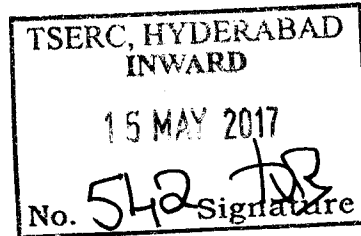


For perusal	<i>[Signature]</i>
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	Secretary
Member/T	
Chairman	

BEFORE THE HON'BLE TELANGANA STATE ELECTRICITY REGULATORY
COMMISSION: HYDERABAD



CASE NO.

FILE NO.

IN THE MATTER OF:

Submission of objections and suggestions on ARR filings of two TS power distribution companies for the year 2017-18

BETWEEN

M. Venugopala Rao

AND

TSSPDCL AND TSNPDCL

I, M. Venugopala Rao, s/o M. Venkatrayudu, Senior journalist and Convener of Centre for Power Studies, aged 65 years, resident of H.No. 7-1-408 to 413, Flat No.203, Sri Sai Darsan Residency, Balkampet Road, Ameerpet, Hyderabad – 500 016, do hereby solemnly affirm and confirm that the contents in the affidavit filed by me are true to the best of my knowledge and belief.

I request the Hon'ble Commission to provide me an opportunity to make a presentation in person during the public hearings on ARR and tariff proposals of the two Discoms.

m. Venugopala Rao
DEPONENT

Hyderabad,

14.5.2017.

Statement of suggestions and objections

1. Name & full address of the objector : M.Venugopala Rao
Senior Journalist & Convener of
Centre for Power Studies
H.No.7-1-408 to 413,
Flat 203, Sri Sai Darsan Residency
Balkampet Road, Ameerpet
Hyderabad - 500 016

2. Brief details of objections and suggestions :

Objections : To the abnormal delay in filing tariff proposals by the Discoms; to filing tariff proposals without required data and information and failure of the Discoms in projecting revenue gap and how they propose to bridge the remaining revenue gap after adjusting Government's subsidy; to non-submission of true up claims; to entering into long-term PPAs for purchasing unwarranted power, including NCE, resulting in availability of abnormal surplus with need for backing down attendant burdens on consumers of power; to projections of inflated demand growth; under-estimation of availability of power; to non-submission of long-term load forecast and resources and procurement plans, etc.

Suggestions : To direct the Discoms to submit data and information relating to revenue gap for 2017-18 and how they propose to bridge the revenue gap after adjusting Government's subsidy; if they don't do so, not to allow regulatory asset or true up claims to be made in future for the remaining revenue gap; directing the Discoms to submit true up claims without further delay and if they fail to submit the same accordingly, make it clear that the claims will not be entertained; to direct the Discoms not to enter into PPAs for purchasing NCE exceeding the minimum of 5% as per RPPO and seek prior permission of the Commission; give up the practice of determining generic tariffs for NCE and allowing the Discoms to enter into PPAs on that basis; direct the Discoms to opt for real and transparent competitive bidding for selecting generators, including NCE generators, for purchasing power; directing them to submit long-term load forecast, resources and procurement plans and hold public hearing on the same, etc.

3. Whether copy of objections enclosed : Yes

4. Whether the objector wants to be heard in person: Yes


M. Venugopala Rao

The Secretary
Telangana State Electricity Regulatory Commission
11-4-660, 5th floor
Singareni Bhavan, Red Hills
Hyderabad - 500 004

May 14, 2017

Respected Sir,

Sub : Submission of objections and suggestions on the proposals of TSSPDCL and TSNPDCL on ARR and tariff for the year 2017-18 in O.P.Nos.22/2016 and 23/2016 respectively.

With reference to the public notice dated 21.4.2017, inviting objections and suggestions on the subject proposals, and further to my submissions dated 2.5.2017, I am submitting the following additional points for the consideration of the Hon'ble Commission:

