ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

MONDAY, THE FIFTHDAY OF FEBRUARY
TWO THOUSAND AND TWENTY-FOUR
(05.02.2024)

Present
Justice C.V. Nagarjuna Reddy, Chairman
Sri Thakur Rama Singh, Member
Sri P.V.R. Reddy, Member

O.P.No 55 of 2023

In the matter of amendments to Regulation 4 of 2005.

Introduction:

APEPDCL filed a petition seeking amendments to Regulation 4 of 2005, on enhancing working capital for the Distribution Business, securing working capital for the Retail Supply Business after netting the security deposit, and recognising Late Payment Surcharge (LPS) paid to GENCOs as an expense in the ARR of the Retail Supply Business. This petition after numbering as OP no 55 of 2023, along with a public notice inviting comments/suggestions/objections from stakeholders and interested parties, was placed on the Commission's website. A public hearing on the matter was conducted on 13.09.23, in the presence of Sri P. Shiva Rao, the learned Standing Counsel for APEPDCL, and the learned Objectors, namely Sri M. Venugopala Rao (Senior Journalist), Sri Y.S. Gurunath (Secretary), and Sri P. Vijayagopal Reddy (Authorised Representative) of the AP Ferro Alloys Producers' Association. After considering all the comments/suggestions/objections, and hearing the arguments of the learned objectors and the standing counsel for APEPDCL, the Commission passes the following:

ORDER

1. The APEPDCL has proposed the following amendments to Regulation 4 of 2005 in its petition.

   A. **Distribution Business:**

   Clause 15 of Regulation 4 of 2005 be amended as under.

   - ➢ *60 days of ARR for Distribution Business plus*
   - ➢ *Maintenance spares @1% of opening Gross Fixed Assets (GFA) for that year*

   B. **Retail Supply Business:**

   i. Clause 11 of Regulation 4 of 2005 be amended to include the working capital of the Retail Supply Business as part of ARR. The working capital for the Retail Supply Business shall be as under:
   One and half months (45 days) of expected ARR for the ensuing year plus 60 days of average quarterly FPPCA amount minus the Amount held as a security deposit in cash from retail supply consumers

   ii. Clause 11 of Regulation 4 of 2005, be amended *to include LPS (Late Payment Surcharge) as part of ARR.*

2. In support of its proposals, APEPDCL submitted the following:

   As per Clause 15 of Regulation 4 of 2005, 1-month O&M expenses are allowed towards the working capital for the Distribution Business for that particular year on a normative basis. However, no working capital is allowed in the Regulation in respect of the Retail Supply Business though power purchase cost accounts for a major portion of DISCOMs' expenditure in that business. The current structure of working capital, which considers only 1-month normative O&M expenses, is not sufficient for DISCOMs to make timely payments to the generators and meet the other running expenses. Moreover, subsidy arrears from the Government, long outstanding dues from Government Departments and payment defaults from consumers are making it difficult for DISCOMs to manage liquid cash, further aggravating the problem of working capital. To meet their working capital requirement, DISCOMs are currently availing working capital loans. These working capital loans are beyond the normative levels and hence are not being recognized by the Commission. APEPDCL is paying substantial amounts towards interest on working capital every year for the borrowings made to meet the Power Purchase Costs of Generators. These interest amounts are in the range of Rs.420 Crs to Rs.650 Crs during the last 4 years. The details of interest on working capital incurred by APEPDCL since FY 2014-15 are as follows:

FY	FY 15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23 (Prov)
Interest on working capital (Rs. Crs)	232	355	336	246	297	424	466	411	625

Interest on working capital represents a significant annual expenditure for APEPDCL, and they could not recover these amounts from the ARR of the Retail Supply Business. This predicament is primarily attributed to delays in the realization of receivables, leading to the necessity for short-term borrowing to fulfil Power Purchase Obligations with generators. Further, while the Delayed Payment Surcharge (DPS) collected from consumers is presently categorized as part of non-tariff income, at the same time, APEPDCL is remitting Late Payment Surcharges (LPS) to GENCOs for payment delays caused by delays in the realization of receivables which is not accounted for in its expenses.

3. In response to the public notice, several comments were received from Stakeholders. The comments of stakeholders, EPDCL's response to the same and the Commission's decision are detailed below.

