



TELANGANA STATE ELECTRICITY REGULATORY COMMISSION
5th Floor, Singareni Bhavan, Red Hills, Lakdi-ka-pul, Hyderabad 500 004

Dated 18.01.2023

Present

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

In the matter of Third Amendment to (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation No.4 of 2005 – Statement of Reasons thereof

STATEMENT OF REASONS

Introduction:

Telangana State Electricity Regulatory Commission (TSERC) was constituted by the Government of Telangana in terms of the provisions of Schedule XII(C)(3) of the A.P. Reorganisation Act of 2014, read with Section 82 of the Electricity Act, 2003 (Act) vide G.O.Ms.No.3, Energy (Budget) Department, dated 26.07.2014. This Commission having been established under Section 82(1) of the Act, 2003 has notified Regulation No.1 of 2014, on 10.12.2014 being Adoption of previously subsisting Regulations, Decisions, Directions or Order, Licenses and Practice of Directions. Thus, the Principal Regulation and its First Amendment Regulation No.1 of 2014 apply for the Telangana State, till further modification.

The Distribution Licensees of Telangana State (TSDISCOMs) have requested the Commission to provide mechanism of automatic pass through of fuel and power purchase cost adjustment in the tariffs in accordance with the Electricity (Timely Recovery of Costs due to Change in Law) Rules, 2021, dated 22.10.2021, notified by Ministry of Power (MoP), Government of India (GoI). The distribution licensees further requested to consider the sales and revenue from sale of power to consumers as uncontrollable item.

The Commission in order to place a mechanism for timely recovery of the change in fuel cost by automatically adjusting tariffs has decided to provide for automatic pass through of fuel cost adjustment charges in the tariffs in a timely manner and to treat the sales and revenue from sale of power as uncontrollable items.

Accordingly, the Commission, in exercise of powers conferred on it under Clauses (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, made a draft third amendment to the Principal Regulation on 23.11.2022 and posted on its official website www.tserc.gov.in, inviting comments/suggestions from the stakeholders and general public on or before 14.12.2022.

In response, the Commission has received written comments/suggestions from six (6) stakeholders. The list of stakeholders who have submitted the written comments/suggestions is enclosed at Annexure-I.

After due consideration of the comments/suggestions received, the Commission has finalized the Third Amendment to (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation No.4 of 2005.

The relevant Clauses of the Draft Amendment, deliberations on comments/suggestions expressed by the stakeholders & TSDISCOMs and the reasons for decisions of the Commission are given in the succeeding paragraphs.

1. **General:**

Stakeholders' Comments/Suggestions

The amendment sought is ultra vires to the Act, 2003 and therefore the sub-ordinate regulation cannot seek to amend the Act and the Commission has no power to amend or give an order which is ultra vires to the Section 62(4) of the Act. The Commission to hold a public hearing on the subject issue after uploading the submissions of TSDISCOMs on its website.

Commission's View

Section 62(4) of the Electricity Act, 2003 specifies that "no tariff or part of any tariff may ordinarily be amended, more frequently than once in any financial year, except in respect of any changes expressly permitted under the terms of any fuel surcharge formula as may be specified". The Clauses (zd), (ze) and (zf) of Section 181(2) read with Sections 61, 62 of the Electricity Act, 2003 empowers the Commission for notifying the Regulations. The Commission is following the procedure of previous publication in accordance with the Electricity (Procedure for Previous Publication) Rules, 2005 in making the Regulation.

2. **Controllable/Uncontrollable Items:**

Existing second table in sub-clause 10.4 of Principal Regulation:

Retail Supply Business	
ARR Item	"Controllable"/"Uncontrollable"
Cost of Power Purchase	Uncontrollable

Commission's Proposal

The second table in sub-clause 10.4 of Principal Regulation is substituted with the following table:

Retail Supply Business	
ARR Item	"Controllable"/"Uncontrollable"
Cost of Power Purchase	Uncontrollable
Sale of Power to the Consumers	Uncontrollable
Revenue from Sale of Power to consumers	Uncontrollable

Stakeholders' Comments/Suggestions

The sales mix of TSSPDCL as per its latest published annual accounts for FY 2020-21 comprised of around 27% industrial sales, 24% domestic sales, 10% commercial sales and 36% agricultural sales. The inefficiency of TSDISCOMs in implementing the 100% metering in agricultural sector ought

not to be passed to end consumer in the form of variation in sales and revenue being kept as an uncontrollable item. Initially Uttar Pradesh Regulatory Commission (UPERC) in its MYT for Distribution and Transmission Regulations, 2014 had kept variation in sales (MUs) as an uncontrollable item. But recently, the UPERC in its latest MYT for Distribution and Transmission Regulations, 2019 has removed variation in sales (MUs) from the list of uncontrollable items specified under Clause 8.1 of MYT Regulation, 2019. As such, it is apparent that sales of power to consumer and revenue from sale of power to consumer is in the control of the Licensees i.e., it should not be treated as uncontrollable factor.