1. The TS Discoms, in their ARR submissions, have projected requirement of energy of 54756 mu - 38,432.93 mu for TSSPDCL and 16,323.11 mu for TSNPDCL - and availability of 66,076 mu with a surplus of 11,320 mu for the year 2017-18. The surplus works out to 20.67% against the projected requirement. Moreover, availability of 807.31 MW as the share of TS Discoms (53.89%) from the four new IPPs (GVK extension, GMR Vemagiri, Konaseema and Gauthami with a total installed capacity of 1499 MW) is not considered by them in their ARR projections for the year 2017-18 on the ground that natural gas will continue to be unavailable to these projects. As and when supply of natural gas is recommenced to these projects, TS Discoms will get additional 5657.62 mu as their share from these projects with a PLF of 80%. In other words, in such an eventuality, the available surplus will be 16,977 mu or 31% of projected requirement for the year 2017-18. What will the Discoms do with such a huge surplus and how much of it would be backed down is not explained by the Discoms in their ARR proposals. It is reported that Oil and Natural Gas Corporation plans to increase output of natural gas at its Vashishta gas field, located in KG basin, from 1.1 million metric standard cubic meters per day (MMSCMD) to 5 MMSCMD by July this year. The scope for availability of a surplus of 16,977 mu or 31% of projected requirement for both the Discoms for the year 2017-18 confirms that the resource plan submitted by them till the end of 2018-19 has gone awry. Even if some margin is provided for reserve margin or spinning reserve, as the CMD of SPDCL argued before the Commission during the public hearing on ARR and tariff proposals for the year 2016-17, a reserve margin of 31% is prohibitive. Such abnormal surplus would lead to disastrous consequences, resulting in backing down, with installed capacities created remaining stranded proportionately and payment of fixed charges for non-generation under backing down, inability of the Discoms to compete and sell surplus power in the market and ultimately imposing huge and avoidable burdens of consumers of power. How much surplus power the Discoms can sell in the market and at what prices during 2017-18? I once again request the Hon'ble Commission to understand the seriousness of the situation and to direct the Discoms to submit long-

term load forecast, resources plan and procurement plan, hold public hearings on the same and give its orders appropriately for orderly development of power sector in terms of purchase of power by the Discoms and ensuring competitive tariffs to consumers. Based on such a determination of requirement of power periodically, approvals for procurement of power from new projects, addition of new installed capacity periodically in consonance with requirement of demand growth determined should be given. Under the resource plan till 2018-19 (end of third control period), the Discoms have projected energy requirement of 61,900 mu and availability of 70,784 mu. In this connection, I would like to bring to the notice of the Hon'ble Commission that APERC had responded to our repeated submissions and directed AP Discoms and AP Transco to submit their long-term load forecast, resource plan and electricity plan for the State, that the latter have already submitted the same covering the balance period for the third control period and fourth control period (from 2019-20 to 2023-24) and that the Commission has already invited comments/views/suggestions from all interested persons and stakeholders and decided to hold a public hearing on 3.6.2017 on the same.

2. SPDCL has projected an overall growth rate of demand for the year 2017-18 as 9.42%, with growth rate of 14% for HT category, while NPDCL has projected a growth rate of 26.16% for HT category with an overall growth rate of 12.05%. These projections, on the face of it, and in view growth rates for past years, seem unrealistic and their achievement doubtful. SPDCL has maintained that "it is expected that a substantial portion of open access consumers will come back to the grid." It has not explained the basis for such optimism. The overall metered sales have come down from 68.60% in 2015-16 to 68.28% in 2016-17, as per the revised estimate made by SPDCL. As per revised estimates for 2016-17, what is the growth rate of demand for Ferro Alloys units, which had shown reduction of demand during 2015-16 due to sluggish market conditions, as explained by the Discom. How many Ferro Alloys units in Telangana are working and how many are continuing to be closed down? The Discoms have informed that 160 applicants are having open access transaction for a quantity of 902 MW in the State. For open access how many applications are pending and for how much load in the State?
3. In their ARR submissions for the year 2016-17, projections of sales of power to agriculture are shown as 7185.25 mu (3.6% growth rate) by SPDCL and as 4904.75 mu (3.66% growth rate) by NPDCL. The Discoms had claimed that as per the policy of the Government of Telangana State, they had "ensured to provide 9 Hrs power supply to agriculture consumers from 01.04.2016." Therefore, the Discoms had further claimed, they had not projected any additional sales due to increase in number of hours of supply due to the decreased water level in the bore wells because of poor rain fall during the current year and that the growth rate for 2016-17 shown by them was "mainly due to release of new agricultural services." Now, in the ARR proposals for the year 2017-18, SPDCL has shown a revised growth rate of 21.45% and NPDCL has shown a revised growth rate of 6.50% for LT agriculture for the year 2016-17, thereby vastly contradicting their earlier assertions and projections. It has become a standard practice for the Discoms to project inflated agricultural

demand and for the Commission to reduce the same and for the Discoms to show revised estimates of higher consumption for agriculture. Genuine criticism is being voiced every year that a part of transmission and distribution losses, including commercial losses, is being included in agricultural consumption. The projected growth rates of 6.50% by SPDCL and 6.50% by NPDCL for agriculture during 2017-18 have to be seen in this background and need to be pruned realistically.