All the stakeholders opposed the above proposals of APEPDCL. The gist of their views/objections/suggestions is discussed here under.

Sri M. Venugopala Rao and others

APEPDCL alone filed the petition, while the regulations of the Commission apply to all distribution companies under its jurisdiction. In cases where there is a delay in the government releasing an agreed subsidy, leading to DISCOMs borrowing working capital for power purchases, the interest incurred should not be imposed on consumers, particularly those who are non-subsidized. The DISCOM's proposals to levy interest on working capital borrowed for power purchase are akin to imposing unjustified and unwarranted burdens on consumers, attributable to both the government's failure to release subsidy amounts on time and the DISCOMs' inability to collect dues promptly from the consumers. The retail supply business of DISCOMS does not necessitate any working capital. As per the applicable regulations, DISCOMs have been collecting security deposits from consumers upon the release of service connections, with an annual review. This practice generates funds that are more than sufficient for purchasing power and meeting the necessary payments to generators.

Consequently, the necessity of borrowing working capital for power procurement and incurring interest on such borrowings does not arise. When DISCOMs make prompt payments for power purchases before the due date, they receive rebates as per the terms and conditions in the Power Purchase Agreements (PPAs). Despite the Commission's directives to disconnect service connections of government offices, and local bodies if they fail to pay power bill dues on time, DISCOMs have failed to enforce this directive. The security deposit held by DISCOMs should be utilized to offset pending payments, which is not being implemented for the defaulting government departments. As the consumers pay the security deposits, DISCOMs should ensure there is no delay in settling payments for power supplied by generators. Consequently, the delayed payment surcharge collected by DISCOMs from consumers due to payment delays is justifiably considered as part of non-tariff income, for adjustment towards the overall revenue requirement of DISCOMs. Moreover, if DISCOMs are compensating generators with a late payment surcharge for the supply of power, consumers are not accountable for such delays. The DISCOM's proposal exacerbates the already unjustifiable burdens imposed on consumers. The information provided by DISCOMs regarding the working capital computation in six other states is irrelevant.

Sri A.G. Rajmohan

Imposing an additional tariff on general consumers due to the government's delay in paying subsidies lacks logic and amounts to collective punishment on innocent consumers who bear no fault in the matter. His viewpoints align closely with those expressed by Sri Venugopala Rao.

The AP Textile Mills Association

Given the substantial outstanding dues from the government in the form of subsidy and CC dues, claiming additional working capital is financially imprudent. Despite collecting a two-month security deposit, the request for additional working capital is unjustified. The O&M expenses specified in Regulation 4 of 2005 do not have provisions for payments to generators. Therefore, the claim for doubling O&M expenses to meet payments to generators and other expenses is misleading, specious, and merits rejection. Late Payment Surcharge (LPS) expenses stem from fiscal management issues, whether a result of stakeholders' delayed transfer of confirmed subsidies, DISCOMs' lapses in collections from government departments or corporations, or potentially a few powerful and influential private organizations. Timely paying consumers should not bear the burden of DISCOMs' collection inefficiency, and it is inappropriate to charge it as part of the ARR illegitimately. There is a significant concern about the accuracy and reliability of the claims, a concern underscored by the "qualified opinion" from APEPDCL's statutory auditors as stated on page 60 of the 22nd Annual Report. The auditors note the absence of a system for periodic review of long-pending payables and receivables, as well as lingering entries in reconciliation statements. Regulation 4 of 2005 lacks provisions for working capital in the Retail Supply Business, and consequently, there is no provision for a working capital loan or interest on working capital. There is no necessity for working capital in the Retail Supply Business, given that DISCOMs are entitled to a security deposit. APERC regulation provides DISCOMs with a two-month consumption deposit, which exceeds the actual requirement for a risk coverage period of 45 days credit. The ARR covers all revenue expenditure and Return on Investment (ROI) as mandated by the Act, and the Regulation encompasses every conceivable uncontrollable cost and justifiable controllable cost. The recent issuance of rules by the Ministry of Power (MoP) in Subsidy Accounting applies to DISCOMs.

