

SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED



RESPONSES TO OBJECTIONS / SUGGESTIONS

On

Additional Surcharge Filings for H1 of FY 2022-23

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2	<u>M. Venugopala Rao</u> , Senior Journalist & Convener, Centre for Power Studies, H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Serilingampally Mandal, Hyderabad — 500 032	6
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1. S. Surya Prakash Rao, Former Director (Commercial) erstwhile APCPDCL and Former Secretary erstwhile APERC, Flat.no.105, Ashok Chandra Enclave, 11-4-660 Redhills, Hyderabad-500004, Mobile no. 9392272754, email: spradvisor@gmail.com

S.No	Summary of Objections / Suggestions	Response of the Licensee
1	<p>It's stated that the additional surcharge is computed in terms of the procedure prescribed in the Commission's Order dt.18-9-2020 in OP.no.23 of 2020. It's a matter of concern that the additional surcharge computed as the procedure prescribed by the Hon'ble Commission working out to an unreasonable rate which is prohibitive if not absurd !</p> <p>I am therefore giving my views and observations on the methodology specified by the Hon'ble Commission for computing the additional surcharge.</p> <p>In addition to the Sec.42(4) of the Electricity Act 2003 and para 8.5.4 of Tariff Policy, 2016 extracted by Discoms in filings, I am extracting relevant part of para 8.5.1of the said Tariff Policy notified by the Central Government u/s 3of the Act :</p> <p>"8.5 Cross-subsidy surcharge and additional surcharge for open access</p> <p>8.5.1 National Electricity Policy lays down that the amount of cross -subsidy surcharge and the additional surcharge to be levied from consumers who are permitted open access should not be so onerous that it eliminates competition which is intended to be fostered in generation and supply of power directly to consumers through open access.</p> <p>A consumer who is permitted open access will have to make payment to While the interest of Distribution</p>	<p>In accordance with the statutory provisions, the distribution licensees are entitled to levy Additional Surcharge (AS) on Open Access (OA) consumers with the approval of Hon'ble State Commission as mentioned herein:</p> <p><i>Sec 42(4) of EA,2003 : "Where the State Commission permits a consumer or class of consumers to receive supply of electricity from a person other than the distribution licensee of his area of supply, such consumer shall be liable to pay an additional surcharge on the charges of wheeling, as may be specified by the State Commission, to meet the fixed cost of such distribution licensee arising out of his obligation to supply".</i></p> <p><i>Clause 8.5.4 of National Tariff Policy,2016: "The additional surcharge for obligation to supply as per section 42(4) of the Act should become applicable only if it is conclusively demonstrated that the obligation of a licensee, in terms of existing power purchase commitments, has been and continues to be stranded, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract. The fixed costs related to network assets would be recovered through wheeling charges".</i></p> <p>Accordingly, the Hon'ble Commission passed order in OP No.23 of 2020 specifying the mechanism for determination of stranded capacity due to Open Access (OA) for computation of Additional Surcharge. The Discoms have duly adhered to the aforementioned order in determining the Additional Surcharge for H1 FY 2022-23 clearly establishing the stranded capacity to the extent of OA. Hence, the present filings of the</p>

