

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

July 11, 2023

Respected Sir,

Sub : Submission of views and suggestions on resource plans, load forecasts, distribution plans and procurement plans submitted by TSSPDCL and TSNPDCL for the 5th control period from 2024-2028-29 and 6th control period from 2029-30 to 2033-34

With reference to the public notices dated 18.5.2023 and 8.6.2023, inviting comments/views/suggestions from interested public on the subject issues, I am submitting the following points for the consideration of the Hon'ble Commission:

1. We thank the Hon'ble Commission for extending time for submissions on the subject issues till 28.6.2023, i.e., by thirteen days, and again up to 15.7.2023. We welcome the right decision of the Hon'ble Commission for holding public hearings on the subject issues, rightly giving up the earlier questionable practice of not even making details of load forecast, procurement plan, etc., of the licensees public, leave aside holding public hearings on the same.
2. The licensees should have made and submitted an analysis of the load forecast, etc., approved by the Commission for the 4th control period, actual position, reasons for variations, etc. It would have given a clear picture as to the correctness or otherwise of the load forecast, etc., approved by the Commission vis a vis ground reality, whether the utilities and the Commission followed the approved load forecast, etc., if any deviations took place, whether they were justified and the consequences thereof. Apart from ensuring transparency and accountability, such an exercise would have been useful for forecasts for the 5th control period, as multi-faceted issues have been involved in the entire process. The Hon'ble Commission is also expected to examine the projected load forecast, etc., for the 5th and 6th control periods, keeping in view the experiences during the 4th control period for taking appropriate decisions for the 5th and 6th control periods. It is all the more imperative in view of the fact that during the 4th control period, the DISCOMs have been facing a situation full of imbalances, with availability of substantial surplus power, purchasing unwarranted renewable energy, paying hefty fixed charges for backing down thermal power declared to be available to purchase must-run RE, purchasing power in the open market and through exchanges, imposing thousands of crores of Rupees on the consumers in the form of true-up charges or borne by the GoTS, in addition to annual tariff hikes, despite hefty subsidy being provided by the GoTS and cross subsidy being provided by subsidising categories of consumers, etc.
3. Guidelines for load forecasts, resource plans and power procurement issued in December 2006 by APERC and adopted by TSERC rightly underline the imperative

of ensuring “an adequate, safe, and economical supply of electricity” to the consumers. It is also emphasized that “the power procurement plan shall be an optimal least-cost portfolio of long-term and short-term (least financial cost,” “with the ultimate objective being to make available secure and reliable power supply at economically viable rates to all consumers,” “to optimise trade-off between price risk and demand variation,” “fuel diversity in power procurement,” “supplier diversity and viability,” “the plan for additional power procurement indicating portfolio mix of unit sizes, technology and fuel type, capacity contracted to meet peak/off-peak and seasonal load,” etc. In other words, the following points, among others, should be the objectives of load forecast, and resource and investment plans of the licensees:

- a) Ensuring adequate, reliable and safe supply of least-cost power to the consumers.
 - b) Ensuring ideal mix of power in tune with fluctuating demand curve, daily and seasonal, to see that it leads to availability of the lowest possible quantum of surplus power and need for backing down the same to the extent practicable, technically and economically. In other words, while entering into long-term and medium term agreements for procurement of power, various diverse factors pointed out in the said guidelines need to be taken into account to ensure economically viable tariffs to the consumers and avoidance of need for purchasing power in the open market, power exchanges, etc., except in unavoidable exigencies, that, too, for a limited period and limited quantum of power.
 - c) Resource plans and investment plans should ensure timely completion of required and permitted works with prudent expenditure based on realistic norms to be decided by the ERCs linked to market trends and real competitive biddings.
 - d) ERCs are expected to do prudence check based on market trends, how bidding process is being adopted by the licensees, how bidders are being selected, whether prudent norms are being adopted to ensure lowest possible expenditure/prices - this process should be undertaken for according approval and reviewing actual trends post-approval periodically and necessary changes be brought about. In other words, once approved, load forecast, procurement plans and resource plans should not be treated as sacrosanct and unalterable. This process should be transparent, by holding public hearings and making details of all such transactions public periodically.
4. Bureaucratic subservience to the diktats of the government of the day, whether they are prudent or questionable and detrimental to larger public interest, is inherent in the system, with honourable exceptions. As independent quasi judicial bodies with powers of a civil court, ERCs are expected to exhibit professional integrity, intellectual honesty and moral courage to exercise their authority timely and fully,

within the limitations of law, to recognise and tell the truth, what is right or wrong, to protect larger consumer interest. That is the very reason and purpose for the creation and continued existence of ERCs. Executive diktats of the governments, both at the centre and in the states, encroaching upon the powers and responsibilities of the ERCs, without legal sanctity, need not be followed mechanically. ERCs are expected to act assertively, within the limitations of, and in accordance with, law, to protect larger consumer interest to the extent possible.