Sri S. Surya Prakasa Rao

APEPDCL sought specific provisions for the additional working capital amount on the grounds of default in payment by consumers and delay in payment of subsidy by the State government, while fairly proposing the deduction of security deposit contributed by consumers from the working capital requirement. However, it's well known that the real problem is with delay in subsidy payment by the government but not consumer defaults. Any component of tariff which is automatically passed on to consumers without prior check or approval, should not be allowed as a component of working capital. FPPCA is a provisional charge and should be taken care of in the true-up proceedings. Automatic pass-through of FPPCA itself is a luxury provided by MOP to the DISCOMs through its Rules and they don't need additional comfort by way of interest on working capital loans for FPPCA amount. For recovery of the cost of capital, the Commission adopted the ROCE method in the Principal Regulations to provide flexibility to investors in the distribution business, while Supply Margin is allowed for the Retail Supply Business. Thus the Security Deposit collected from consumers should be sufficient for both businesses, but for the shortfall on account of the subsidized tariffs fixed for certain categories of consumers. The Commission may advise the State government u/s 86 (2) of the Electricity Act or specify in the relevant Tariff

Order for the contribution of Security Deposit by the State government on behalf of subsidized categories of consumers to make up for the shortfall w.r.t. full cost tariff on account of subsidy granted by it u/s 65, in the overall interest of consumers at large.

AP Ferro Alloys Producers Association

DISCOMs' issues with the government such as subsidy arrears from the Government, and long outstanding dues from Government Departments should be sorted out with the Government but cannot be shifted onto the consumers. DISCOMs ought to get their act together and collect outstanding dues not just from the Government Departments but also from the defaulting consumers. The billing and collection efficiency are to be monitored by the Commission for efficient financial management. It is not known whether the State Government is paying any interest on delayed payments for subsidy in any manner in the absence of any regulation issued by the Commission. The State Government should fulfil its obligation and pay the subsidy dues to the Licensees without any further delay to help the Licensees cover the costs of providing electricity to the public. In case of delay, in the interest of natural justice, the State Government should also pay LPS to the DISCOMs to meet their liabilities to the GENCOs etc and help the Licensees maintain adequate working capital so that the stakeholders and consumers can operate their businesses smoothly and efficiently without any additional financial burden.

APEPDCL's response

Imposing interest on subsidy dues is under the purview of the Commission. The security deposit is collected from every service connection including government departments' services. The power purchase cost accounts for 70% of the total expenditure. Since power purchase cost pertains to the retail business, it is evident that a substantial amount of working capital is required for the retail supply business. Further, many other states like Maharashtra, Gujarat, Delhi, Madhya Pradesh, Karnataka and Tamil Nadu are considering working capital for retail supply business. As per Regulation, all categories of consumers shall pay their monthly CC bills within 15 days from the date of issue of CC bills failing which they shall pay Delayed Payment Surcharge (DPS) at applicable rates for payments beyond 15 days. The DISCOMs are levying 18% DPS on arrears from departments and Local bodies which is more than the interest rate for outside borrowings. Interest is not being imposed on the consumers who are paying their CC bills on time. As per Regulation 6 of 2004, DISCOMs are collecting Security

Deposits (SD) at the time of supply release and revising them annually. These deposits serve the purpose of SD refunds and infrastructure development. However, it was proposed by APEPDCL in the petition to deduct the SD amount from the Working capital requirement of the Retail Supply Business, as the SDs fall short of covering two months' consumption, especially for domestic consumers, the SD, a one-time collection, is collected only when issuing a new connection. Existing consumers are additionally charged additional security deposits for connection modification or upgrade. Interest is paid to consumers based on the Regulation against the collected security deposit. Nevertheless, the security deposits from consumers do not adequately fulfil the working capital needs. Additionally, the Late Payment Surcharge (LPS) applies to outstanding payments after the due date, calculated at the base rate for the default period. Notably, the Government of Andhra Pradesh has disbursed the complete subsidy amount for the past two fiscal years. However, there are pending subsidy arrears spanning from FY 2018-19 to FY 2020-21. A proposal has been made to implement pre-paid meters for all Government and Local Body services in FY 2023-24 under the RDSS scheme to curb uncollected dues. As part of this initiative, defaulter consumer services, except for those currently active, are discontinued, and the security deposit is adjusted towards outstanding arrears, except for cases involving disputes. The disconnection of service connections for government departments poses a significant risk of disrupting essential services to the public, particularly in critical sectors such as public hospitals, fire and safety, police, and other vital departments like revenue. DISCOMs are diligently coordinating and pursuing timely payments from the Government. However, the delay in payments from Government departments and the subsidy from the GoAP is causing subsequent delays in payments to GENCOs and TRANSCOs. Considering that LPS paid to generators should be recognized as an expenditure in the ARR, it's noteworthy that the DPS collected from consumers is classified as non-tariff income. Further, addressing the statutory auditor's qualified opinion, a software tool called EPCCB is utilized for monitoring receivables, and reconciliation is routinely conducted. Efforts are underway to reconcile long-pending payables during FY2023-24, with the implementation of an appropriate system for this purpose. Given these considerations, the company's proposal to amend the Regulation is justified.

