

Email

Ramchander Vyasabhattu

Further submissions in OP No.16 of 2024 and IA No.15 of 2024 and OP No.17 of 2024 and IA No.16 of 2024 filed by TGDISCOMs for ARR for the 5th control pelriod

From : vrmummareddi@gmail.com

Thu, Oct 10, 2024 11:09 AM

Subject : Further submissions in OP No.16 of 2024 and IA No.15 of 2024 and OP No.17 of 2024 and IA No.16 of 2024 filed by TGDISCOMs for ARR for the 5th control pelriod

 1 attachment

To : Ramchander Vyasabhattu <secy@tserc.gov.in>, CMD TSSPDCL <cmd@tgsouthernpower.org>, TSNPDCL TSNPDCL <cgmcoml@tsnpdcl.in>

Sir

Am forwarding a copy of my further submissions in OP No.16 of 2024 and IA No.16 of 2024 and OP No.17 of 2024 and IA No.17 of 2024 filed by TGDISCOMs for ARR for the 5th control period. Please take the same on record.

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Regards

Mummareddi Venugopala Rao
9441193749

 **Further submissions on ARR of TGDISCOMs for the 5th control period.docx**
30 KB

To

The Secretary

Telangana Electricity Regulatory Commission

Sy. No.145-P, Vidyut Niyantran Bhavan

Kalyan Nagar, GTS Colony, Hyderabad

October 10, 2024

Respected sir,

Sub : Further submissions on the ARR and tariff proposals of TGSPDCL and TGNPDCL for their retail supply business for the years 2024-25 to 2028-29 in OP No.16 of 2024 and IA No.15 of 2024 and OP No.17 of 2024 and IA No.16 of 2024

Further to our submissions dated 23.9.2024, am submitting the following points on the subject proposals of the TGDISCOMs for the consideration of the Hon'ble Commission:

1. TGDISCOMs have made the following projections for 2024-25:

| DISCOM | ARR | Addl. Rev. through proposed tariff | Rev/gap (Rs.crore) |
|---------|--------|---------------------------------------|--------------------|
| TGSPDCL | 40,788 | 1,028 | 4,929 |
| TGNPDCL | 17,069 | 193 | 8,093 |
| Total | 57,857 | 1,221 | 13,022 |

If the Hon'ble Commission approves the tariffs as proposed by the DISCOMs, in all probability the new tariffs will come into force from 1st November, 2024. In such a case, the DISCOMs can recover the additional revenue on account of proposed tariff for the whole FY within a span of five months. In other words, the DISCOMs can collect an additional revenue of 140% during the next financial year 2025-26 over and above the projected additional revenue for 2024-25, without showing any tariff revision afresh. For a whole FY, the additional revenue would work out to Rs.2,930.4 crore and that would be the real impact of the proposed tariff revisions. Depending on growth in demand of the consumers to whom the tariff revisions are proposed in the subject petitions, the additional revenue for 2025-26, without any fresh revision of tariffs, would be more than Rs.2,930.4 crore.

2. Both SPDCL and NPDCL have projected requirement of power and availability of surplus power, in their ARR submissions for retail supply business for the 5th control period, as given hereunder (in MU):

| | 2024-25 | 2025-26 | 2025-27 | 2027-28 | 2028-29 |
|-------------------------------------|---------------|---------------|---------------|-----------------|-----------------|
| Requirement : | | | | | |
| SPDCL | 63,036 | 67,021 | 74,542 | 82,647 | 91,541 |
| NPDCL | 23,248 | 24,193 | 25,177 | 26,328 | 27,469 |
| Total | 86,284 | 91,214 | 99,719 | 1,08,975 | 1,19,010 |
| Availability of surplus: | | | | | |
| SPDCL | 18,232 | 30,635 | 27,106 | 25,195 | 19,315 |
| NPDCL | 5,135 | 12,307 | 12,668 | 13,381 | 12,364 |
| Total | 23,367 | 42,932 | 39,774 | 38,576 | 31,679 |
| As percentage of Requirement | 27.08 | 47.06 | 39.88 | 46.40 | 26.62 |