Commission's View

Cost of Power purchase comes under uncontrollable item as per the principal Regulation. The power purchase cost may vary due to change in sales quantum or variation in fuel cost/variable cost component of power purchase cost. In order to balance expenditure and revenue true-ups, the Commission proposed to treat the sales quantum and revenue from sale of power as uncontrollable items. Hence the Commission decided to retain the Clause as proposed in Draft Regulation.

3. Procedure for Fuel Cost Adjustment (FCA):

Commission's Proposal

The following sub-clauses shall be inserted after sub-clause 12.4 in Principal Regulation:

"12.5 Fuel Surcharge Adjustment (FSA)/Fuel Cost Adjustment (FCA)

12.5.1 The distribution licensee shall be entitled to recover or shall refund, as the case may be, the charges on account of Fuel Surcharge Adjustment (FSA)/Fuel Cost Adjustment (FCA) as per the following procedure:

12.5.2 Collection of FCA charges

- a. Every distribution licensee shall levy the FCA charges on its consumers as per the voltage level on the consumed units (in kWh) during the billing month in accordance with the provisions in this Regulation as a part of the retail supply tariff payable by a consumer;*

Example: The FCA charges calculated for Nth month shall be levied on the units consumed during (N+2nd) month and shall be included in bills to be issued in (N+3rd) month.

- b. The maximum amount of FCA charges that can be levied on the consumers as per this Regulation without the prior approval of the Commission is Rs.0.30 per unit (in kWh):*

Provided that where the FCA charges in any billing month exceeds Rs.0.30 per unit, the distribution licensee shall not recover FCA charges in excess of Rs.0.30 per unit without prior approval of the Commission:

Provided further that where the amount of FCA charges is negative, the entire savings in FCA charges shall be passed on to the consumers.

- c. FCA charges shall be passed on to all categories of consumers except LT-V Agricultural consumers and distribution licensee shall claim the FCA charges of LT-V Agricultural consumers from the Government of Telangana. Such claims if not received from the Government of Telangana shall not be allowed in annual true up filings.
- d. In the event of failure of distribution licensees in passing over the FCA charges within in the timelines, such claims shall not be allowed in the process of passing through of gains and losses on variations in uncontrollable items of ARR if FCA charges is positive and shall be reduced from the ARR of the ensuing tariff year if the FCA charges is negative.
- e. For all consumer categories including those for which the billing is being done on kVAh basis, FCA charge shall be billed on the electrical energy recorded in kWh.

12.5.3 Computation of FCA charges

- a. The distribution licensee shall determine the per unit (in kWh) FCA charges recoverable from consumers on the basis of formula as given below:

$$FCA_{EHT} = \{(PPC_{act} - PPC_{app}) + Z\} / (1 - L_{EHT}) \text{ for EHT consumers;}$$

$$FCA_{33\text{ kV}} = \{(PPC_{act} - PPC_{app}) + Z\} / (1 - L_{33\text{ kV}}) \text{ for 33 kV consumers;}$$

$$FCA_{11\text{ kV}} = \{(PPC_{act} - PPC_{app}) + Z\} / (1 - L_{11\text{ kV}}) \text{ for 11 kV consumers;}$$

$$FCA_{LT} = \{(PPC_{act} - PPC_{app}) + Z\} / (1 - L_{LT}) \text{ for Low Tension consumers;}$$

Where,

FCA_{EHT} = FCA in Rupees per unit to be levied on consumers availing power supply at a voltage level of 132 kV and above;

$FCA_{33\text{ kV}}$ = FCA in Rupees per unit to be levied on consumers availing power supply at a voltage level of 33 kV;

$FCA_{11\text{ kV}}$ = FCA in Rupees per unit to be levied on consumers availing power supply at a voltage level of 11 kV;

FCA_{LT} = FCA in Rupees per unit to be levied on consumers availing power supply at Low Tension (230 Volt at Single Phase and 415 Volt at 3-Phase);