Commission's analysis and decision:

4. Though only EPDCL filed a petition and the other two DISCOMS were silent, the Commission decided to examine the proposal of APEPDCL for application to all the DISCOMs in the State on merits. As per Section 61 of the Electricity Act, 2003, the Commission shall specify the terms and conditions for the determination of tariff, and in doing so, the Commission shall be guided by the National Electricity Policy (NEP) and the National Tariff Policy (NTP). Also, Section 61 of the Electricity Act, 2003 mandates that the appropriate Commission, while determining tariff, shall not only ensure the safeguarding of consumer's interests but also the recovery of the cost of electricity by a licensee in a reasonable manner. Keeping the above in mind, the Commission proposes to examine the proposals.

A. Working capital for Distribution and Retail Supply Businesses.

(i). Separate working capital for Distribution and Retail Supply Businesses

The existing Tariff Regulations of APERC stipulate one month of O&M expenses for the Distribution Business and do not provide for working capital for the Retail Supply Business. The Distribution Business covers the entire network whereas the Retail Supply Business primarily covers the supply activity. More than 95 per cent of the network of Transco and DISCOMS is being used for supply to Retail Consumers. Apart from the network cost, another major expense of the supply business is power purchase which has increased over the approvals for the last two years significantly. Interest on Working Capital (IoWC) is one of the financial principles considered by the Forum of Regulators (FOR) constituted as per section 166 of the Electricity Act, 2003 in its "Model Regulations for Multi-Year Distribution Tariff" issued in February 2023 for each business. Similarly, various State Electricity Regulatory Commissions (SERCs) have issued regulations that include distinct provisions for both the Distribution Business and Retail Supply Business concerning working capital. Be that as it may, the Distribution and Retail Supply Businesses are two distinct activities of the DISCOMs. Therefore, the request for a separate working capital for both the Distribution Business and the Retail Supply Business (RSB) is justified and warrants consideration. Accordingly, the Commission decides to view this request positively, taking into account the Model Regulations of the Forum of Regulators (FOR) and Regulations of other State Electricity Regulatory Commissions (SERCs), given that the current Regulation does not include such provisions.

(ii) Merits of the Proposal

APEPDCL contends that the working capital allowed as per the existing provisions of the Regulation is insufficient. Conversely, stakeholders have argued that the security deposit amount held by the DISCOMs should be adequate to meet their requirements.

The Commission has examined the Interest on Working Capital (IoWC) that was approved for APEPDCL in MYT orders versus its actuals filed in the petition as shown below.

Year	Approved IoWC in MYT Distribution Tariff Orders (Rs. Cr)	Actual Interest on working Capital incurred by EPDCL as per the Petition (Rs Cr)
2014-15	9	233
2015-16	10	355
2016-17	11	336
2017-18	13	247
2018-19	15	298
2019-20	14	425
2020-21	16	466
2021-22	18	411
2022-23*	21	626

As can be seen from the above table, the IoWC that was allowed by the Commission was very meagre compared to the actuals.

The working capital is estimated on the parameters of a) O&M expenses for one month b) Two months equivalent of expected revenue c) Maintenance spares @ 40% of R&M expenses for one month, minus Security Deposits from consumers in "Model Regulations for Multiyear Distribution Tariff" issued by the FoR. The Commission has compared the financial impact of the proposal for the FY2023-24 as shown in the table below.

FY 2023-24			
Provisions	IoWC for Distribution Business (Rs. Cr.)	IoWC for RST Business (Rs. Cr.)	Total (Rs. Cr.)
As per the Existing provisions in extant Regulation	23	0	23
As per the Proposal of EPDCL in Petition	76	38	114
As per the Formula provided in FOR Regulation	87	54	140

As can be seen from the above table, the proposal increases the IoWC five times over the present value which however is less than what is being computed as per the formula provided in FoR model Regulation. Even with the proposal in the petition, the actual IoWC can not be met by EPDCL.