	<p>licensee needs to be protected, it would be essential that this provision of the Act is used to bring about competition in the larger interests of consumers. SERCs may calculate"</p>	<p>licensees incorporating the recovery of the stranded fixed cost commitments are highly justified.</p>												
<p>2</p>	<p>The amount of additional surcharge works out to Rs.4.06 /unit which is about 200 % of the Fixed Cost paid by Discoms to the generators (11066 crs for 55,300 MU) during 2022-23.</p> <p>It's not clear why the OA consumers should pay additional Transmission & Distribution charges other than what is payable for the OA capacity sought by them at the tariffs specified by the Appropriate Commission in its Tariff Order and in terms of the Open Access regulations. Further, how can it be construed that the Transmission & Distribution network capacity is stranded when OA consumers are using the same concurrently and paying for the same along with Discoms ?</p>	<p>The Discoms had considered the actual fixed charges paid to the generators per MW available capacity during H1 (Apr'21 to Sep'21) for FY2022-23 for determination of Fixed charges per stranded capacity. In addition to this the Transmission and Distribution charges on the energy consumed by OA consumers from the Discom are considered to calculate the Additional Surcharge (AS) for H1 of FY2022-23 in consonance with the methodology in the Commissions' order in OP No.23 of 2020.</p> <table border="1" data-bbox="1205 678 1989 1114"> <thead> <tr> <th>Particular</th> <th>Amount (Cr.)</th> </tr> </thead> <tbody> <tr> <td>(A) Fixed Charges for stranded capacity</td> <td>144.50</td> </tr> <tr> <td>(B) Transmission and distribution charges to be paid by open access consumers</td> <td>304.56</td> </tr> <tr> <td>(C) Demand charges recovered by the DISCOM from open access consumers</td> <td>186.90</td> </tr> <tr> <td>(D = C-B) Demand charges to be adjusted</td> <td>-117.66</td> </tr> <tr> <td>(E= A-D) Net stranded charges recoverable</td> <td>262.17</td> </tr> </tbody> </table> <p>Transmission and Distribution charges are levied for only the amount of energy consumed from the Discoms and the calculation for Additional surcharge is in accordance with the Hon'ble Commission's order in OP No.23 of 2020. Further, it is pertinent to mention that, the cost recovered from fixed charges in the tariff schedule is less than the fixed cost</p>	Particular	Amount (Cr.)	(A) Fixed Charges for stranded capacity	144.50	(B) Transmission and distribution charges to be paid by open access consumers	304.56	(C) Demand charges recovered by the DISCOM from open access consumers	186.90	(D = C-B) Demand charges to be adjusted	-117.66	(E= A-D) Net stranded charges recoverable	262.17
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		incurred by the DISCOM for supplying energy. This leads to the situation where the DISCOM is saddled with the stranded cost on account of its universal supply obligation leading to under recovery of fixed cost from open access consumers. Hence, the methodology approved by the commission is justified.
3	It's seen that during H1 of 2021-22, OA consumers have consumed 1785 MU from Discoms while they procured only 646MU from others, while paying 80 % Demand Charges though they don't use the full Contracted Maximum Demand with Discoms	The consumer is obliged to pay the demand charges to the extent of 80% of contracted demand to the Discoms. It is to mention that, the open access consumer switches the consumption between the Discom and market intermittently ranging from few hours to days in a month. However, Discom is reserving such capacity in view of its universal service obligation. Hence, in view of the above, the levy of fixed charge to the extent of 80% of CMD is justified.
4	In view of the above anomalies, I am not sure whether the methodology specified by the Hon'ble Commission is consistent with the legislative intent of Sec.42 (4) of the Act read with the National Electricity Policy/ Tariff Policy notified by GOI u/s 3 of the Act. In the past Hon'ble Commission has allowed the Discoms only a part (about 50% of computed surcharge) as a matter of relaxation, perhaps in exercise of its discretionary power, so as to avoid undue hardship to OA consumers. However it's essential that there should be Regulatory certainty for the overall development of the power sector as conceived under the Electricity Act 2003. I Hope that Hon'ble Commission will review of the methodology for Computation of additional surcharge and determine the surcharge in keeping with the objective of the Electricity Act.	The methodology specified by the Hon'ble Commission in its order in OP No. 23 of 2020 conclusively demonstrates the stranded capacity to the extent of OA consumers and further, the Additional Surcharge is to be determined to recover the fixed cost commitments to such stranded capacity. Hence, the same is in conformity to the provisions of Electricity Act, 2003 and National Tariff Policy, 2016. Hence, the above mentioned methodology is highly justified.