4. In view of the above explained unrealistic and inflated growth rates for demand projected by the Discoms for the year 2017-18, availability of surplus power may turn out to be much more than what the Discoms have projected. I request the Hon'ble Commission to make a realistic assessment of demand growth for the year 2017-18 and determine requirement of power and cost of power purchase by the Discoms accordingly. While the consumers are victims of these disastrous consequences that arise as a result of entering into long-term PPAs indiscriminately to purchase unwarranted power, the powers-that-be who have taken such questionable decisions go scot-free. That shows the need for timely intervention and effective regulatory control.
5. For purchasing 54,756 mu for the year 2017-18, the Discoms have projected a power purchase cost of Rs.24,421 crore out of which Rs.356 crore is shown as "other cost" to be paid to thermal projects of TS Genco and AP Genco, without explaining what that "other cost" is about and without justifying the same. In view of availability of the projected surplus of 11,320 mu (16,977 mu), the Discoms have to explain how much of it they are going to back down, obviously on the basis of merit order dispatch, and how much would be the fixed charges they have to pay for such non-generation of power? If TS Discoms are going to back down power from thermal plants of AP Genco and TS Genco, where is the need, as well as justification, for showing payment of Rs.356 crore towards "other cost"?
6. Both the Discoms have projected availability of NCE of 5163 mu for the year 2017-18 (at page 45 of ARR filing of SPDCL; at page 44 it is shown as 4826.81 mu.) It works out to 11.05% of total sales of 46709.70 mu projected by both the Discoms. It is more than double the minimum of 5% NCE the Discoms have to purchase under RPPO issued earlier by the Commission. Rs.4.70 per unit of wind power (397.75 mu) and of Rs.5.84 per unit of solar power (4143.76 mu) are shown by the Discoms as weighted average tariffs. To some of the units of wind power and solar power, the actual tariff is much more. The GoTS has been hasty in going in for solar and wind power on such a higher scale which the Discoms have to purchase on long-term basis as per the PPAs entered into and consented by the Commission. The tariffs for wind and solar power have been coming down through real and transparent competitive bidding. In view of the same, the GoTS should have moved cautiously and gradually in directing the Discoms to enter into long-term PPAs with wind and solar power units. The latest tariff discovered through competitive bidding for solar power is Rs.2.62 per unit, while it is Rs.3.46 per unit for wind power. TS Discoms' entering into long-term PPAs with solar and wind power units on such a scale and

at such higher tariffs is unwarranted and detrimental to long-term interest of consumers of power for the following reasons, among others:

- a) First, to meet a minimum of 5% purchase of NCE under RPPO, there is no need, as well as obligation, for entering into PPAs to purchase NCE by more than 11% of projected sales of the Discoms.
- b) Second, in view of tariffs for solar and wind power coming down drastically through competitive bidding, entering into long-term PPAs with solar and wind power units to purchase power at very high tariffs is doing long-term harm to the consumers by saddling them with such higher tariffs for the entire period of long-term PPAs.
- c) Third, in view of substantial availability of surplus power, purchasing solar and wind power at such higher scale and higher cost on long-term basis, leading to increase in availability of substantial surplus power, is imprudent.
- d) Fourth, since, as per the orders of the Commission, NCE units are must-run ones, the Discoms have to purchase the entire power generated by such units with whom they had PPAs, even when they do not require such power and when relatively cheaper power is available from other sources.
- e) Fifth, to purchase costly NCE power, the Discoms have to seek backing down of relatively cheaper power available from thermal power plants and pay fixed charges for such non-generation. It imposes dual burden on the Discoms - paying higher tariff to NCE units and paying fixed charges for backing down other power plants, thereby increasing the average cost of power per unit.
- f) Sixth, wide fluctuations in generation of wind power, and to some extent in the case of solar power, due to sudden changes in wind velocity or sun light, as the case may be, will create problems in grid management with a sudden drop in generation of such power, leading to falling of grid frequency. To meet such exigencies, if substantial spinning reserve is permitted and created, it will impose unwarranted burdens on consumers of power. Such spinning reserve or reserve margin, if created, will lead to the dichotomy of being useful for a limited period in a year when such exigencies arise and remaining idle during the remaining larger period of the year, with need for backing down and paying fixed charges for such non-generation. Generation of wind power being limited to seasonal availability of adequate wind velocity, especially during the monsoon, if copious rainfall and inflows into reservoirs and their overflowing leading to letting out the same into the sea lead to higher or optimum generation of hydel power, on the one hand, and decrease in demand, on the other, it will lead to availability of additional surplus power during that period. In other words, fluctuations in generation of wind power, whether on lower or higher side, are inherently problematic not only for grid management, but also for the Discoms and their consumers of power.

