



**The Federation of Telangana and Andhra Pradesh
Chambers of Commerce and Industry**

(Formerly known as FAPCCI)

Empowering Industry, Commerce & Trade
Registered under the Companies Act, 1956

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Hyderabad 500004, Telangana, India.
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Vijayawada 520010, A.P., India.
Tel.: +91 866 2499055, Fax: +91 866 2499056
Email: info@ftapcci.com

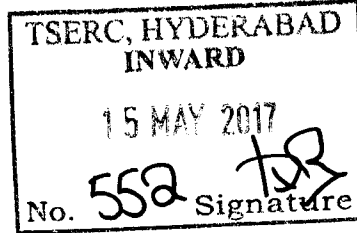
CIN U91110TG1964NPL001036

Ravindra Modi
President

Gowra Srinivas
Sr. Vice President

Chairman
Arun Luharuka
Vice President

FTAPCCI/Energy/ 705 /2016-17



May 15, 2017

The Secretary
Telangana State Electricity Regulatory Commission (TSERC)
4th Floor, Singareni Bhawan,
Red Hills, Hyderabad

Dear Sir,

Sub: Determination of Retail Supply Tariff as well as Cross Subsidy Surcharge for the year
2017-18 by TSSPDCL and TSNPDCL - Reg

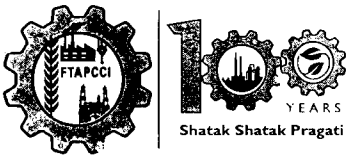
As per public Notice issued by TSSPDCL and TSNPDCL, we here by submit our preliminary objections in the matter of Determination of Retail Supply Tariff as well as Cross Subsidy Surcharge for the year 2017-18.

We request you to permit FTAPCCI to file detailed Objections, make additional submissions and produce additional details and documentations.

We also request you to give us time for personal hearing during the time of Public Hearings.

Yours sincerely,

T.S.Appa Rao, IAS (Retd)
Secretary General
FTAPCCI



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CIN U91110TG1964NPL001030

Ravindra Modi
President

Gowra Srinivas
Sr. Vice President

Arun Luharuka
Vice President

**BEFORE THE HON'BLE TELANGANA STATE ELECTRICITY
REGULATORY COMMISSION**
5TH FLOOR, SINGARENI BHAWAN, RED HILLS, HYDERABAD

OP No. 22 of 2016 and OP No. 23 of 2016

IN THE MATTER OF:

Determination of Retail Supply Tariff as well as
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in the matter of Southern Power Distribution
Company of Telangana Limited (O.P. No. 22 of
2016), Northern Power Distribution Company of
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Southern Power Distribution Company of Telangana Limited

...Petitioner No. 1

Northern Power Distribution Company of Telangana Limited

...Petitioner No. 2

Versus

The Federation of Telangana & Andhra Pradesh

Chambers of Commerce and Industry (FTAPCCI)

... Objector

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Objector

The Federation of Telangana & Andhra Pradesh
Chambers of Commerce and Industry (FTAPCCI)



(Secretary General)

15 May 2017
Hyderabad

BEFORE THE HON'BLE TELANGANA STATE ELECTRICITY
REGULATORY COMMISSION,
5TH FLOOR, SINGARENI BHAVAN, RED HILLS, HYDERABAD

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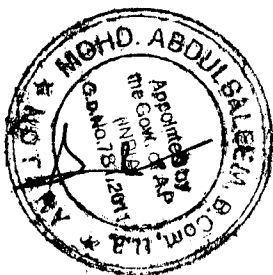
Versus

The Federation of Telangana & Andhra Pradesh

Chambers of Commerce and Industry (FTAPCCI) ... Objector

AFFIDAVIT

I, T.S.Appa Rao, S/o Lakshminarayana, aged about 65 years working as Secretary General
of FTAPCCI, having its office at HYDERABAD, do hereby solemnly affirm and state as
under:-



15 MAY 2017

1. I State that I am the Secretary General of Objector and am conversant with the facts and circumstances of the present case as per the records maintained by my company as such I am component to sear and depose the present Affidavit.
2. I state that I have read the contents of the accompanying reply and that I have understood the contents of the same. I state that the facts contained in the reply are based on the information available with my Association in the normal course of business and believed by me to be true.