PPC_{act} = Actual average power purchase cost from approved sources including interstate transmission charges for the month in Rs/unit;

PPC_{act} = $[(TPPC_{act} \text{ in million rupees}) / (TPPU_{act} \text{ in million units})]$;

Where,

$TPPC_{act}$ = Actual Total Power Purchase Cost (with fixed cost least of actuals and approved in Tariff order) from approved sources including interstate transmission charges ($TPPC_{act}$);

$TPPU_{act}$ = Actual Total Power Purchase Units ($TPPU_{act}$) shall be arrived by grossing up the approved distribution and transmission losses on the actual metered sales and restricted agriculture sales to the least of approved and assessed units;

PPC_{app} = Approved average power purchase cost including interstate transmission charges for the month as per tariff order in Rs/unit;

Z = Variation in actual FCA charges collected and allowable FCA charges for any previous billing month which has not been factored earlier or Any variations observed by Commission during post facto validation of the data furnished by distribution licensee for any month or any variations in variable costs that would be noticed by the distribution licensees subsequent to incorporation of FCA for a billing month;

L_{EHT} = Transmission losses percentage at 132 kV level and above as approved in relevant tariff orders;

$L_{33\text{ kV}}$ = Transmission and Distribution (T&D) losses percentage up to 33 kV level as approved in relevant tariff orders;

$L_{11\text{ kV}}$ = T&D losses percentage up to 11 kV level as approved in relevant tariff orders;

L_{LT} = T&D losses percentage up to LT level as approved in relevant tariff orders;

- b. For computing the FCA charges, the transmission losses in intra-state transmission network and distribution losses in distribution network of concerned distribution licensee to be considered shall be the losses as approved by the Commission in the relevant MYT Transmission and Wheeling tariff orders.
- c. While calculating the actual power purchase cost, the actual power purchased units shall be arrived by grossing up the sales (actual metered sales plus least of approved agriculture sales and assessed agriculture sales) with approved transmission and distribution losses in the relevant MYT Transmission and Wheeling tariff orders.

- d. *For arriving the actual Power purchase cost fixed cost of each Generating Station as approved in Retail Supply tariff order or actual fixed cost paid to each generating station, whichever is less, shall be considered.*
- e. *The distribution licensee shall compute the monthly FCA charges as per the procedure mentioned in this Regulation and publish in daily newspapers duly displaying the FCA charges within 45 days after completion of the particular month. Beyond 45 days such claims shall not be allowed.*

12.5.4 Accounting and Billing of FCA charges

- a. *The distribution licensees shall indicate the FCA charges and amount separately in the consumer bills and record the amount of FCA charges collected under a separate head of account in its books of accounts.*
- b. *The FCA charges determined as per formula provided in this Regulation shall be in Rupees per unit rounded off upto two (2) decimal places.*
- c. *All documents to be furnished to the Commission for post facto approval and approval of FCA above the ceiling price shall be duly signed by authorized representative of the distribution licensee duly certified by a Chartered Accountant.*

12.5.5 Information and Publication of FCA charges

- a. *The gist of FCA charges computation should be widely publicized by the distribution licensee in two (2) English, two (2) Telugu and One (1) Urdu leading daily newspapers having wide circulation in their areas of supply for information to consumers, apart from placing in its official website.*
- b. *Calculations of the FCA charge in Rupees/kWh for the particular month shall be displayed by the distribution licensee in its website for the information of the consumers, which shall remain on the website till passing through of gains and losses on variations in uncontrollable items of ARR of particular year is completed.*
- c. *If FCA to be recovered is more than ceiling price, Licensees shall levy FCA up to ceiling price on its consumers and shall approach the Commission for approval of FCA charges over and above the ceiling price.*
- d. *If FCA charges to be refunded, distribution licensee shall refund total FCA charges without any ceiling price and shall approach the Commission for approval of FCA charges.*

12.5.6 Post-facto and other approvals by the Commission

- a. *The distribution licensee shall file with the Commission, the detailed computations of FCA charges and supporting documents as may be required for verification by the Commission after completion of the quarter.*
- b. *The Commission will prudently verify the calculations and relevant information submitted by the distribution licensee and*

determine the FCA charges of each month in that quarter as per the procedure stipulated in 'Conduct of Business' Regulations, 2015 [Regulation No.2 of 2015] as amended from time to time.

