



**TELANGANA STATE ELECTRICITY REGULATORY COMMISSION
HYDERABAD.
5th Floor, Singareni Bhavan Lakdikapul Hyderabad 500004**

I. A. No. 2 of 2020
in
O. P. No. 5 of 2019

Dated:08.02.2020

Present

Sri. T. Sriranga Rao, Chairman
Sri. M.D. Manohar Raju, Member (Technical)
Sri. Bandaru Krishnaiah, Member (Finance)

Between:

M/s. Singareni Collieries Company Limited,
Kothagudem Collieries,
Bhadradri Kothagudem District - 507 101.

.... Applicant / Petitioner.

AND

1. Southern Power Distribution Company of Telangana Ltd.,
Mint Compound, Hyderabad – 500 034.
2. Northern Power Distribution Company of Telangana Ltd.,
H. No. 2-5-31 / 2, Corporate Office, Vidyut Bhavan,
Nakkalgutta, Hanamkonda, Warangal – 506 001.

.... Respondents.

This petition came up for hearing on 25.01.2020. Sri. P. Shiva Rao, Advocate for the applicant / petitioner and Sri. Y. Rama Rao, standing counsel for the respondents are present. This petition having been heard and having stood over for consideration to this day, the Commission passed the following:

ORDER

M/s. Singareni Collieries Company Limited (original petitioner and applicant in this application) has filed application under sections 94 (2), 61, 62, 64 and 86 (1) (a) of Electricity Act, 2003 read with Clause 24 of Telangana State Electricity Regulatory Commission (Conduct of Business) Regulations, 2015 for allowing it to raise bills for

supply of energy by STPP based on average annual fixed charges claimed before it for the control period 2019-24 till determination of ARR and tariff for 2019-24 and for in-principle approval of urgent investments.

2. The applicant stated that it filed MYT petition for determination of ARR and tariff for its 2 X 600 MW Singareni Thermal Power Plant (STPP) for FY 2019 - 24 in terms of TSERC Regulation No. 1 of 2019.

3. The applicant stated that the issues covered in present interlocutory application.

a. Approval for billing methodology and interim fixed charge:

i) It is to state that STPP is presently raising the energy bills as per the methodology specified in the clause 21 of Regulation No. 1 of 2019. This practice is in line with the principles followed by other state generating stations in the Telangana state.

ii) The energy billing requires application of commercial procedure notified in the terms and conditions of tariff regulation No. 1 of 2019 upon the allowed quantum of fixed charges and norms. However, in the absence of allowed fixed charges and operating norms, STPP is considering these parameters as were decided for it by the Commission for the period 2018-19.

iii) The clause 21 in regulation No. 1 of 2019 provides procedures of computation for monthly fixed charges and monthly energy charges. The monthly fixed charges are presently being computed by considering the approved annual fixed charge for 2018-19 in place of AFC in the various detailed formulas specified in clause 21.2.

iv) The energy charges are computed based on monthly prices and gross calorific values of fuels on actual basis. The energy charge rate (FCR) is calculated based on application of these actual values and the approved norms for the period 2018-19. Further, the clause 21.7 provides that the fuel related formats have to be submitted to the beneficiary by mentioning as fired GCV values. Further, it is stated that the SERC's are guided by the principles and methodologies of CERC while specifying regulations as per section 61 (a) of Act, 2003.

v) CERC tariff regulation 2019-24 provides that the energy charge computation shall be done based on GCV of coal as received less 85 KJcal / kg on account of variation during storage at generating station. Therefore, CERC regulation allows billing of energy charges based on as fired basis GCV by subtracting variations in GCV experienced during storage of generating station. Therefore, the term “GCV as received” indicated in clause 21.6.1 has been interpreted as “GCV as received basis less necessary adjustments on account of variation during storage at generating station” based on the sub clauses 21.7, 21.10 of regulation No. 1 of 2019 and the guiding clause 43 of CERC terms and condition of tariff regulation 2019-24 STPP is computing the energy charge rates accordingly.

vi) The annual fixed charges (AFC) allowed for 2018-19 was 1515 Crores. The fixed charges as per the MYT tariff petition submitted is in the range of 1779 Crore to 1912 Crore. It is therefore stated that if only fixed charge rate for 2018-19 was allowed as interim measure to raise bill during the pendency of appeal, then revenue gaps for all the years will tend to increase which will ultimately give tariff shock to the beneficiaries. Therefore, the Commission may allow STPP to bill with the average of the annual fixed charges as claimed for 2019-24 in the pending O. P. No. 5 of 2019 is placed below.