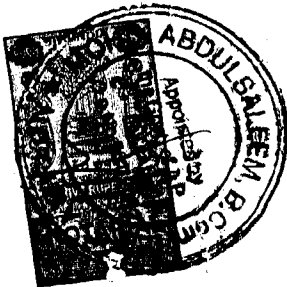


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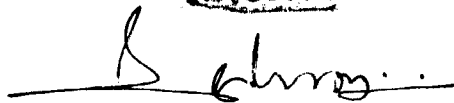
VERIFICATION

I, the deponent above-named, do hereby verify the contents of the above affidavit to be true to the best of my knowledge, no part of it is false and nothing material has been concealed thereof.

Verified at Hyderabad on this 15th day of May, 2017



ATTESTED



NOTARY

MOHD. ABDUL SALEEM

E Com LL.B

ADVOCATE

8-1-523/147, Brindavan Colony
Toli Chowki, Hyderabad-08



DEPONENT

15 MAY 2017

OP No. 22 of 2016 and OP No. 23 of 2016

IN THE MATTER OF:

Determination of Retail Supply Tariff as well as Cross Subsidy Surcharge for the year 2017-18 and in the matter of Southern Power Distribution Company of Telangana Limited (O.P. No. 22 of 2016), Northern Power Distribution Company of Telangana Limited (O. P. No. 23 of 2016)

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Versus

The Federation of Telangana & Andhra Pradesh

Chambers of Commerce and Industry (FTAPCCI) ... Objector

MOST RESPECTFULLY SHOWETH:

1. I say, that the instant petitions has been filed by the Southern Power Distribution Company of Telangana Limited ('TSSPDCL' or the 'distribution licensee') and by the Northern Power Distribution Company of Telangana Limited ('TSNPDCCL' or the 'distribution licensee') (collectively referred to as the "distribution licensees"), towards determination of Aggregate Revenue Requirement for FY 2017-18 in accordance with the erstwhile Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation No.4 of 2005 and its First Amendment notified in 2014 namely Regulation No. 1 of 2014 (hereinafter collectively

referred to as 'Tariff Regulations') for its retail supply of electricity in the State of Telangana.

2. That the Federation of Telangana & Andhra Pradesh Chambers of Commerce and Industry (FTAPCCI) (hereinafter '**Objector**') strongly objects to the Filing of the Petition for determination of ARR for the Retail Supply Business for FY 2017-18 (herein after referred to as the 'Tariff Petitions' or 'Petitions') and prays that the present objections may be considered by the Hon'ble State Commission, in the interest of justice and equity.
3. The key Points of Objections in respect of the instant Petition are as below:
 - a. True-up of previous year with impact of the UDAY scheme on the same is yet to be submitted by the Petitioner
 - b. Finalisation of the Tariff Petition of Telangana State Power Generation Corporation Limited (TSGENCO) before approval of Retail Tariff - TSGENCO has filed its Petition for 2014-19 tariff period in and around November 2016 and the same is yet to be decided by the TSERC. It is urged that till the time the fixed charges are not determined for the TSGENCO stations, the latest approved costs for these stations be considered for arriving at the corresponding power procurement costs.
 - c. Power Purchase cost- The Capital cost of Singareni Collieries Company Limited (SCCL) has still not been approved by the Hon'ble State Commission; however the same has been considered by the State Licensees amounting to Rs. 3073 Crore during FY 2017-18.
 - d. Revenue from Sale of surplus power- The Petitioner has not projected any revenue from sale of available surplus power, where the surplus shown in FY 2017-18 is to the tune of 11320 MUs
 - e. Claim for Incentives- There is no occasion for payment of any generation incentive or consideration of the same in advance for the forthcoming year FY 2017-18 when the actual generation in previous year has been lower than the approved generation.