2. M. Venugopala Rao, Senior Journalist & Convener, Centre for Power Studies, H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Serilingampally Mandal, Hyderabad — 500 032

S.No	Summary of Objections / Suggestions	Response of the Licensee
1	<p>TSSPDCL and TSNPDCL have requested the Hon'ble Commission to accord approval for their proposal for collecting additional surcharge of Rs.4.06 per kWh from open access consumers for the first half of the financial year 2022-23. They have also submitted that this may vary after final audit. They projected open access sales for the first half of 2022-23 to the tune of 645.90 MU on par with those of the first half of 2021-22. There seems to be lacunae in working out the proposed additional surcharge for open access consumers in terms of not taking the total contracted capacity for the first half of 2021-22 and the amount reimbursed to the Discoms by TSTRANSCO and TSLDC from the transmission and SLDC charges received from the power exchanges for short-term power purchases made in the market and through power exchanges.</p>	<p>As per the methodology mentioned by the Hon'ble Commission in its order in OP No.23 of 2020 - Long term available capacity is to be considered while determining Additional surcharges. TS Discoms have calculated AS for H1 2022-23 accordingly.</p> <p>The computation of Additional Surcharge is based on stranded capacity of the generating stations for which the Licensees' are required to pay fixed charges and the transmission charges for conveyance from generating station to Licensees' network and fixed cost of stranded capacity of distribution network assets and the present methodology adheres the same. In accordance with the approved methodology by the Hon'ble Commission, the licensees had determined the AS in its present filings.</p> <p>It is to mention that, the transmission & SLDC charges are paid to TSTransco and SLDC by TS Discoms as per the Transmission & SLDC Tariff Order approved by the Hon'ble Commission and no additional charges were paid in view of short term purchases and hence, the reimbursement to Discoms by TSTransco & SLDC does not arise.</p>
2	<p>The Discoms have shown average available capacity of 9228 MW and scheduled capacity of 7410 MW for the first half of the year 2021-22 to work out the fixed charges, transmission charges and distribution wheeling charges approved by the Commission per kWh and based on that they arrived at additional surcharge of Rs.4.06 per kWh to be collected from open access consumers for stranded capacity of 222 MW and based on claimed stranded charges of Rs.261.59 crore. I</p>	

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

- a) As per the presentation made by the Discoms on 30.06.2021 before TSERC, as on 1.6.2021, against a maximum demand of 13,688 MW, the contracted capacity is 16,603 MW. When such is the case, the basis for taking 9228 MW as average available capacity for working out average per kWh fixed charges, transmission charges and distribution wheeling charges to work out the additional surcharge for open access consumers is questionable. Fixed charges, transmission charges and distribution wheeling charges have been decided for the entire contracted capacity. In other words, if the entire contracted capacity is taken into account for this purpose, and based on fixed charges, transmission charges and distribution wheeling charges per kWh worked out accordingly, the additional surcharge per kWh for open access consumers would come down substantially.
- b) In its order for ARR and transmission tariff for the 4th control period dated 20.3.2020, the Hon'ble Commission approved transmission contracted capacity for TS Transco to the tune of 21370.12 MW for 2021-22. That should be the basis for working out transmission charges per kWh on average. The Discoms have shown transmission charges of Rs.2137.34 crore for 34112.66 MU of energy scheduled during the first of 2021-22.
- c) The amount reimbursed to the Discoms by TSTRANSCO and TSLDC from the transmission and SLDC charges, if any, that were received from the power exchanges in

a)

The figure of contracted capacity of 16603 MW presented on 30.06.2021 before TSERC was after considering the entire contracted capacity of Hydel and RE power plant.

TS Discoms would like to clarify that out of the total installed capacity in the state, the capacities of Hydro energy sources operate only for a few months of the year & capacities of Non-Conventional energy sources operate only for a few hours of a day and not round the clock.

However the figure of average available capacity 9228 MW for AS calculation for H1 FY 2022-23 is the actual available capacity of Hydel, RE and other Power plants.

