the ARR taking the tariff as per PPA instead of interim rate as per the Hon'ble High Court of Andhra Pradesh Order dated 24.09.2019 in 9844 batch matter. Accordingly, the NCE developers have not submitted any objections/comments to that extent of tariff considered by AP Discoms. Unlike many developers have submitted the objections during the public hearing of previous year i.e for FY 20-21 as AP Discoms have not considered the availability of generation from NCE supplies.

Following are the extracts/observations from the APERC Tariff order for FY 2020-21 regarding the inclusion of generation from NCE supplies and the tariff considered:

In view of the above discussion, in the considered opinion of the Commission, non-inclusion of energy from wind and solar sources in the power purchase estimates would not only be unwise and imprudent but also legally unsustainable. Therefore, the Commission has decided to include Wind and Solar energy in the availability and dispatch as per its own estimates based on the data furnished by the DISCOMs and power purchase cost calculations for FY2020-21 are done accordingly.

The Hon'ble APERC was fully aware of the ongoing dispute before Hon'ble High Court of Andhra Pradesh and has considered the full PPA tariff in the Retail Supply Tariff Order for FY 2020-21 through which, it was possible for AP Discoms to recover the costs.

In view of the above observations, AP Discoms have submitted the ARR proposals for FY 2021-22 considering the full tariff as per respective NCE PPAs and submitted to Hon'ble APERC. However, Hon'ble APERC has issued the Retail Supply Tariff Order for FY 2021-22, where in acknowledging the observations of few objectors have erroneously considered the interim rate of Rs 2.43/kWh for Wind and Rs 2.44/Kwh for Solar.

Following are the extracts in the retail supply tariff order FY 2021-22.

111. Objections/suggestions/views

A. Sri M. Venugopala Rao and others:

(i) Consideration of power purchase cost of wind and solar plants as per Hon'ble High court interim orders

The objectors urged that in view of the ad-hoc rates fixed by the Hon'ble High Court of AP in respect of wind and solar power, the Commission may apply the said rates for arriving at the power purchase cost for the wind and solar power. In order to justify this request, they have stated that computation of power purchase cost increases subsidy burden on the Government and also the average cost of supply which in turn will impose additional burden on the consumers. The DISCOMs however, proposed tariff as per PPAs.

Commission's decision: *The Commission has given serious thought to the respective stands of the parties. When this issue arose during FY2020-21, the Commission has finalised the ARR based on PPA tariffs. For this year the objectors have raised serious objections to this method adopted by the Commission for the previous year. The Commission has therefore decided to revisit its earlier decision by carefully weighing the pros and cons. The reasons put forth by either party have some merits and demerits. **On a proper consideration, the Commission feels that the merits of adopting ad-hoc rates outweigh its demerits, in that, the PPA rates are presently replaced by the ad-hoc rates fixed by the Hon'ble High Court.** Therefore, adoption of these rates gives relief to the Government as well as to the consumers as pleaded by the objectors. In the event of adjudication of the dispute pending before the Hon'ble High Court, the remedial steps could be undertaken by the DISCOMs, if such adjudication results in short recovery of cost of supply by filing appropriate petitions before this Commission. Therefore, we are inclined to accept the request of the objectors and accordingly adopt ad-hoc rates, instead of PPA tariffs in respect of wind and solar power while finalising the ARR and Revenue gap.*

The NCE developers, although suffering to run the project and repaying the debt obligations from the receipt of payment of tariff @ interim rate, are hopeful of the proceedings before Hon'ble High Court of Andhra Pradesh as the entire investment for the projects was done based on the then existing cost of Wind/Solar capacities and the generic tariff orders issued by Hon'ble APERC.

We would like to bring to your kind notice that, since the matters are under adjudication before Hon'ble High Court of Andhra Pradesh, it is prudent and appropriate to consider the full tariffs @ Rs 4.53 as per respective NCE PPAs instead of interim rates @ Rs. 2.43 for wind & 2.44 for solar respectively.

Once the tariff is approved at interim rates for NCE developers, it would be great difficult for DISCOMs to manage for the funds and the grant of subsidies from the Government of Andhra Pradesh and they will not be able to recover the additional cost of power purchase from the consumers in the form of any adjustments and also it will be a cumbersome exercise for DISCOMs in truing-up and recovering from consumers.

Request:

In view of the above submissions, it is requested to kindly consider the NCE tariffs rates as per respective PPAs in Retail supply Tariff order for FY 2021-2022 which will be beneficial for both NCE developers and AP Discoms in timely recovery of cost of power purchase and management of funds.

We greatly appreciate your support in this regard.

With warm regards
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Yours Sincerely,



Shekhar Dutt

To,
Sri P Rajagopal Reddy
Hon'ble Member (Finance)
APERC, 4th Floor,
Singareni Bhavan, Red Hills
Hyderabad.