

APSEB ASSISTANT ENGINEERS' ASSOCIATION

(Regd.No: 1185 of 1977)

HQ: VIJAYAWADA

2017-19

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To

✓ The Commission Secretary,
APEREC,
Red Hills,
Hyderabad.

Respected sir,

Sub: APSEBAEA-Objections on the PPA of M/s LANCO Power Ltd.-Submitted –

Reg.

APSEB Assistant Engineers Association wishes to bring to your kind notice regarding the views on the PPA pertaining to M/s LANCO Power Ltd.

Andhra Pradesh government aims to supply quality power to the consumers with lower tariff for implementation of the 24X7 – Power for All (PFA). Generally 80% of the tariff component is due to the power purchase cost only, that includes both fixed and variable cost. By reducing the power purchase cost Discoms can supply lower tariff power to fulfill the government desire. The proposed PPA of M/s LANCO limited which is not necessary at the present power surplus scenario.

There is huge gap in demand –supply curve in Andhra Pradesh state due to the addition of nearly 2500MW capacity of wind & solar power. To maintain grid stability, SLDC is issuing backing down instructions to the APGENCO stations. For running PPAs Discoms have to pay fixed charges even they are in backing down or in reserve standby. Now entering the PPA with M/s LANCO Limited will further increase power purchase cost of the Discoms that will ultimately burden on consumer.

Then per unit cost includes:

Present per unit cost = Fixed cost of running PPAs + Variable cost of running PPAs

After entering LANCO PPA per unit cost= Fixed cost of running PPAs + (Fixed cost of LANCO PPA+ Variable cost of LANCO PPA)

In evident that Variable cost of running PPAs < (Fixed cost of LANCO PPA+ Variable cost of LANCO PPA) means there is no need to entering PPA with LANCO unless increasing the per unit cost of the consumer.

Hyderabad

01.07.2017

With this PPA the Discoms are obligated to pay the following penalties to some extent which will arise due to backing down instructions from SLDC unlike Coal fuel thermal stations.

- 1) Minimum fuel off-take charges (To gas supplier).
- 2) Ship or pay charges (To gas transporter)
- 3) Positive Imbalance charges (To gas transporter).

In addition to the above at the backing down period if 100% gas is available for M/s Lanco then Discoms have to pay the penalties towards non consuming of the gas on any gas day to the gas suppliers & transporters this will also increase the per unit cost of the consumer.

Apart from the above in any emergency power is available in open market at lower cost through competitive bids, without paying fixed cost.

Hence, APSEB Assistant Engineers Association is requesting the Hon'ble commission to consider the views for doing favour to the consumers.

Thanking you and assuring you of our co-operation at all times.

Yours sincerely,



S. PRATHAP

Technical Secretary