- f. Voltage wise cost of service- FTAPCCI has repeatedly submitted in various objections that though the Licensee calculates the category-wise CoS for all classes of consumers, it does not use the same to determine tariffs. This renders the exercise of calculating the category-wise CoS futile and misleading. Further the Licensees have not been able to adhere to the mandate by the Tariff Policy of designing tariff at $\pm 20\%$ of the average cost of supply. As per the provisions of the Electricity Act and Tariff Policy, the subsidising consumers such as industrial consumers cannot be penalised, for making good the cost, to be recovered from the subsidised category beyond the permissible $\pm 20\%$ of the average cost of supply. Any benefit which the Licensee wants to confer to the subsidised category beyond the maximum of $\pm 20\%$ can and should be recovered through Government subsidy and cannot in any way be loaded to the subsidising consumers. Though, no revision has been sought in tariff, the same is not reflective of the category wise cost of supply of consumers.
- g. Time of day incentive- In response to the plea of the Objector during previous years' filings for including an incentive structure in the ToD tariffs to enable the consumers to shift their demand to off-peak periods, the Commission had directed the distribution companies to examine and take a view on incentivizing off-peak consumption. The distribution companies have not submitted any analysis in this regard.
4. It has been the consistent approach of the Hon'ble Commission to determine the category wise cost of service on embedded cost method in which the costs are functionalised into demand, energy and customer related. Subsequent to this, the functionalised costs are allocated to different consumer categories based on class loads and coincidence factors, sales, consumer's contracted capacity, transmission contracted capacities of licensees, etc. Once the costs are allocated to different consumer categories, the cost of service is computed by dividing the allocated cost with the approved sales for that consumer category.
5. TSSPDCL in the instant ARR Petition for FY 2017-18 has filed the computations towards category wise cost of service using embedded cost approach by assuming that the system peak demand is occurring at 13.00 hrs. However, TSNDPCL has filed the computations towards category wise cost of service using embedded cost approach by adopting the

average method (taking the average of morning peak and evening peak). In this regard, the relevant extract from the Petition of TSSPDCL is reproduced below:

"6.2.11 The load factor and coincidence factor included in the Model for each category are assumed based on a review of the characteristics of the loads and load mix in TSSPDCL. The system peak demand of TSSPDCL is occurring during 13.00 hrs."

Similarly, the relevant extract from the Petition of TSNPDCL is reproduced below:

- *"The system peak demand of TSNPDCL is occurring during Morning hours due to Agricultural loads*
- *During the morning peak occurrence , the coincidence factor of agriculture is 100% and the same is reduced to zero at the time of evening peak*

Based on above considerations, it is felt that average demand method would be suitable for allocation of costs to consumer categories since it allocates the cost equitably on all consumer categories based on morning and evening peak loads."

6. It is pointed out, that the Hon'ble Commission while approving the category wise cost of service in the FY 2016-17 tariff order, had considered only the evening peak which in our view was erroneous and did not reflect the fact that significant demand related expenses of power purchase and other items have been incurred to cater to the agricultural loads as well.
7. The Objector submits that the correct approach to compute category wise cost of service is through the system peak method and not the average method. The system peak ought to be considered as significant demand related expenses of power purchase and other items have been incurred to cater to the agricultural loads that lead to occurrence of such system peak.
8. In view of the same, it is pertinent that the system peak method be adopted for estimating the category wise cost of service.

PRAYERS

The Objector most respectfully prays that this Hon'ble Commission may be pleased to:

- A. Consider the above Points of Objection Statement filed by the Objector;
- B. Permit the Objector to file detailed Objections, make additional submissions and produce additional details and documentations during the course of the Public Hearings, in the interest of justice and equity.
- C. Pass necessary orders as may be deemed appropriate in the facts and circumstances of the case in the interest of justice

Date: 15 /05/2017

OBJECTOR Place: HYDERABAD



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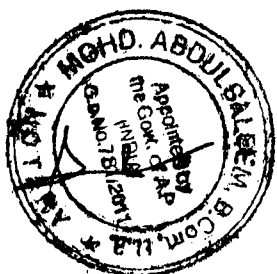
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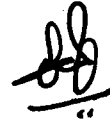
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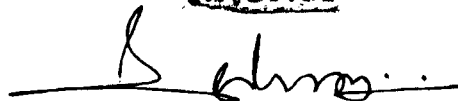
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PRAYERS

The Objector most respectfully prays that this Hon'ble Commission may be pleased to:

- A. Consider the above Points of Objection Statement filed by the Objector;
- B. Permit the Objector to file detailed Objections, make additional submissions and produce additional details and documentations during the course of the Public Hearings, in the interest of justice and equity.
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Date: 15 /05/2017