- g) Seventh, in view of higher tariffs being paid to NCE, when substantial surplus power is available to Discoms, as has been the case now, surplus NCE power cannot be sold to others in a competitive market.**
 - h) Backing down entails payment of not only fixed charges for such non-generation but also payment of charges for transmission and distribution capacities contracted but not utilised as a result of the same.**
 - i) An ultra simplistic view of environmental protection, pollution-free generation, national policy, State policy, etc., cannot justify, much less conceal, these disastrous consequences that arise as a result of indiscriminate entering into PPAs by the Discoms with generators for purchasing unwarranted power, including renewable energy, though at the behest of the Government, and giving consents to the same.**
- 7. Even now, in view of availability of substantial surplus power, it is better to adopt a cautious and gradual approach for directing the Discoms to enter into long-term PPAs for purchasing NCE. SPDCL has submitted that the balance capacity of solar plants of 2012, 2013 and 2014 bidding and the 2000 MW bidding in 2015 are expected to be commissioned during the year 2017-18. It has projected additional wind based capacity to the extent of 100 MW during 2017-18. I request the Hon'ble Commission to consider the following suggestions, among others, in this connection:**
- a) Dispense with the process of determining generic tariffs for NCE units of different kinds and allowing the Discoms to select developers of RE units on that basis for entering into PPAs. Direct the Discoms to select RE units through real competitive and transparent bidding process only or expression of interest with scope for further negotiations for reduction of tariffs quoted, without leaving scope for manipulations like changing terms and conditions of bidding to suit some bidders.**
 - b) Put an end to the unhealthy and manipulative practice of revising tariffs for RE on the basis of orders issued by the Government. If the Government wants any such revision, it should be made clear that it has to bear the additional financial requirement directly and that the same shall not be allowed to be collected from the consumers as a part and parcel of tariffs.**
 - c) The Discoms should not be allowed to enter into PPAs, especially with developers of RE units, without getting necessary approval from the Commission for long-term load forecast, resources and power procurement plans and prior consent of the Commission.**
 - d) The Commission should reject consent to PPAs the Discoms already had with RE units, without getting its prior consent or consent after submitting the same to the Commission.**

- e) **The Commission should reject or revoke consent, if already given, to the PPAs of RE projects whose implementation is delayed and extension of time is given by the Discoms or the Government without seeking consent of the Commission.**
 - f) **Confine the percentage under RPPO to be decided by the Commission to a reasonable level, keeping in view the prevailing power situation in the State.**
 - g) **As and when fresh PPAs are entered into with RE units by the Discoms, with prior consent of the Commission, they should be directed to confine the period of PPA for five years only.**
 - h) **It should be made clear to the Discoms that they should seek prior consent of the Commission, if they want to procure RE exceeding the minimum percentage fixed by it under RPPO. As and when the Discoms seek prior consent of the Commission to enter into PPAs with RE units, exceeding the minimum percentage under RPPO decided by the Commission, the latter should take a holistic view and adopt a cautious and gradual approach to ensure that the same is in larger interest of consumers, before taking its decision, preferably, after holding a public hearing on such proposals of the Discoms.**
 - i) **Treat hydel power also as RE for the purpose of RPPO.**
 - j) **Dispense with the arrangement of so-called renewable energy certificates.**
 - k) **If necessary, the Commission may consider issuing required regulations or amending relevant regulations to give effect to the above suggestions, among others. The Commission has all the powers to do so. I sincerely hope that the Hon'ble Commission would exercise its discretion and legitimate authority to ensure orderly development of power sector in terms of procurement of power required by the Discoms prudently to ensure competitive tariffs to their consumers, even while encouraging generation and consumption of renewable energy.**
8. **In view of availability of substantial surplus power, the prevailing power situation in the State confirms that purchasing 5844.3 mu during 2017-18 from Thermal Power Tech Corporation of India Limited is unwarranted (similar was the case during 2016-17). In this connection, I once again request the Hon'ble Commission to consider my submissions dated February 25, 2016 to it on the order given by it permitting the Discoms to purchase this power from TPCIL, on which there is no response from the Commission, except simply stating that "the Commission has passed a detailed order on procurement of power from TPCIL Unit II under the DBFOO and all issues were considered in the order" (page 31 of tariff order for 2016-17). I once again request the Hon'ble Commission to take up its order on TPCIL unit II for a review suo motu and hold a public hearing on it and the PPA signed between the TS Discoms and TPCIL, undo the injustice already done to**