Item	2019-20	2020-21	2021-22	2022-23	2023-24
Annual fixed charges (In crores)	1779.5	1784.8	1870.8	1912.7	1879.3

vii) The average annual fixed charge for the control period is computed as Rs. 1845 Crore as interim fixed charge till determination of ARR and tariff for 2019-24 in O. P. No. 5 of 2019. Further, SCCL is providing as fired GCVs and requesting beneficiaries to allow such energy charges. In view of the above the Commission is requested to allow the billing methodology including determination of energy charge rates based on “as fired” GCVs.

b. Operating norms:

i) The Commission has notified the tariff regulation for 2019-24 on January, 2019. SCCL in its tariff petition submitted on 30.03.2019 requested the Commission to finalize the norms for 2 X 600 MW STPP based on the norms of other similar size units for which norms were firmed up in the tariff regulation.

It is stated that there are three 600 MW units in the state of Telangana till date. One of these units, namely, Kakatiya thermal power plant is run by state generating company and rest of the two units are in STPP, SCCL. The details of these units are mentioned below.

Name of the generating station	Installed capacity	PPA date	Valid upto	COD date
KTPP stage-II	1 x 600 MW	27.01.2016	23.03.2041	24.03.2016
STPP	2 x 600 MW	18.01.2016	01.12.2041	U#1:25.09.2016 U#2:02.12.2016

ii) It can be seen from the above table that all these units are having similar technical configuration and are being commissioned in same period. Accordingly, it is more appropriate to have a similar set of operating norms for all these units. The Commission has notified the following operating norms for KTPP stage – II vide clause 17.2 of terms and conditions of generation tariff regulation 2019.

Thermal	Unit	KTPP stage – II
Normative Annual Plant Availability Factor (Target Availability)	%	80.00%
Normative Annual Plant load Factor (for computation of incentive)	%	80.00%
Gross Station Heat Rate	Kcal / kWh	2,400
Secondary fuel oil consumption	ml / kWh	2.0
Auxiliary energy consumption	%	7.00%
Transit and Handling Losses	%	0.80%

iii) It is stated that in view of the similar configuration of STPP units the same operating norms is also required to be adopted for STPP. Further, considering the installation of flue gas desulfurization (FGD) system, the norms for auxiliary energy consumption for STPP is required to be increased by 1.5% from 2021-22. The generation planning of STPP will be done adhering to the said operating norms. Therefore, interim operating norms may be allowed for successful generation planning during the pendency of main MYT application.

c. In principle approval for urgent capital investment needs:

i) It is stated that in accordance with the regulation 7(b) of regulation No. 1 of 2019, SCCL has submitted capital investment plan during the control period 2019-24 in respect of 2 X 600 MW STPP for approval of Commission. The matter is pending before this Commission.

ii) The capital investment plan (CIP) for STPP was prepared based on projected capital expenditures towards compliance of new pollution norms for which DPR was made by NTPC, capital expenditures for procurement of critical modules for O and M from original equipment manufacturer (OEM) and works related to railway siding. The proposal for CIP in the original petition was to get approval for a cumulative capital expenditure of Rs. 1196 Crores other than spill over items during the control period 2019-24.

iii) Therefore, the Commission is requested to provide in-principle approval at least for some of these investments which are inevitable and absolutely necessary as per Ministry of Environment and Forest (MoEF) guideline and required to run the generating station safely with normative availability. A comprehensive list of these capital expenditures along with the justification is given below.

Sl. No.	Description	Estimated capital expenditure (In Crores)	Reasoning
1	Spillover of 2016-19	199.78	Spilled over capital items from the previous control period which are within the estimated project cost (RCE-2)
2.	Flue gas desulphurization system (FGD)	645.32	MOEF & CC has issued notification bringing out amendments to Schedule – I of Environment (Protection) Rules, 1986 for emission norms applicable to thermal power stations. To comply with the emission limits as per amended notification, for SOx mitigation FGD system installation and for NOx mitigation In-furnace modifications works are to be taken up immediately.
3	In-furnace modifications for NOx mitigation	38	
4	LP rotor	25.2	
5	Excit or assembly	22.5	It is utmost important to keep necessary capital spares available for successful execution of generation plan. LP Rotor and Exciter assembly are major constituents of turbine generator assembly used for generation of electricity. The manufacturer requires a high lead time of around one year to supply a new one or at least four months time for refurbishment. Accordingly, it is

