



ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

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Draft Regulation

Draft Eighth 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)

[Regulation No. __ of 2026]

Introduction

Regulation No. 4 of 2025 (as amended from time to time) provides for the monthly pass-through of Fuel and Power Purchase Cost Adjustment (FPPCA) charges to consumers by a Distribution Licensee, capped at Rs. 0.4 per unit. The Regulation further permits the Commission to issue a true-up or true-down order for FPPCA after the Distribution Licensee submits a petition for the full financial year, by the end of June in the following financial year.

The existing mechanism, primarily the current cap of Rs. 0.4 per unit on the monthly FPPCA pass-through is leading to three significant, interconnected negative consequences:

Impairment of Tariff Predictability and Consumer Trust: The cap leads to the accumulation of significant FPPCA true-up amounts determined much later. Levying these large, unexpected charges causes sudden, severe tariff shocks for all consumer categories. This lack of monthly cost-reflectivity undermines the regulatory goal of tariff predictability and erodes consumer faith in the billing process.

Adverse Impact on Industrial Competitiveness and Financial Planning: Manufacturers and Industries particularly those operating on tight margins and fulfilling long-term, fixed-price contracts for their goods, face a substantial risk. Manufacturers and Industries have raised concerns that when a significant FPPCA true-up is levied retroactively, it cannot be factored into the price of goods already sold, creating uncertainty, hindering effective business planning, and potentially negatively impacting the competitiveness of the State's industrial sector.

Creation of Disputes: The current mechanism is leading to disputes between property owners and new tenants, as the new tenants often refuse to pay FPPCA true-up amounts that relate to energy consumption by the previous tenants. This places an undue administrative and legal burden on both the Distribution Licensee and the property owners.

Compromise of Distribution Licensee's Financial Health: Furthermore, restricting the pass-through of legitimate costs to a cap, especially during periods of high and volatile fuel and power prices, forces the Distribution Licensee to absorb the cost difference for an extended period. This practice compromises the Distribution Licensee's cash flow, increases its working capital requirements, and ultimately threatens its financial sustainability and its ability to procure power reliably.

Upon in-depth examination of all these issues, the Commission has come to the view that the fundamental issues of sudden tariff shocks, sunken costs for manufacturers and industries, disagreements over billing between property owners and new tenants, and the financial stress on the Distribution Licensee can be largely mitigated by eliminating the existing Rs. 0.4 per unit cap on the monthly FPPCA pass-through. This change will allow for more accurate, timely, and cost-reflective reflection of actual fuel and power purchase cost variations in consumers' monthly bills, ensuring adherence to the cost-of-service principle.

Accordingly, 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 Regulation 4 of 2005 as under:

1. Short title, Extent, and Commencement

- i. This Regulation may be called the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Eighth Amendment Regulation, 2026.
 - ii. This Regulation shall extend to the whole of the State of Andhra Pradesh.
 - iii. This Regulation shall come into force with effect from 01.04.2026.
- 2.** The text under sub-clause 12.5 of the Regulation shall be substituted with the following:

“ **FPPCA (Fuel and Power Purchase Cost Adjustment)**

The formula for FPPCA is as under

$$\mathbf{FPPCA = (APPC-BPPC) \times PPQ / S}$$

Where,

FPPCA = Fuel & Power Purchase Cost Adjustment in Rs/unit up to 4 decimal places.

APPC = The actual weighted average power purchase cost per unit of energy, which shall be arrived at as the actual total power purchase cost (including the transmission & scheduling costs) in Rs. Million for the month for which the Distribution Licensee is recovering/refunding '**FPPCA**', divided by the actual quantum of power purchases in Million Units made by the Distribution Licensee from the sources approved by the Commission for that month.

BPPC = The base weighted average power purchase cost per unit of energy, which shall be arrived at as the total power purchase cost approved by the Commission in Rs. Million (including the transmission & scheduling costs) in the RSTO (Retail Supply Tariff Order) for the month for which the Distribution Licensee is recovering/refunding '**FPPCA**', divided by the total quantum of energy in Million Units approved by the Commission in the RSTO for the Distribution Licensee for that month.

PPQ = The power purchase quantum in Million Units for the month for which the Distribution Licensee is recovering/refunding '**FPPCA**'. It shall be the lower of the actual quantum of power purchase in Million Units, or the actual sales in Million Units grossed by the Transmission and Distribution losses. The Transmission and Distribution losses to be considered for the above shall be the lower of the actual losses (for that month) or the Commission-approved losses (for that year).

S = Actual Sales in Million Units by the Distribution Licensee for the month for which the Distribution Licensee is recovering/refunding '**FPPCA**'.

Manner of recovery or refund of FPPCA by the Distribution Licensee and conditions:

A. The FPPCA, computed as per the above formula for every month, shall be automatically recovered from or refunded to consumers by the Distribution Licensee, as the case may be.