The main reason stated by APEPDCL for the increase in IoWC is it has borrowed more working capital for power purchases due to the delay in receiving the payments from the Govt. departments and subsidies from the government. In this regard, the main contention of the stakeholders is that in cases where there is a delay in releasing an agreed subsidy by the government and delayed payment by the govt. departments, leading to DISCOMs borrowing working capital for power purchases, the interest incurred should not be imposed on consumers, particularly those who are non-subsidized category. In this regard, it may be noted that the delay in payment of the consumption charges by any consumer including the Govt. departments would attract DPS and the same is accounted for in the DISCOMs' non-tariff income of RS business. The Non-Tariff Income (NTI) approved in RST Orders and actual DPS collected by the APEPDCL for the last three years are shown in the table below.

Sl.No.	FY	EPDCL		
		NTI approved in RSTO (Cr.)	Actual DPS Collected (Cr.)	% of DPS w.r.t NTI Approved
1	2020-21	431	325.93	76%
2	2021-22	413	306.45	74%
3	2022-23	392	255.73	65%

As can be seen from the above table, the majority component of NTI is DPS collected from the defaulting consumers which was passed on to all consumers. Hence, there will not be any burden on any category of consumers if there is a delay in payment of consumption charges by any consumer including the Govt. departments. Regarding the DPS for delayed subsidy payments by the Government, under the Electricity Act, 2003, the Commission's jurisdiction is limited to directing DISCOMS to collect Full Cost Tariffs from subsidised consumers if the Government fails to fulfil its subsidy obligations. However, if the DISCOM borrows working capital for payment of power purchase cost on account of delay in receiving subsidy by the Government, the same can not be passed on to consumers, particularly to the non-subsidising consumers. Thus, the Commission is inclined to agree with the views of the stakeholders to this extent.

As regards the objections that DISCOM receives rebates when it makes prompt payments for power purchases before the due date, it should be noted that such rebates also accounted for in DISCOMS' revenue at the time of True up/down.

As regards the sufficiency of the security deposit to meet the working capital, it may be noted that FPPCA has been increasing over the last two years due to steep rise in power demand and consequently higher rates are prevailing in power markets. The Regulation issued by the Commission allows DISCOMS to recover FPPCA every month automatically. However, there is a cap of 40 paise per unit and hence, it does not fully mitigate the working capital needed by the DISCOMS. Further, as per the security deposit Regulation in vogue, the DISCOM shall collect a two-month consumption deposit from all consumers and the same shall be reviewed once a year in respect of LT and every six months for HT consumers. With the increase in sales over the previous year, the DISCOMS shall correspondingly procure higher power and will accordingly incur extra cost. Hence the security deposit available with it in real time may not match actual requirements.

As regards the suggestion that the billing and collection efficiency are to be monitored by the Commission, the delayed payments would be factored into the AT&C losses and these AT&C losses would be monitored by the Commission in Regulatory Review Meetings. The Government of India also monitors the same and has linked these losses to the grants and schemes promoted by it.

As regards the comments that the automatic pass-through of Fuel and Power Purchase Cost Adjustment (FPPCA) every month is seen as a privilege granted to DISCOM, it is essential to note that this is not a privilege but a legitimate recovery of fuel cost variations, as outlined in Section 62 (4) of the Electricity Act, subject to certain limits and reconciliation at the end of the year.

As regards the comments that the Margin is allowed for the Retail Supply Business, it may be noted that the Retail Supply Margin is the RoE for Supply Business and this cannot be linked to working capital requirement.

Regarding the suggestion to advise the Govt for the contribution of the shortfall of the security deposit (ASD) on behalf of subsidized categories of consumers, the DISCOMS shall collect the security deposit initially at the time of the release of the new connection and subsequently in the form of Additional Security Deposit (ASD) based on actual consumption levels for one year in respect of LT consumers and 6 months in case of HT consumers at the applicable tariff for the respective financial years from all categories of consumers (including subsidised) as per extant Regulation of APERC. Therefore, it is not necessary to advice the Government under section 86 (2) for the contribution of Security Deposit on behalf of subsidized categories of consumers by the State Government to make up for the shortfall w.r.t. full cost tariff on account of subsidy granted by it.