larger consumer interest and uphold the principles of transparency, accountability and public participation with a democratic spirit.

9. The Discoms have submitted that they have taken an escalation of 2% over average variable cost of power plants of TS Genco and AP Genco for the first half-year of 2016-17 or as projected by them, whichever is lower, for the year 2017-18. The Discoms have submitted that TS Genco has initiated measures for reducing the cost of power generation. Some of the measures adopted are - re-negotiation of interest rate on loans for newly commissioned generating stations, minimizing grade slippage of coal which reduces the variable cost of generation, they have explained. If such measures are taken, variable cost, as well as tariffs should come down. In such a situation, there is no justification for arbitrary escalation as proposed by the Discoms. Responding to our objections to a similar projection made by the Discoms for the year 2016-17, the Hon'ble Commission explained that "the Commission has not accepted the Licensees submission of 2% escalation in variable cost," but determined the variable cost of each station by considering different relevant factors (page 15 of tariff order for 2016-17). I request the Hon'ble Commission to take a similar stand this time also. The Hon'ble Commission has already conducted a public hearing on generation tariff for the plants of TS Genco for the third control period ending 2018-19. Based on a comprehensive review of submissions of all concerned, the Commission has to determine tariffs to be paid to the plants of TS Genco based on its order to be issued in O.P.No.26 of 2016.
10. The Discoms have explained that they have adopted the transmission capacity contracted and rate of transmission charges for 2017-18 as per the approved figures in the MYT transmission tariff order for the period from 2014-15 to 2018-19. Accordingly, SPDCL has shown transmission charges of Rs.1131.43 crore and NPDCL has shown Rs.472.27 crore, totalling to Rs.1603.70 crore. For both the Discoms, in its order dated 1st May, 2017 for transmission charges for TS Transco, the Hon'ble Commission has determined a contracted capacity of 14376.59 MW (9756.44 MW for SPDCL and 4619.15 MW for NPDCL) and transmission charges of Rs.56.3099 per kv per month. Going by that, for a contracted capacity of 14376.59 MW, transmission charges @ Rs.56.3099 per kv per month work out to Rs.971.44 crore for the year 2017-18. In other words, the difference of Rs.632.26 crore (Rs.1603.70-971.26 crore=632.26 crore) should be reduced from the transmission charges projected by the Discoms for the year 2017-18. The Commission may determine the difference for eleven months from May, 2017 for the current financial year, after considering transmission charges for the month of April, 2017 appropriately, since its order is effective from the 1st May. I request the Commission to reduce the same from the revenue requirement of both the Discoms for the current financial year.
11. In its order for transmission charges of TS Transco for the years 2017-18 and 2018-19, the Hon'ble Commission has approved a special appropriation of Rs.317.13 crore for 2017-18 as per the order given by APERC for the 2nd control period. Similarly, in the same order, the Hon'ble Commission has also approved a special

appropriation of Rs.317.30 crore for 2017-18 (another Rs.317.30 crore for 2018-19) as surplus ARR based on mid-term review for 2014-15 and 2015-16. I request the Hon'ble Commission to reduce the amount of special appropriation of Rs.634.43 crore (Rs.317.13 + 317.30 crore) proportionately from the revenue requirement of both the Discoms for the year 2017-18.