- c. The distribution licensee, after completion of audited annual accounts, shall file the true up petition for passing through of gains and losses by claiming variations in "uncontrollable" items in the ARR for the year and also submit details of FCA charges already passed on to the consumers along with the true up petition to the Commission. In case of failure of distribution licensee in filing of true ups of uncontrollable items, the distribution licensee shall not claim the FCA charges in the consumers bill till the true-up petitions for claiming the variations in uncontrollable items are filed.

12.5.6 Timelines

The distribution licensee shall compute the FCA charges of Nth month, publish and display the FCA charges in the official websites of distribution licensee by 15th of (N+2nd) month. The FCA charges calculated for Nth month shall be levied on the units (in kWh) consumed during (N+2nd) month and shall be included in bills to be issued in (N+3rd) month. After completion of a quarter year, the distribution licensee shall file before the Commission, the detailed computations of FCA charges and supporting documents as may be required for verification by the Commission within 60 days from the last day of the quarter for post-facto approval of the Commission."

i) Agriculture Sales

TSDISCOM's Comments/Suggestions

The Commission is requested to consider the assessed agriculture sales by TSDISCOMs in arriving the total power purchase units as TSDISCOMs are assessing the agriculture sales as per ISI methodology approved by the Commission.

Commission's View

The Commission considered the agriculture sales to the least of approved and assessed units since the agricultural services are unmetered.

ii) T&D Losses

Stakeholders' Comments/Suggestions

T&D losses should be considered as - lower of the approved T&D losses and actual T&D losses of respective period. Further, income earned by sale of surplus power and revenue earned by DISCOM to DISCOM sales ought to be reduced from the Total Actual Power Purchase Cost (PPC_{act}) computed for deriving FCA charges.

TSDISCOM's Comments/Suggestions

The Commission is requested to consider the actual transmission and distribution losses of the Transmission and Distribution Licensees as it directly affects the power purchase quantum by TSDISCOMs.

Commission's View

Licensees shall adhere to the loss trajectory fixed in the respective MYT Orders. The Commission decided to consider T&D losses as approved in MYT orders for FCA calculations.

iii) Power Purchase Cost**Stakeholders' Comments/Suggestions**

The Commission has proposed to treat cost of power purchase, sale of power to the consumers and revenue from sale of power to consumers as "uncontrollable". Needless to say, power purchase is as per the terms and conditions of the PPAs and subject to the principle of merit order dispatch. If TSDISCOMs violate the merit order dispatch while making purchases of power, such purchases should not be treated as "uncontrollable" and permitted under fuel surcharge adjustment. Variations in cost of power purchase made by TSDISCOMs from exchanges and market exceeding the upper limit of price fixed by the Commission should not be treated as "uncontrollable".

Commission's View

The principle of Merit Order Despatch (MOD) based on the variable cost of the Generators shall be followed by TSDISCOMs while calculating the power purchase cost to derive the FCA charges.

iv) Ceiling Price of FCA charges**TSDISCOM's Comments/Suggestions**

The TSDISCOMs submitted to increase the ceiling limit of FCA charges to be levied on the consumers without prior approval of the Commission to Re.1.00 per unit. Alternatively, to consider the approach of limiting the maximum FCA charges that can be levied without approval of the Commission as a percentage of approved weighted average power purchase cost as followed in certain other States. TSDISCOMs submits to approve the ceiling limit of FCA charges as 15% as followed in the States viz., Haryana and Rajasthan.

Commission's View

The Commission opines that the ceiling price of FCA charges shall be realistic and also it should not burden the consumer upfront. Hence the Commission has retained the ceiling limit of FCA as Rs.0.30 per unit.

v) Delay in FCA claims**TSDISCOM's Comments/Suggestions**

TSDISCOMs are of the opinion that 45 days is relatively small time for calculating the FCA charges (collecting data from all approved sources of power of intra-State and inter-State and computing the net impact) and being able to pass on the same. Hence it is requested that this timeline be increased to 60 days.

In case of delay in claiming the FCA charges due to unforeseen reasons beyond the control of TSDISCOMs, it is requested to allow TSDISCOMs to file such claims in the annual ARR of the ensuing tariff year.

Commission's View

The Commission is not inclined to modify the timelines. TSDISCOMs to claim the FCA charges as per the timelines fixed in this Regulation.

vi) **FCA on quarterly basis**

Stakeholders' Comments/Suggestions

The Commission may consider reintroduction of the system of FCA/FSA on quarterly basis, with binding obligations on the DISCOMs as already incorporated in the subject regulation, and timely completion and issuance of its orders to realize the intended purpose.