OBJECTOR Place: HYDERABAD



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CIN U91110TG1964NPL001030

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Sr. Vice President

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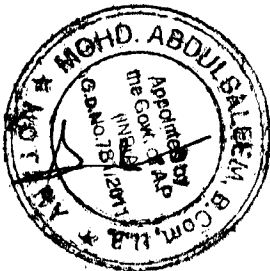
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Chambers of Commerce and Industry (FTAPCCI) ... Objector

AFFIDAVIT

I, T.S.Appa Rao, S/o Lakshminarayana, aged about 65 years working as Secretary General
of FTAPCCI, having its office at HYDERABAD, do hereby solemnly affirm and state as
under:-



15 MAY 2017

1. I State that I am the Secretary General of Objector and am conversant with the facts and circumstances of the present case as per the records maintained by my company as such I am component to sear and depose the present Affidavit.
2. I state that I have read the contents of the accompanying reply and that I have understood the contents of the same. I state that the facts contained in the reply are based on the information available with my Association in the normal course of business and believed by me to be true.



DEPONENT

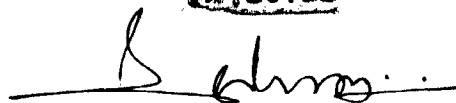
VERIFICATION

I, the deponent above-named, do hereby verify the contents of the above affidavit to be true to the best of my knowledge, no part of it is false and nothing material has been concealed thereof.

Verified at Hyderabad on this 15th day of May, 2017



ATTESTED



NOTARY

MOHD. ABDUL SALEEM

B Com LL.B

ADVOCATE

8-1-523/147, Brindavan Colony
Toli Chowki, Hyderabad-08



DEPONENT

15 MAY 2017

OP No. 22 of 2016 and OP No. 23 of 2016

IN THE MATTER OF:

Determination of Retail Supply Tariff as well as Cross Subsidy Surcharge for the year 2017-18 and in the matter of Southern Power Distribution Company of Tclangana Limited (O.P. No. 22 of 2016), Northern Power Distribution Company of Telangana Limited (O. P. No. 23 of 2016)

Southern Power Distribution Company of Telangana Limited

...Petitioner No. 1

Northern Power Distribution Company of Telangana Limited

...Petitioner No. 2

Versus

The Federation of Telangana & Andhra Pradesh

Chambers of Commerce and Industry (FTAPCCI)

... Objector

MOST RESPECTFULLY SHOWETH:

1. I say, that the instant petitions has been filed by the Southern Power Distribution Company of Telangana Limited ('TSSPDCL' or the 'distribution licensee') and by the Northern Power Distribution Company of Telangana Limited ('TSNPDCL' or the 'distribution licensee') (collectively referred to as the' "distribution licensees"), towards determination of Aggregate Revenue Requirement for FY 2017-18 in accordance with the erstwhile Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation No.4 of 2005 and its First Amendment notified in 2014 namely Regulation No. 1 of 2014 (hereinafter collectively

referred to as 'Tariff Regulations') for its retail supply of electricity in the State of Telangana.

2. That the Federation of Telangana & Andhra Pradesh Chambers of Commerce and Industry (FTAPCCI) (hereinafter '**Objector**') strongly objects to the Filing of the Petition for determination of ARR for the Retail Supply Business for FY 2017-18 (herein after referred to as the 'Tariff Petitions' or 'Petitions') and prays that the present objections may be considered by the Hon'ble State Commission, in the interest of justice and equity.
3. The key Points of Objections in respect of the instant Petition are as below:
 - a. True-up of previous year with impact of the UDAY scheme on the same is yet to be submitted by the Petitioner
 - b. Finalisation of the Tariff Petition of Telangana State Power Generation Corporation Limited (TSGENCO) before approval of Retail Tariff - TSGENCO has filed its Petition for 2014-19 tariff period in and around November 2016 and the same is yet to be decided by the TSERC. It is urged that till the time the fixed charges are not determined for the TSGENCO stations, the latest approved costs for these stations be considered for arriving at the corresponding power procurement costs.
 - c. Power Purchase cost- The Capital cost of Singareni Collieries Company Limited (SCCL) has still not been approved by the Hon'ble State Commission; however the same has been considered by the State Licensees amounting to Rs. 3073 Crore during FY 2017-18.
 - d. Revenue from Sale of surplus power- The Petitioner has not projected any revenue from sale of available surplus power, where the surplus shown in FY 2017-18 is to the tune of 11320 MUs
 - e. Claim for Incentives- There is no occasion for payment of any generation incentive or consideration of the same in advance for the forthcoming year FY 2017-18 when the actual generation in previous year has been lower than the approved generation.