I request the Hon'ble Commission to examine the following points:

- a) Availability of this abnormal quantum of surplus power is projected, without considering availability of power from Chattisgarh State Power Distribution Company Limited. The DISCOMs have maintained that, "A judicial committee has been appointed to investigate power procurement from CSPDCL station. Hence, power has not been scheduled from CSPDCL plant I in the current control period." The reality is that, in view of dispute on billing amounts for power supplied by CSPDCL and huge dues pending from TGDISCOMs, CSPDCL has stopped supply of power. Appointment of inquiry Commission by GoTS has not prohibited the TGDISCOMs from scheduling power from CSPDCL.
- b) DISCOMs have also not considered availability of power from Neyveli new units I and II.
- c) DISCOMs have projected availability of 13399 MU for 2024-25 from NCE sources against 17505 MU considered by the TGERC, based on actual energy dispatched from NCE sources for the last two financial years. In other words, if the NCE units with whom the DISCOMs had PPAs generate and supply power as per the capacity utilization factors approved therein or even more than that, availability of surplus power would increase further.
- d) The DISCOMs have maintained that they "would put forward best endeavors to procure additional RE energy (as per CEA Resource Adequacy study) to meet the RPPO obligations." Needless to say that the DISCOMs have to follow the RPPO order in force issued by TGERC. Resource adequacy study made by the

Central Electricity Authority should not be the basis for procuring “additional RE energy.” In view of availability of projected surplus power during the 5th control period, GoTS, its DISCOMs and TGERC should be doubly cautious in taking decisions or giving orders for procurement of additional RE. DISCOMs have to give a factual account of fulfilling or exceeding their obligations under the RPPO in force during the 4th control period. Having entered into long-term PPAs with RE/NCE units, and as approved by the Commission, if those units fail to generate and supply power as per the CUF approved, the fault lies with them, not with the DISCOMs. The problem of intermittence by its very definition being volatile, generation and supply of power by RE units need not and cannot be uniform for all the years. Therefore, based on trends of generation and supply of power by RE units for the last two financial years, the DISCOMs cannot project availability of RE during the 5th control period from the same RE units. Moreover, in view of the problems being, and likely to be, faced with integration of RE with the grid, as narrated by TGDISCOMS themselves in their filings on their distribution business for the 5th control period in favour of their proposal for introducing uniform wheeling charges, irrespective of voltage levels, and various other problems arising on account of RE explained in a report submitted by an expert committee appointed by the very CEA, the powers-that-be should be doubly cautious about going in for procuring additional RE. The higher the unwarranted procurement of RE, the higher the imbalance between demand curve and power mix, with adverse consequences, both technically and financially.

- e) While SPDCL has projected open access sales of 406.44 MU for 2024-24, NPDCL has claimed that it does not contain any third party open access sales for 2023-24 and as such, revenue from cross subsidy surcharge and additional surcharge is zero. Similarly, NPDCL has not projected any open access sales and CSS and AS for 2024-25. If open access sales increase, availability of surplus power to the DISCOMs also will increase, but the latter can get cross subsidy surcharge and additional surcharge.

3. In their resource plans, load forecasts, distribution plans and procurement plans for the 5th control period, both the DISCOMs had submitted the following projections:

| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
|---------------------|---------|---------|---------|---------|---------|
| Energy availability | | | | | |
| MU | 121754 | 127451 | 127126 | 126658 | 122090 |

Energy require-

| | | | | | |
|-----------------|-------|-------|-------|--------|--------|
| ment MU | 84997 | 89768 | 94774 | 100285 | 105957 |
| Surplus/deficit | 36758 | 37683 | 32352 | 26374 | 16133 |

For its transmission business for the 5th control period, TGTRANSCO has submitted the following projections:

Energy availability

| | | | | | |
|--------------------|--------|---------|---------|---------|---------|
| to TGDISCOMs MU | 95,753 | 106,637 | 106,157 | 105,506 | 102,784 |
| Energy requirement | 83,058 | 87,564 | 92,365 | 97,482 | 102,942 |
| Surplus/deficit | 12,696 | 19,073 | 13,793 | 8,024 | -158 |

Based on additional information submitted by the TGDISCOMs, TGTRANSCO had revised its projections for its resource plan for the 5th control period, drastically reducing the abnormal availability of surplus power shown earlier as hereunder:

| | 2024-25 | 2025-26 | 2026-27 | 2027-29 | 2028-29 |
|----------------------|---------|---------|---------|---------|---------|
| Energy availability | 93191 | 100071 | 99840 | 99136 | 96449 |
| Energy requirement | 90587 | 94885 | 00371 | 104310 | 109354 |
| Surplus/deficit (MU) | 2604 | 5186 | 409 | -5174 | -12905 |

How these projections have been changed repeatedly is not explained by the DISCOMs and authenticity of such changes and projections becomes questionable.

4. Going by the projections of availability of surplus power during the 5th control period, as submitted in the subject petitions, how anarchic the decisions of the DISCOMs on procurement of power vis a vis requirement to meet demand, obviously, at the behest or permission of GoTS, can be understood. Even if some variations take place in the said projections, substantial surplus power will have to be backed down and hundreds of crores of Rupees will have to be paid towards fixed charges for the capacities backed down.
5. While SPDCL has projected other short-term purchases to the tune of 4,163 MU for 2024-25, NPDCL has projected the same to the tune of 881 MU. In other words, despite projection of availability of abnormal quantum of surplus power, the DISCOMs could not plan power mix to be in tune with fluctuating demand curve. As a result, to meet peak deficit, they have proposed short-term purchases.

6. As a result of the desultory and unrealistic planning for procurement of power and entering into long-term power purchase agreements indiscriminately, GoTS and its DISCOMs have been creating a precarious situation wherein avoidable burdens of paying hundreds of crores of Rupees for backing down thermal power and purchasing high-cost power in the market. It has been leading to claiming and imposing avoidable burdens on the consumers in the form of true-up claims. Moreover, both the DISCOMs have not proposed sale of surplus power for the FY 2024-25. In view of obligations to purchase must-run and high-cost renewable energy, on the one hand, and backing down thermal power as per the principle of merit order dispatch, on the other, experience has been proving that it is very difficult to sell surplus power, at least, on no-loss and no-profit basis. It is because surplus power is always with higher fixed costs and variable cost may also be higher. Even when surplus power could be sold by the DISCOMs, the quantum is very insignificant vis a vis its abnormal availability.
7. GoTS, its DISCOMs and the Commission are expected to take a holistic and balanced view when entering into, or giving consents to, PPAs with new power plants, especially RE units, in order to ensure balance between demand curve and power mix to the extent technically practicable. Such an approach is imperative when targets under RPPO also are determined. Interests of the state should be important and outweigh the declarations or notifications of the GoI. It is the state which has to reap the benefits or burdens of such decisions, not the GoI. Availability of abnormal quantum of surplus power, unwarranted quantum of RE and the financial and technical problems associated with them are indicative of the failures of commission and omission in this regard on the part of the powers-that-be, as experience over the years has been proving.
8. DISCOMs have projected quantum and cost of power purchase for the last and current financial years as given hereunder:

| DISCOM | 2023-24 | | 2024-25 | |
|--------|----------|----------------|----------|--------------|
| SPDCL | 61460 MU | Rs.33395 crore | 62036 MU | Rs.31023 cr. |
| NPDCL | 25243 | 13686 | 23248 | 11679 |