12. SPDCL and NPDCL have projected PGCIL and ULDC costs of Rs.925.81 crore and Rs.375.81 crore, distribution costs of Rs.2662.91 crore and Rs.1632.93 crore, and SLDC charges of Rs.31.24 crore and Rs.13.04 crore respectively for the year 2017-18. In view of the contracted capacity determined by the Commission for the year 2017-18, these charges need to be re-worked out appropriately and re-determined.
13. On our submissions relating to backing down, the Hon'ble Commission expressed the view that "the Commission, currently has not allowed any amount against back-down of stations. Any actual quantum realized on back-down will be considered in the true up exercise" (page 13 of tariff order for 2016-17). I hope the Commission would take a similar stand for the year 2017-18 also.
14. On our submissions relating to the need for timely submission of true up claims by the Discoms, the Commission expressed the view that "it is understood that the liability from the true up of first and second control period of the wheeling and retail supply business including the revenue gap for FY 2014-15 and FY 2015-16 will be dealt through UDAY scheme. However, the Licensees are obligated to file the true up claims before the Commission for examination and necessary directives to improve performance in future years. In this regard, the Commission agrees to the views of the objector" (page 66 of tariff order for 2016-17). In the ARR proposals for the year 2017-18, the Discoms have maintained that as per Regulation 1 of 2014 of APERC, they have to file for provisional true-up for the FY 2016-17 and final true-up for the FY 2015-16. They have informed that the accumulated losses as on 31st March, 2015 are Rs.8061 crore for SPDCL and Rs.4833 crore for NPDCL. They have further maintained that since 75% of the loans outstanding as on 30th September would be taken over by GoTS under UDAY scheme, this would impact loss position of the licensee and hence the true-up requirements. They have submitted that they would like to file for true-up for the previous years based on the take-over of debt by the GoTS, since their actual loss position would be known based on the take over of their debt. The Discoms have prayed that the Hon'ble Commission may allow them to file the true-up for previous years separately. The submissions of the Discoms have the following implications, among others:
 - a) UDAY scheme was announced by the Ministry of Power, Government of India, on 23rd November, 2015. In their ARR filings for the year 2016-17, the Discoms had informed that "Government of Telangana (GoTS) has conveyed its intention of joining the UDAY scheme." Despite that, after a long delay, the tripartite MoU relating to joining the UDAY scheme was signed by Ministry of Power, GoI, Government of Telangana and TSSPDCL and TSNPDCL on the 4th January, 2017. Having signed the MoU, with commitments agreed to therein, the

Government of Telangana should have taken over the 75% of the loans of the two Discoms outstanding as on the 30th September, 2015 by 31.3.2017. That it has not done so once again confirms irresponsibility and lack of promptness on the part of GoTS in implementing its commitments in time.

- b) In the ARR submissions of the Discoms for the year 2017-18, there is no indication as to when GoTS would take over 75% of their outstanding debts accordingly. Their submissions further imply that they cannot file true-up claims for the previous years unless and until GoTS takes over 75% of their outstanding debts in terms of UDAY scheme.
- c) The submissions of the Discoms further indicate that they cannot take the commitment of GoTS to take over 75% of their outstanding debts as per UDAY scheme for granted. If they are sure about GoTS taking over such outstanding debts, they can submit true-up claims for the 1st and 2nd control periods and for the last two financial years, showing deduction of 75% of their outstanding debts as per UDAY scheme.
- d) The Discoms have prayed the Hon'ble Commission to "allow them to file the true-up for previous years separately," without even indicating as to when they would be able to file the same.
- e) If GoTS does not take over 75% of outstanding debts of the Discoms under UDAY scheme and if the Discoms would not submit the true-up claims for the previous years till the next general elections, with a view to hoodwinking the people that no additional burdens would be imposed on the consumers of power, thereby serving the political expediency of the party-in-power, it would be no wonder. Since the Discoms have submitted their ARR and tariff proposals, requesting the Commission to continue the tariffs of 2016-17 for the year 2017-18 also, without even submitting required projections, and in view of inadequate budgetary allocation made for power subsidy by GoTS in the budget for 2017-18, the possibility of it not taking over 75% of outstanding debts of the Discoms as per UDAY scheme and the Discoms not submitting true up claims till the next general elections cannot be ruled out.
- f) The possibility of the Discoms not submitting true up claims not only for the previous years, but also for the periods and years after September, 2015, unless and until GoTS takes over 75% of their outstanding debts under UDAY scheme, is implicit in their submissions.
- g) Not submitting true up claims in time by the Discoms would not serve their interests and of their consumers of power. On the one hand, delay in submission of true up claims for years together would aggravate the financial difficulties of the Discoms by increasing need for taking fresh loans and paying interest thereon. On the other hand, accumulation of true up claims for years together,

to the extent they are permissible, would lead to giving tariff shocks to the consumers in future.