Explanation: FPPCA shall be computed and shown in the CC bills by the Distribution Licensee, in the (n+2)th month, on the basis of actual variations in the costs of fuel and power purchase, Transmission and Scheduling for the power procured during the nth month.

For example, the FPPCA, on account of variations in the above costs for power supplied during the month of April in any financial year, shall be computed and shown in the June CC bills of the same financial year.

The Distribution Licensee shall pass through the FPPCA uniformly across all categories of consumers existing in that month, based on their consumption(kWh/kVAh).

- B. In case the Distribution Licensee fails to compute and raise the FPPCA that is due to it in the CC bills as per the timeline specified above, except in case of any force majeure event, its right to recover the same for that month shall be forfeited, and, also that amount will not be considered by the Commission while issuing the FPPCA true-up/down order after the end of the financial year. However, if the failure occurs in cases involving FPPCA refunds to consumers, the Commission will consider these amounts while issuing the FPPCA true-up/down order after the end of the financial year.*
- C. The Distribution company shall submit the monthly details to the Commission as per the format specified in this Regulation including the details of actual category-wise sales vis-a-vis approvals, and source-wise despatches & costs vis-a-vis approvals with a detailed explanation, availability and PLF of each source, market purchases from various exchanges with detailed break up of segments (RTC, morning peak, evening peaks and night), purchases from Deep e- bidding portal and swapping, etc, PoC charges break up for scheduled CGS, other market purchases, the past claims of sources with details, if any, backing down of thermal sources on account of RE and other reasons, if any, loss percentages, etc., by the end of the month during which FPPCA recoveries/refunds are shown in CC bills (for the 'n' th month variations, by the end of (n+2) month). The reports submitted to the Commission shall also be made available on the Distribution Licensee's website under the FPPCA heading in the Regulatory Compliance tab. The final true-up/down of the FPPCA for the financial year shall also be submitted in the same format, along with the details mentioned above.*
- D. The Distribution Licensee shall submit the details of the true-up/down of FPPCA for the nth financial year as part of the ARR for the Retail Supply Business for the (n+2) financial year, if the filings are done on an annual basis. The Commission will then determine the true-up/down of the FPPCA amount and include it in the ARR of the Retail Supply Business. If the filings for Retail Supply Business are made for the entire control period, the Commission will then determine the true-up/down FPPCA amount in separate proceedings,*

either based on a petition filed by the Distribution Licensee or on a suo-motu basis and allow it to be passed through to the consumers in the manner as specified in those proceedings.

- E. The Commission will allow the pass-through of financing costs arising from the time gap between the date the FPPCA true-up/ down amount becomes due and the date it is actually allowed in the FPPCA true-up/ down order.*
- F. The Distribution Licensee shall raise the FPPCA bills on the Government in respect of the consumers who are provided 100 percent tariff subsidies under Section 65 of the Electricity Act, 2003. The subsidy true-up/down due to variations in sales of agricultural consumers under the free power category will be determined by the Commission during the FPPCA true-up/ down after the end of the financial year.*
- G. The Distribution Licensee shall place on its website the details of the FPPCA computed each month at least one week before the FPPCA amounts are shown in the monthly CC bills of consumers, for public information and wider public reach.*
- H. To ensure smooth implementation of the FPPCA mechanism and its recovery/refund as per this Regulation, the Distribution Licensee shall ensure that its billing and power procurement software and systems are updated.*

(BY ORDER OF THE COMMISSION)

Place : Kurnool
Date : 18-02-2026

Sd/-18/02/2026
P.KRISHNA
Commission Secretary i/c

FORMAT																									
S. No.	Generating Station / Stage/Source	Plant Capacity (MW)	Discom's Share (%)	Energy(MU)			Cost Components (Rs. Millions)															Reasons for Variance			
				TO (a)	Actual (b)	Variance (c)= (b-a)	Fixed (A)			Variable (B)			Incentive (C)			Income Tax (D)			Others (E)				Total F=(A+B+C+D+E)		
							TO	Actual	Variance	TO	Actual	Variance	TO	Actual	Variance	TO	Actual	Variance	TO	Actual	Variance		TO	Actual	Variance
							(d)	(e)	(f)= (e-d)	(g)	(h)	(i)= (h-g)	(j)	(k)	(l)=(k-j)	(m)	(n)	(o)= (n-m)	(p)	(q)	(r)= (q-p)		(s)	(t)	(u)= (t-s)
1	X																								
2	Y																								
3	Z																								
-	Transmission Cost																								
-	LDC Costs																								
	Past claims/ refunds, if any, pertaining to the month(s) prior to the month for which FPPCA is being recovered																								
-	Total																								

UNCOMPLY

Simplifying Compliance