



**TELANGANA STATE ELECTRICITY REGULATORY COMMISSION**  
**5<sup>th</sup> Floor, Singareni Bhavan, Red Hills, Hyderabad-500 004**

I. A. No. 14 of 2016

In

O. P. No. 9 of 2016

Dated: 06.12.2016

**Present**

Sri. Ismail Ali Khan, Chairman  
Sri. H. Srinivasulu, Member

Between:

M/s. The Singareni Collieries Company Limited (SCCL).  
Kothagudem Collieries, Khammam District,  
Telangana State PIN: 507 101.

... Petitioner.

And

1. Southern Power Distribution Company of Telangana Limited,  
(TSSPDCL), Corporate Office, # 6-1-50,  
Mint Compound, Hyderabad, Telangana – 500 063.

2. Northern Power Distribution Company of Telangana Limited,  
(TSNPDCL), H.No. 2-5-31/2, Corporate Office, Vidyuth Bhavan,  
Nakkalgutta, Hanamkonda, Warangal,  
Telangana – 506 001.

... Respondent.

This petition came up for hearing on 28.11.2016. Sri. P. Shiva Rao, Counsel for the petitioner and Sri. Y. Rama Rao, Counsel for the respondents along with Smt. Priya Iyengar, Advocate were present. The Managing Directors of the respondent companies were also present. The petition having stood for consideration to this day, the Commission passed the following:

**ORDER**

The petitioner had originally filed a petition under section 61, 62, 64 and 86 (1) (b) of the Electricity Act, 2003 read with TSERC Guidelines and Regulations till date

to determine the capital cost and consequential tariff to be paid by the distribution companies (DISCOMs) of the Telangana State.

2. Now, the petitioner has filed a petition seeking for interim orders on the petition for determination of the tariff of the petitioner's 2 x 600 MW thermal power project at Jaipur in Adilabad District under sec 61, 62, 64 and 86 (1) (b) of the Act, 2003.

3. The primary details of the project stated by the petitioner are as under:

Nature of Generation plant	: Thermal
Type of primary and secondary fuel	:
Primary Fuel	: Coal
Secondary Fuel	: Diesel Oil / Heavy Fuel Oil
Expected / Actual date of commercial operation of proposed units:	
Unit – I (600 MW)	: 25.09.2016 (Actual)
Unit – II (600 MW)	: End of November 2016 (Expected)

4. The petitioner stated that it had filed a tariff application for determination of the generation tariff of Singareni Thermal Power Project (STPP) 2 X 600 MW before the TSERC in February, 2016 by two separate filings, namely, filing of capital cost / tariff and additional filings for determination of capital cost / tariff.

5. The petitioner stated that it had filed further clarifications / additional information before the Commission on 14.07.2016 and on 26.08.2016 in relation to the determination of tariff for STPP 2 X 600 MW and the tariff petition is under consideration of the Commission.

6. The petitioner stated that the first unit of STPP (1 X 600 MW) has already achieved COD on 25.09.2016. The document jointly signed by TSSPDCL, TSNPDCL, and TSTRANSCO confirmed the trial run necessary for COD declaration in the acceptance letter of Chief Engineer (Plg. Comml. & Coordn) reckoning the COD date for Unit I as 25.09.2016. Since the tariff for STPP is yet to be finalized, the petitioner filed this application for determination of a provisional tariff order for its units at STPP (2 X 600 MW) from the Commission.

7. The petitioner stated that the billing for the generation tariff is done in two parts as per the Regulation, namely, energy charge and fixed charge. The PPA entered into

between the SCCL and the TSDISCOMs provides for the computation of energy charge. This along with the AP tariff Regulation No.1 of 2008 provides for a suitable mechanism to arrive at the regulated 'energy charges'. It is, therefore, stated that post COD commercial billing can be done if a provisional 'fixed charge' is allowed by the Commission in favour of the petitioner.

8. The petitioner stated that STPP filed claiming fixed charge in its tariff petition for Rs. 1794.59 crore with the average capital cost of Rs.7622 crores in FY 2016-17 for a projected Ex-bus unit of 7460.07 million. The claim of annual fixed charges filed before the Commission converts to a fix charge rate of Rs. 2.41/kWh on per unit basis.

9. The petitioner in the circumstances prayed before the Commission to allow adhoc / interim / provisional tariff till final determination of the generation tariff of STPP as per section 61 (b) of Act, 2003, which mandates the generators to run the electricity business on commercial principles.

10. The petitioner stated that the Commission has adopted the CERC Regulation, 2004 along with first amendment of 2006 for tariff determination as per the clause 10 of the AP Tariff Regulation 1 of 2008. The relevant clause is reproduced below:

*“Tariff under this part shall be determined in accordance with the norms specified in CERC (Terms and condition of tariff) Regulation, 2004 as originally issued and amended by CERC (Terms and condition of tariff) (First Amendment) Regulation, 2006 issued on 1<sup>st</sup> June, 2006.....”*

The petitioner stated that according to the above provision, the Commission may determine the adhoc tariff for STPP in line with the provisional tariff regulation followed by the CERC.

11. The petitioner stated that the CERC Regulation, 2004 has a specific clause allowing the provisional tariff with and the process of tariff adjustment which is reproduced below:

*“Provisional tariff or provisional billing of charges, wherever allowed by the Commission based on the application made by the generating company or the transmission licensee or by the Commission on its own motion or otherwise, shall be adjusted against the final tariff approved by the Commission.*

Provided that where the provisional tariff charged exceeds the final tariff approved by the Commission under these regulations, the generating company or the transmission licensee, as the case may be, shall pay simple interest @ 6% per annum, computed on monthly basis, on the excess amount so charged, from the date of payment of such excess amount and up to the date of adjustment.