- h) If there is need for true-down, delay in submission of such claims by the Discoms would deprive the consumers of timely realisation of what is due to them.**
 - i) Delay in submission of true up claims by the Discoms for years together would deprive the Hon'ble Commission of timely opportunity "for examination and (giving) necessary directives to improve performance (of the utilities) in future years."**
 - j) Deviations from, or violations of, norms, regulations and limits imposed by the Commission on various aspects and directives given in its tariff orders had taken place during the first and second control periods. The same may recur during the 3rd control period also. Delay in submission of true up claims has been giving scope for repetitive committing of such deviations or violations or even manipulations by the licensees. Reviewing such deviations or violations or manipulations after a delay of several years does not give scope for timely recognition, issuing of appropriate orders or directives by the Commission to the licensees to take remedial measures and avoid repetitive occurrence of the same. By the time the Commission considers true up claims of the licensees after a long delay caused by the Discoms, it is being presented with a fait accompli of irreparable damage done to the interests of the consumers as well as the licensees by such deviations and violations.**
 - k) In the tariff order for 2016-17, under directive No.10, the Hon'ble Commission directed the Discoms to file the true up of distribution business for the first two control periods and of retail supply business for 2014-15 and 2015-16. The Discoms replied that they will file true up for 2015-16 and 2016-17 along with tariff proposal after considering final MoU signed by GoTS and GoI. I request the Hon'ble Commission to exercise its legitimate authority and direct the Discoms to submit true up claims for past years without further delay and as per applicable regulations, if necessary, by proposing to deduct 75% of their loans outstanding as on 30th September, 2015, and for subsequent periods in their true up claims, making it clear that any further delay in submitting the same would not be permitted and that such delayed claims for true up will not be entertained, but will be summarily rejected. There need not be any difficulty for the Discoms in submitting their true up claims accordingly in the light of signing of the MoU by GoTS relating to UDAY scheme, when they were in a position not to make true up claims for the 1st and 2nd control periods simply on the ground that the GoTS conveyed its "intention" to join UDAY scheme in the past. For the year 2015-16, SPDCL has shown a revenue gap of Rs.2658.55 crore, while NPDCL has shown a revenue gap of Rs.957.61 crore.**
- 15. SPDCL has submitted that it has considered a cost of Rs.332 crore in FY 2016-17 towards interest on pension bonds and that additional interest on pensions bonds**

projected for FY 2017-18 as per the claims made by TS Genco and AP Genco is Rs.660 crore. Regarding impact due to pension liabilities, we would like to remind that, while approving the first transfer scheme after unbundling of the erstwhile APSEB, the then APERC in the undivided A.P. had permitted revaluation of the assets of AP Genco to provide for pension reserve funds which the erstwhile APSEB had not provided and maintained. APERC had been liberal in allowing additional interest on a year to year basis in the tariff orders dated 24.3.2003 and 4.7.2013. Pension funds are supposed to be provided by the contributions of employees and managements and interest thereon earned periodically. As such, it is not fair to continue to impose such interest burdens on the consumers by allowing the Discoms, TS Genco and AP Genco as pass through periodically. The erstwhile APSEB failed in discharging its responsibility. The Government of TS has to take over 75% liabilities of the Discoms under Uday Discom Assurance Yojana introduced by the Government of India. In view of the above explained submissions, I request the Hon'ble Commission to give a piece of advice to the Government of TS to take over the pension liabilities of the Discoms and TS Genco and settle the issue permanently. In this connection, I would like to bring to the notice of the Hon'ble Commission that in response to our similar submission on ARR and tariff proposals of AP Discoms for the year 2017-18, Hon'ble APERC, in its tariff order for 2017-18, has expressed the view that "the requests of the objectors may be examined" and intimated the same to the Principal Secretary, department of Energy, GoAP, through its letter dated 11.5.2017.