While SPDCL has projected an increase of 576 MU in power purchase and of decrease of Rs.2372 crore in cost of power purchase, NPDCL has projected a decrease of 1995 MU in power purchase and of Rs.2007 crore in power purchase cost for 2024-25 over 2023-24. Going by the past trends, these projections seem

unrealistic, especially based on highly reduced requirement of short-term power purchases for the current financial year compared to 2023-24. As a result, expenditures and revenue requirement of the DISCOMs, need for tariff hike and subsidy from the government tend to be lower, leading to claims under true-up for a huge amount for 2024-25 later. The purchases of power and its cost for both the DISCOMs and the amounts for which true-up claims have to be made for the first half of the current financial need to be submitted by the DISCOMs and examined by the Commission, besides making them public, to have a realistic assessment.

9. SPDCL has shown a reduction of intra-state transmission charges from Rs.2670 crore for 2023-24 to Rs.2095 crore for 2024-25, while NPDCL has shown a reduction from Rs.1126 crore for 2023-24 to Rs.875 crore for 2024-25, as per the projections made by TGTRANSCO. It indicates that the contracted capacity for 2024-25 must have come down from the last financial year to the current financial year based on the above-mentioned unrealistic projections. At the same time, SLDC charges are projected to increase from Rs.33 crore for 2023-24 to Rs.59 crore for 2024-25 for SPDCL and from Rs.14 crore to Rs.25 crore for NPDCL. Similarly, distribution cost is projected to increase from Rs.5168.36 crore for 2023-24 to Rs.5663 crore for 2024-25 for SPDCL and a reduction from Rs.4081.42 crore to Rs.3714 crore for NPDCL. As a result, SPDCL has projected a reduction in aggregate revenue requirement from Rs.43336 crore for 2023-24 to Rs.40788 crore for 2024-25 and NPDCL has shown a reduction from Rs.19732 crore to Rs.17069 crore for the same years. To the extent these projections turnout to be underestimates, the burdens under true-up on consumers would increase.
10. TGDISCOMs have pointed out that, due to change in regime from long-term access (LTA) to general network access (GNA) the monthly inter-state transmission charges of PGCIL have increased in December, 2023. GNA is an irrational arrangement and arbitrary and the DISCOMs are expected to resort to legal recourse questioning such arbitrary decisions. On earlier occasions, we raised the issues relating to GNA and are not repeating the same now. Compared to PGCIL charges for 2023-24, which were higher, the DISCOMs have shown a decrease for 2024-25 and increases for subsequent years of the 5th control period. SPDCL has shown PGCIL charges of Rs.1624 crore for 2024-25 against Rs.1714 crore for 2023-24. NPDCL has shown PGCIL and ULDC cost for 2024-25 of Rs.678 crore against Rs.716 crore for 2023-24. What is the basis for projection of such reductions for 2024-25? These projections also may turn out to be underestimations. The DISCOMs have considered a 5% escalation every year for projection of PGCIL charges from 2025-26 to 2028-29. We request the Hon'ble Commission not to permit such advance escalation on annual basis.