			planned to purchase LP rotor and excited assembly which would cater the need of both the units effectively.
6	Overhead Electrification (OHE) works	45	Railway officials during their engineering safety inspection of the siding have insisted to take up OHE and S & T to improve performance of the siding Railway board has already issued instructions to all private siding owners to convert their sidings into electrified sections. S & T enables optimum utilization of the track structure with minimum man-power and interference. Railway officials opined that during monsoon / night time operating track-line will be difficult, many a time it leads to human error which can be avoided once S & T is provided
7	Signalling & Telecommunication (S&T) works including civil works	47.6	
Total		1023.40	

The Commission is prayed to consider the capital items listed above as interim arrangement for giving in principle approval.

4. Therefore, applicant has sought the following prayer in this application.
 - a. Allow to raise energy bills based on average annual fixed charges as claimed before it for the control period 2019-24 pending determination of ARR and tariff for 2019-24.
 - b. Provide in-principle approval for urgent capital investment needs as detailed in the application.

5. The respondents have filed counter affidavit to this application and stated as below.
 - A. It is stated that the petitioner / applicant has filed O. P. No. 5 of 2019 relating to multi-year tariff application for approval of Aggregate Revenue Requirement (ARR) and tariff for 2 X 600 MW thermal power plant (STPP) for the period FY 2019-20 to FY 2023-24 U/s 62 and Section 86 (1) (a) read with Commission's Terms and Conditions of Generation Tariff Regulation, 2019.

 - B. The respondents stated that the prayer of the petitioner in the main petition is as follows:

- i) Consider the submissions made by SCCL in this multi-year tariff petition along with the application for approval of capital investment plan and business plan.
- ii) Approve ARR and tariff for 2 X 600 MW STPP for each financial year within the control period comprising five years from 01.04.2019 to 31.03.2024.
- iii) Allow to raise bills for supply of energy by STPP based on annual fixed charges and norms applicable for 2018-19 till determination of ARR and tariff for 2019-24.

C. Along with the main petition the petitioner / applicant has also filed I. A. No. 2 of 2020 in O. P. No. 5 of 2019 seeking the following prayer.

- a) Allow to raise energy bills based on average annual fixed charges as claimed before it for the control period 2019-24, pending determination of ARR and tariff for 2019-24.
- b) Provide in-principle approval for urgent capital investment needs as detailed in the application.

D. As could be seen from the prayer in the interlocutory application the petitioner / applicant seeks approval for urgent capital investment needs to the extent of Rs. 1023.40 Crores, which has also been prayed in the main petition at items 29 (a) and (b), but seeking approval for additional capital investment in the I. A. itself without hearing the main petition, would have a significant bearing on the tariff component, fixed charges payable to it.

E. The respondents stated that the Commission is prayed to examine whether the additional investment / capitalization prayer for in-principle approval is to be allowed in the interlocutory application without adjudicating the prayer / claim in the main petition / application. Further, the Commission is also required to examine the claims in terms of the Commission's Regulation No. 1 of 2019. The respondents stated that the Commission is required to examine whether the multi-year tariff application for the period 2019-24 claimed by the petitioner / applicant is in consonance with the capital cost admitted by this Commission in its order dated 19.06.2017 in O. P. 9 of 2016.

Without addressing these issues, it may not be possible for this Commission to consider the prayer of the petitioner, as stated above.

F. It is stated that the applicant has itself stated in the I. A. that this Commission vide its letter dated 12.12.2019 advised the petitioner / applicant to file separate I.A. to adopt the tariff of FY 2018-19 for the energy billing in respect of ongoing period during the pendency of MYT 2019-24 petition, which means that till the MYT petition is adjudicated, the petitioner has to request the Commission to continue the existing tariff already approved for FY 2018-19 in O. P. No. 9 of 2016 for FY 2019-20 with the same billing methodology as an interim arrangement. In fact the petitioner in the main petition has sought the Commission to continue the monthly billing for FY 2019-20 as per tariff approved for FY 2018-19, but in the I. A. the applicant / petitioner clubbed the prayers rendering the main petition as redundant.