- b) The Transmission charges that are approved by the Hon'ble Commission for FY21-22 in the Transmission Tariff Order is considered for computation of transmission charges on per unit basis.

c) It is to reiterate that, the transmission & SLDC charges are paid to TSTransco and SLDC by TS Discoms as per the Transmission & SLDC Tariff Order approved by the Hon'ble

	<p>view of the short-term power purchases made by the Discoms during the first half of 2021-22 to meet the shortage, as long as the actual demand and capacity did not exceed the demand and capacity approved in the MYT order for transmission and SLDC cost, respectively, is not shown by the Discoms. If any such amount is received by them from TSTRANSCO and TSLDC, that should be deducted from the transmission charges and distribution wheeling charges for the first half of 2021-22 for the purpose of working out per kWh average of the same.</p>	<p>Commission and no additional charges were paid in view of short term purchases and hence, the reimbursement to Discoms by TSTransco & SLDC does not arise.</p>
3	<p>In view of additional purchases made by the Discoms in the open market and through exchanges during the first half of 2021-22, and at the same time backing down thermal power in order to purchase must-run renewable energy power, the reasons for under-utilisation of capacities of transmission and distribution networks need to be analysed and determined. Also, stranding of capacities of transmission and distribution networks on account of open access sales need to be established and determined</p>	<p>The methodology determined by the Hon'ble Commission, vide order in OP No.23 of 2020 conclusively demonstrates the stranding of assets due to Open Access consumers only.</p>
4	<p>Whatever be the merits and demerits of allowing open access sales, open access transactions are permitted as per the law. Additional surcharge is in addition to cross subsidy surcharge. Going by the cost of service applicable, these two components, cross subsidy surcharge and additional surcharge constitute the lion's share of the total cost for getting power under open access by the consumers concerned. The Discoms also have other problems with open access transactions, with the kind of inequity built into the arrangement. The Discoms have the responsibility to ensure supply of power to the open access consumers as per their</p>	<p>TS Discoms shall abide by the orders of TSERC.</p>

<p>contracted demand. If, on account of open access sales, generating capacities have to be backed down, the Discoms have to pay fixed charges for backing down and impose the same on their consumers, besides encountering technical problems. If the Discoms make arrangements for purchases in the open market to meet demand of open access consumers and if the latter suddenly opt for open access purchases, it will also add to the problems of the Discoms. A fair balance between the interests of the Discoms and their consumers, on the one hand, and of open access consumers, on the other, needs to be ensured, if necessary, by revisiting the applicable regulations and amending the same appropriately.</p>	
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3. Jogendra Behera, Vice President- Market Design & Economics, IEX

S.No	Summary of Objections / Suggestions	Response of the Licensee
1	<p>Southern Power Distribution Company of Telangana Limited (hereinafter referred to as ‘TSSPDCL’ or ‘Licensee’ or ‘Petitioner’ or ‘Discom’) has filed the present Petition before the Hon’ble Telangana State Electricity Regulatory Commission (hereinafter referred to as ‘Hon’ble Commission’) for determination of Additional Surcharge (‘ASC’) of Rs. 4.06/ unit for H1 of FY 2022-23. IEX comments in the subject petition are as under.</p>	<p>No comments</p>
2	<p>ISTS transmission Charges considered for Computation of Additional Surcharge:</p> <p>TSSPDCL has, for the computation of per unit transmission charges, considered the inter-state, intra-state transmission charges and SLDC charges. The said claims are based on the Order dated 13.12.2017 and dated 24.12.2021, wherein the Hon’ble Commission has also included both the inter and intra-state transmission charges in the stranded cost while working out the ASC for corresponding periods.</p> <p>2.2. As against the above, in its order dated 27.03.2018 for determination of ASC for FY 2018-19, the Hon’ble Commission considered only the intra-state transmission charge for computing per unit transmission charge which we believe was the correct approach owing to the following reasons:</p> <p>2.2.1. The inter-state transmission cost is on account of the transmission charges being paid by the Discom for long/medium term access to the ISTS system. Such charges to be paid by the Discom are notified by NLDC.</p>	<p>The Hon’ble Commission in its order in OP No.23 of 2020 (pg 12) opined that the methodology of AS computation was approved in the Order dated 13.12.2017 in I.A.Nos.22&23 of 2017 in O.P.Nos.22&23 of 2016 respectively (AS Order for FY17-18) and the same have attained finality. The Commission while determining AS for H2 2021-22 have also considered the ISTS.</p> <p>Hence, in view of the above, the licensee has considered the transmission charges i.e., both intra & interstate transmission charges for computing per unit transmission charge in conformity with the aforementioned order.</p> <p>It is also pertinent to mention that, the Hon’ble Commission also considered the same for computing the per unit transmission charge in its order for determination of AS for FY 2018-19.</p> <p>Further, there is no rationality in considering intra state transmission charges alone, as the Discoms have long term power purchase commitments with both intra and inter state generators thereby utilizing the intra and inter</p>