Further, DISCOM has fairly proposed to deduct the security deposit while seeking working capital for the Retail Supply Business. Hence, the proposal to consider working capital for the Retail Supply Business has merits as has been considered by many SERCs. The enhanced working capital for the Distribution Business needs consideration to take care of other running expenses.

For the above reasons, the Commission is inclined to accept the proposals of the APEPDCL albeit with modifications.

B. LPS Paid to GENCOS as an expense in ARR

The DPS collected from the consumers and rebate in Power Purchase bills payment was accounted for in DISCOMS's revenue during the true up/down process, whereas the LPS is not included in their expense. Therefore, such an imbalance would further damage the financially troubled DISCOMS which is not good for all the stakeholders. In the opinion of the Commission, this is a fair request from the DISCOM. The rationale behind this lies in the fact that the DPS collected from consumers, including government departments, has been categorized as non-tariff income over the years. It is noteworthy that regulations issued by other SERCs or model regulations put forth by the FOR have not treated DPS income from consumers as non-tariff income for DISCOMs, and consequently, LPS paid to GENCOs/TRANSCOs is recognized as an expense in the ARR. In the case of APDISCOMs, DPS is considered non-tariff income and LPS is not acknowledged as an expense, which is against the principle of equity and fair play. Therefore, objections in this regard have no merit. However, the Commission is not inclined to consider including the LPS paid to GENCOs/Transcos on account of the delay in payment of subsidy by the Government as expenditure in the ARR .

5. In view of the foregoing, the Commission is inclined to accept the amendments requested by APEPDCL. However, taking into account the objections raised, keeping the potential impact on the ARR due to these amendments, and in order to strike a balance between the interests of DISCOMS and the consumers, the Commission decides to allow these requests with some modifications as indicated below:

The existing provision, the proposals of the APEPDCL, and the modifications carried out by the Commission are shown below:

A. Distribution Business-Working Capital:

Existing Provision:

"*15.1 WC_i: working capital requirement in the i^{th} year of the Control Period, and shall be considered as being equal to one-twelfth of Operation and Maintenance expenses as allowed for that year*"

Proposal for amendment:

- 60 days of ARR for Distribution Business plus
- Maintenance spares @1% of opening Gross Fixed Assets (GFA) for that year

Commission's amendment:

"15.1 WC_i: working capital requirement in the i^{th} year of the Control Period, and shall be considered as being equal to 60 days of O&M for Distribution Business plus Maintenance spares @1% of opening Gross Fixed Assets (GFA) as allowed for that year."

B. Retail Supply Business-

i. Working Capital:

No Existing Provision:

Proposal for amendment:

Clause 11 of Regulation 4 of 2005 be amended to include the following. "One and half months (45 days) of expected ARR for the ensuing year plus 60 days of average quarterly FPPCA amount minus the Amount held as a security deposit in cash from retail supply consumers"

Commission's amendment:

"11.2.B

viii. Working Capital requirement for the year shall be considered as being equal to One and a half months (45 days) of expected PP cost for the ensuing year plus 60 days of average FPPCA amount of the current year, Minus Amount held as security deposit from retail supply consumers as of 31 st March of the current year."

ii. LPS payable to GENCOs/TRANSCOs as an expense in ARR.

No Existing Provision:

Proposal for amendment:

Clause 11 of Regulation 4 of 2005, be amended to include LPS (Late Payment Surcharge) payable to GENCOS/TRANSCOs in ARR.

Commission's amendment:

Clause 2.1 (l) is modified as under.

"Non-tariff Income (NTI) means income relating to the licensed business other than from tariffs for wheeling and retail sale and excludes any income from other business and income on account of Fuel Surcharge Adjustment, Cross Subsidy Surcharge and Additional Surcharge minus Late Payment Surcharge (LPS) paid to Gencos/Transcos etc., if any, in the previous financial year, excluding interest burden arising due to delay in payment of subsidy by the Government.

6. In terms of the above, the amendment to Regulation 4 of 2005 is finalised as the sixth amendment and is shown in Annexure-I which forms part of this Order. The list of stakeholders who filed their comments/views/suggestions is shown in Annexure II.