G. It is stated that contrary to the existing approved billing procedure and also the Commission's advice dated 12.12.2019, the petitioner / applicant in the interlocutory application has sought approval of the billing methodology, which is in deviation to the procedure given in the Commission's Regulation No. 1 of 2019 with regard to the calculation of energy charge rate (ECR). The Commission's order dated 19.06.2017 in O. P. No. 9 of 2016 stipulated for considering the Gross Calorific Value (GCV) of coal on received basis for computing the ECR, which has also been continued / stipulated in the Commission's Regulation No. 1 of 2019. However, the applicant has misinterpreted the GCV of coal to be on fired basis and submitting the monthly energy bills, taking into account GCV of coal on fired basis. The respondents after noticing the deviation by the applicant / petitioner have objected to this erroneous calculation and asked the petitioner / applicant to revise the same considering GCV on received basis. To circumvent the same the applicant is now seeking to get approval of this Commission in this I.A. which is not sustainable. The I.A. prayer has to be considered to the extent of interim arrangement for bill payment during the pendency of the main petition, but on the pretext of interim prayer, the applicant / petitioner may not be permitted to seek for change in the billing methodology contrary to the order

dated 19.06.2017 of this Commission in O. P. No. 9 of 2016 and also contrary to the billing methodology stipulated in the Commission's Regulation No. 1 of 2019.

H. The respondents stated that the other contention of the petitioner / applicant in the I. A. is on different operating norms adopted for unit of similar size (600 MW) owned by TSGENCO vis-à-vis Singareni Generating units. The respondents stated that the Commission would have fixed the operating norms in its Regulations, 2019 on case to case basis considering the manufacturer design parameters such as boiler efficiency, heat rate, auxiliary energy consumption etc., hence the same are not comparable. Further, the applicant / petitioner is seeking for increased operating norms, which increase energy charges rate in anticipation of installation of FGD system from 2021-22 onwards, which equipment is yet to be installed. The tariff regulation does not allow for such anticipated relief in expenditure in advance. Therefore, urgent relief may not be considered by this Commission in the interim application itself.

I. The respondents stated that the third relief sought by the applicant in the I.A. is 'In-principle approval for urgent capital investment needs' under which the applicant sought in-principle approval for additional capital investment of Rs. 1023.40 Crores, comprising 7 items which included estimated capital expenditure of Rs. 199.78 Crores towards spillover of 2016-2019, FGD equipment cost and installation for Rs. 645.32 Crores, spares and other equipment for balance Rs. 178.30 Crores.

J. The Respondents stated that the applicant / petitioner is required to file the truing up expenditure for the period 2016-2019 in terms of admitted capital cost as approved by the Commission in O. P. No. 9 of 2016 and further to claim the FGD installation under change-in-law provision, the applicant / petitioner is required to demonstrate that the emission norms prescribed by MOEF & CC are beyond the terms and conditions / parameters fixed in the environmental clearance given to it for compliance while giving clearance to the applicant for setting up the STTP (2 X 600 MW).

K. The respondents stated that the other claims towards procurement of spares such as LP rotor, exciter assembly, signalling equipment OHE etc., are considered as part of O & M expenditure being allowed under O & M component of fixed charges in O.P. No. 9 of 2016. Without furnishing the substantiation to the above claims, the prayer of the petitioner / applicant for in-principle approval in the I.A. 2 of 2020 is not justified.

L. Therefore, the respondents have prayed the Commission to allow the I.A. only to the extent of adopting / continuing the tariff allowed by this Commission for FY 2018-19 in O. P. No. 9 of 2016 for the FY 2019-20 also till the main petition is adjudicated.

6. We have heard the counsel for the parties and perused the record in respect of this application along with the petition filed by the applicant / petitioner in O. P. No. 5 of 2019.

7. At the time of hearing, the parties have made the following submissions.

a) The counsel for the applicant stated about the background of the case including the details of the appeal filed before the Hon'ble ATE. He sought interim directions for payment of tariff as per the earlier tariff order applicable to the applicant as the respondents have conceded to that extent in the counter affidavit filed in this application. He also sought allowing of environmental social audit capital investment as per the guidelines and rules notified by the Government of India on tentative basis subject to final decision by the Commission on the relevant petitions.

b) He stated that the Hon'ble ATE had already directed the Commission to hear and dispose of the petition in respect of true up, which was filed by the applicant earlier before the Commission. Therefore, the Commission may pass orders on this application. The counsel for the respondents stated that they are agreeable for payment of tariff to the extent as determined by the Commission in its earlier order and the same was stated in the counter affidavit.