11. For the FY 2023-24 the DISCOMs have shown an estimated revenue gap of Rs.13,373 crore – SDCL Rs.10,060 crore and NPDCL Rs.3,313 crore - which they would claim under true-up. Going by this trend, and unrealistic projections of various items shown in the subject petitions by the DISCOMs, claims for true-up for the FY 2024-25 may again turn out to be abnormal.
12. SPDCL has maintained that revenue from additional surcharge for FY 2024-25 is derived by considering the sales as 203.27 MU (assuming 50% sales would be from green energy open access consumers which are exempted from paying additional surcharge) and considering the additional surcharge rate of Rs.1.40 per unit as per approved order for H1 for 2024-25 and additional surcharge rate of Rs.1.60 per unit (as per filings for H2 for FY 2024-25). If the GoI has exempted green energy open access consumers from paying additional surcharge, GoTS and its DISCOMs should demand the GoI to reimburse the additional surcharge they have to forego because of such exemption. Hon'ble Deputy Chief Minister, Sri Bhatti Vikramarka has stated that the government would go ahead with a target of generating 40,000 MW of green power by 2034 out of which 20,000 MW would be generated in the next five years. Its pros and cons need to be examined realistically. Quoting relevant clauses of Regulation No.1 of 2024 specifying the terms and conditions of open access issued by TGERC, SPDCL pointed out that the Hon'ble Commission notified the Regulation without determining the standby charges wherever applicable to the green energy open access consumers. Moreover, the Hon'ble Commission issued the order on determination of additional surcharge for H1 of 2024-25 by exempting the Green Energy Open Access consumers from the levy of additional surcharge due to which TGDISCOMs are unable to recover the stranded charges from green energy open access consumers, the DISCOM has explained. While exempting green energy open access consumers from payment of additional surcharge, the Commission did not specify who should bear the loss thereof. The submission of the DISCOM that it is inevitable to levy standby charges to the green energy open access consumers as per Regulation 1 of 2024 is justified. The Hon'ble Commission should consider the proposal of the DISCOM to recover stranded charges from green energy open access consumers so that the burden of loss that accrues on account of exempting green energy open access consumers from paying additional surcharge is not imposed on other consumers.
13. The DISCOMs have proposed to increase fixed demand charge to certain categories of consumers. However, they have not explained the reasons and justification for the same. Therefore, the proposal should be rejected by the Hon'ble Commission.

14. While proposing different rates of cross subsidy surcharge to different categories of consumers, SPDCL has pointed out, quoting consultation paper on issues pertaining to open access issued by MoP, GoI, in August, 2017, that, in case the consumer tariff is more than 120% of average cost of supply, DISCOM will not be able to recover losses through cross subsidy surcharge in case consumer opts for open access. Therefore, the DISCOM has requested the Hon'ble Commission not to restrict the cross subsidy surcharge at 20% of tariff payable by the consumer, as the tariffs are not within +/-20% average cost of supply.
15. TGDISCOMs have considered an annual escalation of 3% on actual variable costs for FY 2023-24 for the 5th control period. Since the DISCOMs have been allowed by the Hon'ble Commission to collect @ 30 paise per unit per month under FSA, and raise true-up/true-down claims on quarterly basis, proposal of the DISCOMs for advance annual escalation in variable costs should not be allowed. The DISCOMs have not been collecting FSA as permitted by the Commission, nor are they raising true-up/true down claims in time, obviously, at the behest of the governments of the day. Such impermissible procrastination would cause problems to the DISCOMs, the consumers and the government - in the form of accumulated deficits for the DISCOMs, in the form of accumulated burdens with carrying cost, if the Commission permits, to the consumers, and need for providing subsidy or additional grant to the DISCOMs by the governments, if it chooses accordingly.
16. Due to paucity of time given, submissions on some of the issues could not be prepared and the issues raised in our written submissions could not be elaborated adequately. In response to my letter dated 23.9.2024, the Hon'ble Commission, while declining to extend the last date for submission of objections, has maintained that "the stakeholders can also submit their objections/comments in the scheduled public hearings. The Commission recognizes the contribution of the submissions of knowledgeable and interested stakeholders and the same will be considered." With public hearings scheduled from 21 to 25th of this month, and the Commission having just four days thereafter to issue its orders, to what extent it can consider the submissions made after the last date for submissions and on the dates of public hearings is anybody's guess. Whether subsequent submissions find a place in the orders to be issued by the Commission in eight petitions is to be seen, in view of the experience so far.
17. I request the Hon'ble Commission to permit me to make further submissions before and during the public hearings after studying replies of the licensees to my submissions.

Thanking you,

Yours sincerely,

M. Venugopala Rao
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Serilingampally Mandal , Hyderabad - 500 032

Copies to :

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- 2. Chief Engineer (IPC & RAC), TGNPDCL**