Commission's View

For timely passing on the variation in power purchase cost the Commission considered to pass on the cost variation upto ceiling limit on a monthly basis without prior approval of the Commission.

vii) **Prudence Check**

Stakeholders' Comments/Suggestions

75% cost of TSDISCOMs are power purchase cost and consumers are entitled to documentary prudence check as mandated.

The proposed Regulation should clearly specify the supporting documents required for verification by the Commission. As FCA subjects to adjustment on the account of Fuel Cost thus it becomes obligatory to scrutinize the following:

- i) Fuel details along with Power Purchase details of TSDISCOMs
- ii) Copies of Invoices raised by the Generating Stations to TSISCOMs.

Commission's View

TSDISCOMs while submitting FCA calculations to the Commission for post facto approval, after completion of a quarter, shall submit all the relevant documents viz., copies of invoices of all the generators, details of inter-state transmission charges, details of power purchase cost from each generator, category-wise and voltage-wise sales of each TSDISCOM, voltage-wise losses, intra-State and inter-State transmission losses, etc. The Commission through a public consultation process approves the FCA charges after prudently verifying the calculations and scrutinizing the documents. The deviations in FCA charges thus arrived will be factored as item 'Z' in the subsequent month FCA calculations.

viii) **FCA Charges for Subsidized Consumers**

Stakeholders' Comments/Suggestions

"FCA charges shall be passed on to all categories of consumers except LT-V Agricultural consumers and distribution licensee shall claim the FCA charges of LT-V Agricultural consumers from the Government of Telangana. Such claims if not received from the Government of Telangana shall not be allowed in annual true up filings." Similar proposal for other fully subsidized or partly subsidized categories of consumers also should be incorporated in the draft regulation.

Clause 12.5.3(c), does not provide any clarity about the treatment of FCA claim if not provided by the GoTS in case of agriculture consumers.

Stakeholder suggested that the Commission may add a Clause mandating the Tariff structure for TSDISCOMs shall be approved on voltage-wise basis. This would streamline the Tariff structure and the FCA Charges.

TSDISCOM's Comments/Suggestions

In case if FCA charges claims of LT-V Agricultural consumers are not received from the Government of Telangana, to allow TSDISCOMs for claiming such unrecovered FCA charges in annual true-up filings.

Commission's View

FCA charges shall be passed on to all categories of consumers except LT-V Agricultural consumers, TSDISCOMs shall claim the FCA charges of LT-V Agricultural consumers from the Government of Telangana since the Government of Telangana is supporting TSDISCOMs for providing free power supply to Agriculture consumers. The Commission is not inclined to allow unrecovered FCA charges in the annual true-up filings, the same is already specified in Clause 12.5.2(c) of this Regulation. Tariff structure is not in ambit of this Regulation.

The Commission corrected the Regulation wherever required consistent with other Regulations and to avoid any misinterpretation in implementation of the Regulation.

(BANDARU KRISHNAIAH)
MEMBER

(M.D.MANO HAR RAJU)
MEMBER

(T.SRIRANGA RAO)
CHAIRMAN

ANNEXURE-I

List of stakeholders who submitted written suggestions/comments against Public Notice dated 23.11.2022 on Draft Third Amendment to (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation No.4 of 2005.

Sl. No.	Name of the stakeholder & address
1)	Smt. T.Sujatha, CEO, Federation of Telangana Chambers of Commerce and Industry, Federation House, Federation Marg, Red Hills, Hyderabad 500 004.
2)	Sri Vimallesh Gupta, President, Telangana and Andhra Plastics Manufacturers Association, Raghavaretna Towers, Chirag Ali Lane, Abids, Hyderabad 500 001.
3)	Sri R.K.Agarwal, Chairman, Telangana Spinning Mills and Textile Mills Association, Surya Towers, Sardar Patel Road, Secunderabad 500 003
4)	Sri M.Venugopal Rao, Senior Journalist & Convener, Centre for Power Studies, H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Serilingampally Mandal, Hyderabad 500 032.
5)	Southern Power Distribution Company of Telangana Limited (TSSPDCL), Corporate Office, 6-1-50, Mint Compound, Hyderabad 500 063.
6)	Northern Power Distribution Company of Telangana Limited (TSNPDCL), Corporate Office, # 2-5-31/2, Vidyuth Bhavan, Nakkalagutta, Hanamkonda 506 001.