<p>2.2.2. Any consumer availing open access to the ISTS system also pays its ISTS cost for the power procured through open access, the benefit of which accrues to the state in reduction of their POC charges. This reduction is due to the following clause 11 (3) of the CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020-</p> <p>11. Transmission charges for Short Term Open Access <i>..... (3) Transmission charges for Short Term Open Access paid by an embedded intra-State entity during a month shall be reimbursed in the following billing month to the State in which such entity is located.</i></p> <p>2.2.3. It is in view of the above that inclusion of ISTS charges again for computation of Additional Surcharge as claimed by the Petitioner, will lead to double levy of the same charge on open access consumers. Thus, we request the Hon'ble Commission to re-consider its view on allowing inclusion of ISTS charges in the ASC.</p>	<p>state transmission corridors. And, further the backing down of generation is not limited to intrastate generators alone. Hence, the transmission charges that are considered in totality are justified in arriving at per unit transmission charge</p> <p>Reply to 2.2.2. TS Discoms understands that the ISTS cost paid by the consumer availing ISTS system, benefits in reduction of POC charges for the state. However the same benefits have been passed on to the consumer through APR filled by TS TRANSCO.</p>
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<p>3</p>	<p>Consideration of Distribution charges</p> <p>3.1. As per regulation 8 of the Terms and Conditions of Open Access to Intra-State Transmission and Distribution Regulation 2005, the Hon’ble Commission has allowed open access to consumers with contracted capacity more than 1 MW. Therefore, consumers utilizing the facility of Open Access must be connected to HT network only.</p> <p>3.2. TSSPDCL in the present petition has claimed per unit Distribution Cost at Rs. 1.08/ unit. It is observed that the per unit distribution cost computed in the petition includes the cost associated with LT network also which is contrary to the regulations laid down by the Hon’ble Commission as OA consumers are only utilizing HT network.</p> <p>3.3. The OA consumers would not have incurred the said distribution cost @Rs. 1.08/unit even if they had consumed from the Discom. Instead, they would have incurred only 30% of the total distribution cost based on the voltage wise cost approved by the Hon’ble Commission vide Order dated 29.04.2020 in terms of ARR determination for the wheeling business for 4th Control period (FY 19-20 to FY 23-24). Therefore, imposition of full distribution cost including that of LT system would not be justifiable.</p> <p>In addition to the above, the Hon’ble Commission is requested to conduct the required prudence of the fixed costs claimed for H1- FY 21-22 while finalizing the Additional Surcharge to be levied on open access consumers in FY 2021-22.</p>	<p>It is to reiterate that, the licensee has computed the per unit Distribution cost in consonance with the commission's order in OP No.23 of 2020 dated 18.09.2020 and order for AS for FY17-18 dated 13.12.2017.</p> <p>It is also pertinent to mention that, the Hon’ble Commission considered the approved Distribution cost of FY16-17 i.e., Rs. 3,658.15 Cr. in arriving at the per unit distribution cost of Rs.0.71 per unit in the order for AS for FY17-18. In a similar way, the licensee has considered the approved distribution cost of FY 2021-22 by the Hon’ble Commission in arriving at the per unit distribution cost of Rs.1.08 per unit in the present filings.</p>
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