8. We noticed from the submissions of the parties that they are in agreement as regards payment of the tariff for the subsisting financial year pending final decision in the main matter. As regards consideration of other amounts, we are of the considered view that unless detailed examination is made with reference to the provisions of the regulations and the guidelines of the Government of India including the industry normatives, no decision can be taken at this stage as an interim measure. At any rate, even if the applicant / petitioner expends the said amount, as the main petition is yet to be decided, all those aspects can be taken into consideration at the time of the disposal of the said main petition along with other applications, if any.

9. During the hearing held on 25.01.2020, the applicant / petitioner has requested the Commission for atleast approval in-principle for the capital expenditure works required to be undertaken for complying with the emission norms of Ministry of Environment, Forest and Climate Change (MoEF & CC). The Commission notes that units 1 and 2 of the applicant / petitioner's thermal power plant were commissioned on 25.09.2016 and 02.12.2016 respectively.

10. MoEF & CC vide Notification dated 07.12.2015 has notified the Environment (Protection) Amendment Rules, 2015 thereby amending the Environment (Protection) Rules, 1986. The relevant extracts from the Notification directs each units of thermal power stations to comply with the following:

".....(b) for serial number 25 and the entries related thereto, the following serial number and entries shall be substituted, namely:-

Sr. No.	Industry	Parameter	Standards
1	2	3	4
"25	Thermal Power PlantTPPs (units) installed after 1 st January, 2003 upto 31 st December, 2016*	
		Particulate matter	50 mg / Nm ³
		Sulphur Dioxide (SO ₂)	600 mg / Nm ³ (Units smaller than 500 MW capacity units) 200 mg / Nm ³ (for units having capacity of 500 MW and above)
		Oxides of Nitrogen (NO _x)	300 mg / Nm ³
		Mercury (Hg)	0.03 mg / Nm ³

*TPP_s (units) shall meet the limits within two years from the date of publication of this notification.

11. The applicant / petitioner has proposed the following capital expenditure works for complying with the revised emission norms:

- a. Flue Gas Desulphurization (FGD) system - Rs. 645.32 Crore
- b. In-furnace modifications for NO_x mitigation - Rs. 38 Crore.

12. The petitioner has submitted the copy of Detailed Project Report (DFR) prepared by M/s. NTPC for the same, in its Capital Investment Plan for the Control Period from FY 2019-20 to FY 2023-24. Regulation 7.19.1 of the TSERC (Terms and Conditions of Generation Tariff) Regulations, 2019 stipulates as under:

“7.19.1Any additional capitalization after COD needs prior approval of the Commission:-

- (l) An additional capital expenditure for complying with statutory norms for Environment in accordance with the appropriate notifications of Ministry of Environment, Forest and Climate Change.

.....”

13. The actual emission levels of SO₂ and NO_x as submitted by the applicant / petitioner are shown in the table below:

Year	SO ₂ (mg / Nm ³)				NO _x (mg / Nm ³)			
	Unit 1		Unit 2		Unit 1		Unit 2	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
2017-18	809	2409	1184	2507	148	421	114	431
2018-19	1716	2502	1737	2100	275	304	271	427
2019-20	1201	1800	1625	1997	276	303	217	333

14. The TSERC (Terms and Conditions of Generation Tariff) Regulations, 2019 provide for additional capital expenditure for complying with the environment norms as notified by MoEF & CC. On preliminary scrutiny of the actual emission levels submitted by the applicant / petitioner, the Commission, prima facie finds the requirement of the capital expenditure works proposed by the applicant / petitioner for complying with the revised emission norms to be justified.

15. Therefore, the Commission deems it fit to accord in-principle approval for undertaking the above stated works for complying with the revised emission norms. It is made amply clear that this in-principle approval should not be construed as the final approval of the Commission on the technology or the capital expenditure or the impact of the same on the tariff proposed by the applicant / petitioner. The Commission shall carry out the due diligence of the same and would take a view in the final order to be issued in the original petition.

16. For the reasons stated and the detailed discussion rendered above, we deem it fit to allow this application and direct the respondents to pay the tariff as applicable for FY 2018-19 for the energy supplied by the applicant / petitioner from 01.04.2019 till the disposal of the main petition.

17. In the result, the application is disposed of, but in the circumstance without any costs.

This order is corrected and signed on this the 8th day of February, 2020.

Sd/- (BANDARU KRISHNAIAH) MEMBER	Sd/- (M.D. MANOHAR RAJU) MEMBER	Sd/- (T. SRIRANGA RAO) CHAIRMAN
---	--	--

//CERTIFIED COPY//