16. In their ARR submissions, the Discoms have maintained that regarding SCCL project of 1200 MW (2x600 MW), the consumers in the State should not be saddled with the IDC component which is due to the project execution delays. They have considered a fixed cost of Rs.2.15 and variable cost of Rs.1.80 per unit for the year 2017-18 for purchasing power from this project. However, during the public hearing on the capital cost and multi-year tariff proposals of the project of SCCL, the latter indicated a fixed cost of Rs.2.43 and variable cost of Rs.1.91 per unit for the year 2017-18. However, the submissions made by the Discoms during the public hearing held on 26th April, 2017 on this project have been found wanting in detailed analysis of the issues involved. Except requesting the Commission to take up prudence check of the capital cost of the Singareni Thermal Power Project after issuing appropriate orders on Regulation 1 of 2008, the Discoms could not make any submissions to substantiate the variable and fixed costs they have proposed in their ARR submissions. The Discoms have been found wanting in protecting larger interest of their consumers in the manner in which and with the kind of PPAs they had with Chattisgarh Discom, NTPC, unit II of TPCIL and several NCE units and the same debilitating trend is continuing in the case of the project of SCCL also. These questionable trends indicate that the Discoms do not have adequate freedom to take appropriate decisions to protect larger consumer interest while entering into PPAs with generators in the public and private sectors and that decisions are being thrust on them by the higher-ups in the Establishment. It is for the Hon'ble Commission to come to the rescue of the Discoms and their consumers of power while exercising its regulatory authority on all such issues that have a bearing on the

tariffs ultimately the consumers have to pay. It is gratifying to note that the Hon'ble Commission has moved in that right direction in the interim orders it has issued in the case of the PPAs the Discoms had with Chattisgarh Discom and NTPC. We hope that the Hon'ble Commission would adopt a similar approach relating to the project of SCCL also.

- 17. The Discoms, even while claiming that they have not proposed any additional purchase of power through bilateral/inter-State purchases for the year 2017-18, have maintained that they may opt for procurement of power during specific days/month depending on demand to ensure the stability of the grid and also to ensure uninterrupted power supply to all categories of consumers in the State. In the background of projected availability of huge surplus power, without making any provision for bilateral or inter-State purchases, the submissions of the Discoms indicate that they themselves are not sure of ensuring uninterrupted supply of power to all categories of consumers in the State, even with the projected availability of huge surplus power, and that their procurement plan is unbalanced and cannot ensure uninterrupted supply of power in tune with fluctuating demand curve, daily, weekly and seasonal, to ensure stability of the grid. This indecisive position again underlines the imperative need for determining long-term load forecast, and procurement and resource plans in a realistic and efficient manner, preferably, after holding a public hearing.**
- 18. In response to our earlier submissions relating to ARR and tariff proposals of the Discoms for the year 2016-17 - "a period of just one week is given, by implication, to the Discom to send its replies to the suggestions and objections from the interested public and to the latter to study the same and prepare for further submissions during the public hearing. With my experience of participating in the public hearings of regulatory commissions since the inception of the APERC in the undivided Andhra Pradesh, I can assert, without any fear of contradiction, that one week is absolutely inadequate for the Discoms to prepare and send their replies and for objectors to study the same, if at all they get the replies before public hearing, and prepare for making further submissions during the public hearings" - the Hon'ble Commission maintained that "regarding furnishing replies to the objectors, the Licensees have not objected for the given timeline" (page 65 of tariff order for 2016-17). As we asserted, the Discoms could not send their replies to the objectors in time, leaving no time for them to study the same and prepare further submissions to be made during the public hearings then. When the Commission maintained that the licensees had not objected for the given timeline for sending their replies in time to objectors, it avoided the point that it is the responsibility of the Commission to give the Discoms adequate time, irrespective of their not objecting for the given time line or not seeking adequate time for the same, and see that replies are given to objectors leaving adequate time for the latter to study the same and prepare their further submissions to be made during the public hearings. The view of the Commission had a strange implication that it was not concerned whether the Discoms could give or had given replies to the objectors in time or not. Anyway, since the last day for submission of objections and suggestions by interested public**

on the subject proposals of the Discoms is fixed as the 15th May and the first public hearing is going to be held on 29.5.2017 in Khammam and the second one on 6.6.2017 in Hyderabad, I hope that the Hon'ble Commission will see to it that the Discoms send their replies to the objectors well in advance leaving adequate time to the latter to study the same and prepare further submissions to be made during the public hearings.

Thanking you,

Yours sincerely,



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