Provided further that where the provisional tariff charged is less than the final tariff approved by the Commission, the beneficiaries shall pay simple interest @ 6% per annum, computed on monthly basis on the deficit amount from the date on which final tariff will be applicable up to the date of billing of such deficit amount.

Provided also that excess / deficit amount along with simple interest @ 6% shall be adjusted within three months from the date of the order failing which the defaulting utility / beneficiary shall be liable to pay penal interest on excess / deficit amount at the rate as may be decided by the Commission.”

12. The petitioner stated that the CERC vide clause (4) of Regulation 5 of the Central Electricity Regulation Commission (Terms and Conditions of Tariff) (First Amendment) Regulation, 2011 notified that the provisional tariff shall be granted upto 95% of annual fixed charge claimed before the Commission which is reproduced as under:

“(4) Where application for determination of tariff of an existing or a new project has been filed before the Commission in accordance with clauses (1) and (2) of this Regulation, the Commission may consider in its discretion to grant provisional tariff upto 95% of the annual fixed cost of the project claimed in the application subject to adjustment as per proviso to clause (3) of this Regulation after the final tariff order has been issued.....”

13. The petitioner, therefore, prayed that the Commission may allow fixed charges of atleast 95% of annual fixed charges applied for.

14. We have heard the counsel for the petitioner and the counsel for the respondents and perused the record.

15. (i). The counsel for the petitioner explained in detail the need for passing an interim order u/s 94 (2) by explaining the per MW cost of the project, total cost of the project, GCV of the fuel and SHR of the fuel resulting in interim price per unit sought at Rs. 4.10. The breakup is put at Rs. 2.40 for fixed cost and Rs. 2.05 expected for variable cost, which includes royalty also. (ii). The interim arrangement can at best be for three months only. (iii). The petitioner sought interim tariff at 90% of the fixed cost projected by it. The total fixed cost as per their estimate is a sum of Rs.8,250/- crores.

16. The counsel for the respondent and the Joint Managing Director of TSTRNSCO stated that they have to prepare the calculations of tariff and therefore, need time to present their figures. On a specific question in respect of the present petition, it was replied that the Commission may consider a tariff less than Rs. 4/- only.”

17. We have considered the detailed calculations in respect of the petitioner’s unit and arrived at the provisional figures. Before advertng to the details, it is relevant to mention the provisions in the Regulation No. 1 of 2008 as adopted by the Commission.

Clause 10 of 1 of 2008

10. *TARIFF DETERMINATION*

*“Tariffs under this Part shall be determined in accordance with the norms specified herein, guided by the principles and methodologies specified in CERC (Terms and Conditions of Tariff) Regulations, 2004 as originally issued and amended by CERC (Terms and Conditions of Tariff) (First Amendment) Regulations, 2006, issued on 1<sup>st</sup> June, 2006 vide No. L-7 / 25 / (5) / 2003 – CERC; any further amendments thereto shall be applicable on their adoption by the Commission, by means of a general or special order, with or without any modifications:*

*Provided that the norms of operation specified in this Regulation shall not preclude the generating company and the distribution licensee from agreeing upon improved norms of operation and in such a case, such improved norms shall be applicable for determination of tariff.”*

However, the CERC Regulation of 2004 on the issue of tariff determination for conventional projects, underwent several amendments on two occasions, more

particularly in the year 2014. Therefore, the present issue requires to be considered as per the present regulation read with the adopted regulation.

18. The petitioner had filed a petition for final determination of the tariff for both the units. As observed earlier one unit's CoD was declared on 25<sup>th</sup> September 2016 and the CoD of the second unit is yet to be declared. The final determination of tariff for both the units is getting delayed on account of administrative difficulties in the Commission and the process of determination of final tariff as per the provisions of the Electricity Act, 2003 shall take some more time. We are of the view that the petitioner will have cash flow problems in running its electricity business, therefore, an interim or provisional tariff is being given pending, the final determination of tariff.

19. Coming to the quantum of interim or provisional tariff, we have considered the total hard cost of both the units and at this stage we do not wish to pass any order in respect of Interest During Construction (IDC) period which may result in pre-judging the issue without giving an opportunity of being heard to all the stakeholders. Even the hard cost of both the units is accepted tentatively and it should not be treated as the final hard cost determined by the Commission. The stakeholders are at liberty to make their submissions in respect of the hard cost during the course of hearings. Tentatively, the hard cost is determined at a sum of Rs.5.19 Crores per MW which gets converted to Rs.1.55 per unit as levelised fixed cost for 25 years.

20. After considering various parameters, the Commission determines the variable cost of Rs.1.71 per unit provisionally. Thus, the total interim or provisional tariff per unit from the date of CoD of the first unit and the second unit (after declaration of COD) shall be:

I.	Fixed Cost / Capacity Charge	-	Rs.1.55 per unit
II.	Fuel Charge/Variable Cost	-	Rs.1.71 per unit

**Rs.3.26 per unit**

The above interim or provisional tariff shall be applicable upto 31-03-2017 or passing of the final tariff order, whichever is earlier.

21. The provisional tariff paid by the TSDISCOMs to the petitioner shall be adjusted against the final tariff from the date of CoD of each unit. The TSDISCOMs or the

petitioner, as the case may be, shall pay interest @ 6% per annum on the deficit / shortfall or excess payment of the final tariff determined by the Commission.

**This order is corrected and signed on this the 6<sup>th</sup> day of December, 2016.**

**Sd/-  
(H. SRINIVASULU)  
MEMBER**

**Sd/-  
(ISMAIL ALI KHAN)  
CHAIRMAN**

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