7. Accordingly, the petition is disposed of.

Sd/-	Sd/-	Sd/-
P.V.R Reddy	**Justice C.V. Nagarjuna Reddy**	**Thakur Rama Singh**
Member	**Chairman**	**Member**

Annexure-I

ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

[Regulation 2 of 2024]

SIXTH AMENDMENT TO THE ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS FOR DETERMINATION OF TARIFF FOR WHEELING AND RETAIL SALE OF ELECTRICITY) REGULATION, 2005 (REGULATION NO. 4 OF 2005)

The Commission, in exercise of the powers conferred on it under sub-sections (zd), (ze), and (zf) of Section 181(2) read with Sections 61, 62 of the Electricity Act, 2003 (36 of 2003) and all other powers enabling it in that behalf, hereby amends the Principal Regulation as under.

1. Short title, Extent, and Commencement

i. This Regulation shall be called the Sixth Amendment to Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005 (Regulation No.4 of 2005).

ii. This Regulation shall extend to the whole of the State of Andhra Pradesh.

iii. This Regulation shall come into force on the date of its publication in the Andhra Pradesh Gazette.

2. clause 2. i (l) shall be substituted as under.

"Non-tariff Income (NTI) means income relating to the licensed business other than from tariffs for wheeling and retail sale and excludes any income from other business and income on account of Fuel Surcharge Adjustment, Cross Subsidy Surcharge and Additional Surcharge minus Late Payment Surcharge (LPS) paid to Gencos/Transcos etc if any in the previous financial year, excluding interest burden arising due to delay in payment of subsidy by the Government.

3. Clause 11 of the Principal Regulation shall be amended as below:

11.2, *B.* ***Supply Costs: the following shall be inserted.***

viii. Working Capital requirement for the year shall be considered as being equal to One and a half months (45 days) of expected PP cost for the ensuing year plus 60 days of average FPPCA amount of the current year, *Minus Amount held as security deposit from retail supply consumers as of 31 st March of the current year."*

4. The last part of sub-clause 15.1 of the Principal Regulation is modified as below

"WC_i: working capital requirement in the i^{th} year of the Control Period, and shall be considered as being equal to 60 days of O&M for Distribution Business plus Maintenance spares @1% of opening Gross Fixed Assets (GFA) as allowed for that year."

(BY ORDER OF THE HON'BLE COMMISSION)

Sd/-

Place: Hyderabad **D. Ramanaiah Setty, JD/Tariff**

Date: 05.02.2024 **For Commission Secretary**

Annexure-II: List of Objectors

1	Sri.M. Venugopala Rao Senior Journalist & Convener, Centre for Power Studies H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Serilingampally Mandal, Hyderabad
2	Sri CH. Baburao State Secretariat Member 27-30-3, Akulavari Street, Governorpeta, Vijayawada – 2
3	Dr. B.Gangarao Floor Leader, CPI(M) 78 ward Corporator (GVMC) Visakhapatnam
4	Sri.M.V.ANJANEYULU Secretary, Tax Payers Association Address: MIG-85, UDA Colony Payakapuram, Vijayawada PIN-520015
5	Sri BB Ganesh, General Secretary, 202, Jeevan Ratna Apartments, HB Colony, Visakhapatnam.
6	Smt.LS BHARAVI Secretary, Federation of Apartments & Colonies Welfare Association Flat No:301, LRK Residency, 3rd line Syamala nagar, Guntur.
	The above objectors have been mentioned as Sri M. Venugopala Rao and others in Order
7	Sri AG Rajmohan, Gen. Secretary, President, Anantapur,
8	Sri.S. Surya Prakasa Rao / dt.21-8-2023 Former Director (Commercial), erstwhile APCPDCL and Former Secretary erstwhile APERC, Flat No.105, Ashok Chandra Enclave, 11-4-660 Redhills, Hyderabad-500004
9	Sri. U.M.Kumar, Secretary, AP Textiles Mills Association 2nd Floor Manoharam Skin Clinic, 4/2, Lakshmipuram, GUNTUR - 522 007.
10	Sri.P.Vijayagopala Reddy, AP Ferro Alloys Producers Association Flat No: FF6, Gitanjali Apartments, Tikkie Road, Mogalrajpuram, Vijayawada-520010, A.P.