

The Secretary
Telangana State Electricity Regulatory Commission
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Singareni Bhavan, Red Hills
Hyderabad - 500 004

For perusal
Secretary
Member/T
Member/F
Chairman
on leave
3/5

TSERC, HYDERABAD
INWARD
- 2 MAY 2017
No. 460
Signature

May 2, 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, I am submitting the following preliminary points for the consideration of the Hon'ble Commission:

1. Neither in the ARR filings dated 30.11.2016, nor in the supplementary filings on tariff, etc., filed on 13th April, 2017, both the TS Discoms have incorporated the crucial information required for filing objections and suggestions on their proposals and required for the regulatory process of the Hon'ble Commission. This is despite the fact that there has been inordinate delay in filing the tariff proposals by more than four months. The incomplete filings will further delay the regulatory process - from filing suggestions and objections by interested public, replies to the same by the Discoms and the Hon'ble Commission holding public hearings and issuing tariff order for the year 2017-18. Though the Discoms have requested the Hon'ble Commission to retain the tariffs as per the tariff order of 2016-17 for the year 2017-18, to meet the requirements of regulatory process of the Commission, they have to file necessary information and data. After hearing the Discoms and interested public and considering the submissions made and the subsidy the GoTS commits itself to provide, it is for the Hon'ble Commission to decide whether to continue the tariffs of 2016-17 for 2017-18, as sought by the Discoms, or to revise them, besides giving necessary directions related thereto.
2. In the above filings, TSSPDCL has shown revenue requirement of Rs.22044.56 crore with revenue at current tariff (i.e. tariff of 2016-17) of Rs.15010.38 crore with a revenue gap of Rs.7034.18 crore for the year 2017-18. Similarly, TSNPDCL has shown revenue requirement of Rs.9885.89 crore, without giving details of revenue at current tariff and revenue gap. Nor have the Discoms explained how much subsidy they are expecting from the Government, what would be the non-tariff income and how do they propose to bridge the revenue gap, if any, after adjusting the subsidy the Government agrees to provide.
3. While proposing changes to the definition of the consumer category to bring in what they have termed "greater clarity," the Discoms have not submitted details of financial impact on their revenues for 2017-18 due to such re-categorisation of consumers. Since such-re-categorisation inevitably leads to change in tariffs

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applicable to re-categorised consumers, it will have financial impact on revenue of the Discoms.


4. There is no justification in the Discoms not filing the above-explained information and data and other vital information like the amount of fixed charges to be paid for backing down in view of the projected huge surplus power. It is widely reported that the Hon'ble Chief Minister of GoTS, Sri K Chandrasekhar Rao, did not want any tariff hike for the year 2017-18. If such is the case, it is for the Government to provide subsidy required to bridge the revenue gap to be determined by the Hon'ble Commission fully. If the Government does not provide required subsidy fully, the Discoms will be in financial difficulties.
5. After determining revenue requirement and revenue gap of the Discoms for the year 2017-18, working out cost of service for each category of consumers and after taking into account the subsidy the Government commits itself to provide, the Hon'ble Commission will determine tariffs to be charged to different categories of consumers. In the light of the proposals of the Discoms requesting the Hon'ble Commission to continue the tariff of 2016-17 for 2017-18, if the subsidy to be provided by the Government is inadequate, then the Commission will have to revise the tariffs upwards in consonance with cost of service after adjusting the subsidy. It will give the wrong and uncharitable impression as if the Hon'ble Commission were interested in increasing power tariff, though the Government and the Discoms did not want hike in tariffs.
6. When revenue requirement and revenue gap of the Discoms for the year 2017-18 have to be determined by the Hon'ble Commission, it is for the Discoms to explain how they propose to bridge the revenue gap, if any, that remains even after adjusting the subsidy to be provided by the Government in the background of their seeking retention of tariff of 2016-17 for 2017-18. The Discoms should not be allowed not to explain how they propose to bridge the balance revenue gap, if any. Since such revenue gap is to be determined before issuance of the tariff order for 2017-18 by the Hon'ble Commission, the Discoms are not entitled to claim such revenue gap as regulatory asset or under true up later. True up claims pertain only to variations in revenue and expenditure that may arise due to various factors which cannot be foreseen at the time of issuance of tariff order. The Hon'ble Commission has to make this position clear to the Discoms, if the latter do not explain how they propose to bridge the balance revenue gap, if any, and agree not to claim such revenue gap under true up later.
7. If the Discoms do not explain how they propose to bridge the balance revenue gap, if any, and if tariff order is issued without determining the ways of bridging such revenue gap, and without making it clear that such balance revenue gap will not be allowed to be claimed as true up later by the Discoms, the threat of revenue gap getting accumulated will arise. Such a development will serve the political expediency of the party-in-power in the State by hoodwinking the people that there are no tariff hikes in the pre-election period and leaving scope for giving tariff

shocks to the consumers of power in the State for increasing tariffs to recover all such accumulated revenue gaps in the post-election scenario, irrespective of whichever party or parties come to power. Therefore, I request the Hon'ble Commission to direct both the Discoms to submit information and data pertaining to revenue at tariffs of 2017-18 and non-tariff income, additional tariff income that would accrue as a result of proposed re-categorisation of consumers, resultant revenue gap, fixed charges to be paid for backing down in view of the projected huge surplus power, and how do they propose to bridge the balance revenue gap, if any, and other relevant information and data required for the regulatory process as per applicable regulations and make the same public. This is very much required for interested public to make meaningful and purposeful submissions on the subject proposals and for the Hon'ble Commission to complete its regulatory process diligently. Depending on the date of submission and making public of such information by the Discoms, the Hon'ble Commission may consider extending last date for submission of suggestions and objections on the subject proposals and dates of public hearing.

8. I request the Hon'ble Commission to take the above submissions as part and parcel of my overall submissions on the subject proposals and provide me an opportunity to file further submissions relating to other aspects and after getting the data and information as sought above and make a presentation in person during the public hearings on the proposals of both the Discoms.

Thanking you,

Yours sincerely,



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