- f. Voltage wise cost of service- FTAPCCI has repeatedly submitted in various objections that though the Licensee calculates the category-wise CoS for all classes of consumers, it does not use the same to determine tariffs. This renders the exercise of calculating the category-wise CoS futile and misleading. Further the Licensees have not been able to adhere to the mandate by the Tariff Policy of designing tariff at $\pm 20\%$ of the average cost of supply. As per the provisions of the Electricity Act and Tariff Policy, the subsidising consumers such as industrial consumers cannot be penalised, for making good the cost, to be recovered from the subsidised category beyond the permissible $\pm 20\%$ of the average cost of supply. Any benefit which the Licensee wants to confer to the subsidised category beyond the maximum of $\pm 20\%$ can and should be recovered through Government subsidy and cannot in any way be loaded to the subsidising consumers. Though, no revision has been sought in tariff, the same is not reflective of the category wise cost of supply of consumers.
- g. Time of day incentive- In response to the plea of the Objector during previous years' filings for including an incentive structure in the ToD tariffs to enable the consumers to shift their demand to off-peak periods, the Commission had directed the distribution companies to examine and take a view on incentivizing off-peak consumption. The distribution companies have not submitted any analysis in this regard.
4. It has been the consistent approach of the Hon'ble Commission to determine the category wise cost of service on embedded cost method in which the costs are functionalised into demand, energy and customer related. Subsequent to this, the functionalised costs are allocated to different consumer categories based on class loads and coincidence factors, sales, consumer's contracted capacity, transmission contracted capacities of licensees, etc. Once the costs are allocated to different consumer categories, the cost of service is computed by dividing the allocated cost with the approved sales for that consumer category.
5. TSSPDCL in the instant ARR Petition for FY 2017-18 has filed the computations towards category wise cost of service using embedded cost approach by assuming that the system peak demand is occurring at 13.00 hrs. However, TSNDPCL has filed the computations towards category wise cost of service using embedded cost approach by adopting the

average method (taking the average of morning peak and evening peak). In this regard, the relevant extract from the Petition of TSSPDCL is reproduced below:

"6.2.11 The load factor and coincidence factor included in the Model for each category are assumed based on a review of the characteristics of the loads and load mix in TSSPDCL. The system peak demand of TSSPDCL is occurring during 13.00 hrs."

Similarly, the relevant extract from the Petition of TSNPDCL is reproduced below:

- *"The system peak demand of TSNPDCL is occurring during Morning hours due to Agricultural loads*
- *During the morning peak occurrence , the coincidence factor of agriculture is 100% and the same is reduced to zero at the time of evening peak*

Based on above considerations, it is felt that average demand method would be suitable for allocation of costs to consumer categories since it allocates the cost equitably on all consumer categories based on morning and evening peak loads."

6. It is pointed out, that the Hon'ble Commission while approving the category wise cost of service in the FY 2016-17 tariff order, had considered only the evening peak which in our view was erroneous and did not reflect the fact that significant demand related expenses of power purchase and other items have been incurred to cater to the agricultural loads as well.
7. The Objector submits that the correct approach to compute category wise cost of service is through the system peak method and not the average method. The system peak ought to be considered as significant demand related expenses of power purchase and other items have been incurred to cater to the agricultural loads that lead to occurrence of such system peak.
8. In view of the same, it is pertinent that the system peak method be adopted for estimating the category wise cost of service.

PRAYERS

The Objector most respectfully prays that this Hon'ble Commission may be pleased to:

- A. Consider the above Points of Objection Statement filed by the Objector;
- B. Permit the Objector to file detailed Objections, make additional submissions and produce additional details and documentations during the course of the Public Hearings, in the interest of justice and equity.
- C. Pass necessary orders as may be deemed appropriate in the facts and circumstances of the case in the interest of justice

Date: 15 /05/2017

OBJECTOR Place: HYDERABAD