5. The following projections at state level are made by the licensees for the 5th control period:

	2024-25	2025-26	2026-27	2027-28	2028-29
Energy availability MU	121754	127451	127126	126658	122090
Energy requirement MU	84997	89768	94774	100285	105957
Surplus/deficit	36758	37683	32352	26374	16133

The projections show utter inefficiency in planning to maintain prudent balance between requirement for power to meet fluctuating and growing demand and ideal power mix. In the face of projected requirement for energy for the five financial years of the 5th control period, energy availability is projected to be almost stagnant, with abnormal quantum of surplus availability during the entire control period, confirms anarchy in the policy approaches and decisions of the powers-that-be and the regulatory approaches in giving consents to PPAs entered into indiscriminately with power projects by the TS DISCOMs, obviously, at the behest of the Government of Telangana and the GoI. All our valid objections and prudent suggestions submitted during public hearings on various issues over the years cautioning about the impending problems of DISCOMs being, and will be, saddled with unwarranted surplus power with resultant disastrous consequences fell on the deaf ears of the powers-that-be. But the disastrous reality continues to be staring in the face. The projections of the DISCOMs also confirm that the irreparable damage caused will continue during the 5th control period as well. In this background, we request the Hon'ble Commission to examine the following points, among others:

- a) The DISCOMs have maintained that, with the requirement growing yea-on-year and capacity not matching the requirement, they have been forced to depend on short-term purchases during the FY 2021-22 and FY 2022-23. It confirms their imprudent decisions in failing to maintain ideal power mix to the extent practicable and their failures of commission in entering into long-term PPAs to purchase unwarranted power at the behest of the GoTS over the years, despite being cautioned repeatedly during the public hearings of the Commission and otherwise about the detrimental consequences that continue.

- b) **The submission of the DISCOMs that they have purchased substantial quantum of power through trading in the market at higher rates of tariff during the last two financial years fails to give details relating to availability of power from committed sources, non-availability of power from such sources at threshold levels of PLF/CUF as incorporated in the respective PPAs and the reasons therefor, whether purchase of unwarranted renewable energy, which cannot meet peak demand, led to backing down thermal power and at the same time purchasing power in the market at higher prices during the 4th control period.**
- c) **Despite their claim that the requirement for power is expected to grow due to lift irrigation schemes and load additions in industrial and commercial categories and that, hence, they have entered into PPAs with TS GENCO, CGSs and NCES (solar) generators to provide 24x7 quality and reliable power supply to all the categories of consumers does not correspond to the persistent ground reality. That the DISCOMs claim that the energy surplus scenario for the 5th control period is due to “addition of new capacity” from YTPS of TS GENCO, Telangana STPP of NTPC and NCES stations through SECI and CPSU schemes fails utterly to explain as to why they entered into long-term PPAs to purchase unwarranted power on an abnormal scale in the past leading to availability of the abnormal quantum of surplus power projected to be available during the 5th control period, whose irresponsible decisions have been responsible for the disastrous consequences, the kind of avoidable burdens being and will be imposed on the consumers of power, etc. The past, present and the projected future situation confirms that the GoTS and the DISCOMs failed miserably and continue to fail to follow the elementary principles of entering into long-term PPAs in a prudent manner to ensure balance between requirement of power and its procurement, to ensure the kind of ideal power mix that can lead to optimum load factor to the extent practicable, addition of generation capacity in a phased manner in tune with fluctuating and growing demand. In other words, they failed and continue to fail in following the above-mentioned guidelines for load forecasts, resource plans and power procurement.**
- d) **The fact that the DISCOMs have shown expected addition of generating capacity from all sources to the tune of 7295 MW from April 2023 to April 24 for the 5th and 6th control periods, projecting availability of abnormal quantum of surplus power during the 5th control period, confirms how hasty and faulty their capacity addition planning has been. It also confirms that there has been, and will be, abnormal mismatch between demand growth and availability of power from committed sources. This again emphasizes need for analysing the demand projections made for the 4th control period and addition of capacities proposed and implemented to draw proper lessons from failures of commission and omission on the part of the powers-that-be.**
- e) **The claim of the DISCOMs that they have taken care of good energy mix by entering into PPAs with both thermal and RE generating stations for 5th control period verges on bluff-mastery in the face of the projected availability of abnormal**

quantum of surplus power during the same period and the lower load factors projected to be stagnating during the 5th control period..

- f) The DISCOMs have maintained that for the 5th control period also, on a real-time basis, if the market conditions are favourable, they shall engage in the sale of surplus power, as done in the recent years. The very condition that, “if the market conditions are favourable” for sale of surplus power falls in the realm of speculative uncertainty. In view of mandatory implementation of the principle of merit order dispatch, surplus energy is invariably with higher variable cost. Sale of surplus power presupposes deficit for power for other states. Barring availability of limited quantum of unavoidable surplus power that is inherent in the very nature of power sector, policies and practice of the powers-that-be that lead to availability of abnormal quantum of avoidable surplus power and the irresponsibility pertaining to the same cannot be justified on the basis of projections for selling the same conditionally. That the DISCOMs could not make any projections on quantum of surplus power they can sell during the 5th control period confirms speculative uncertainty based on which PPAs for procurement of power should not be entered into indiscriminately.
- g) The DISCOMs have submitted that they are planning to enter into a PPA with SCCL unit 3 (800 MW) and that the unit is expected to be commissioned during FY 2026-27. Though the DISCOMs have shown it under capacity to be added during the 6th control period, if the unit is commissioned as show, it will add to the already projected availability of abnormal quantum of surplus power during the last three financial years of the 5th control period. Such an eventuality would lead to committing the blunder of getting unwarranted power in advance by a few years with resultant avoidable burdens on the consumers. They have stated that there is scope for installation of 1600 MW additional capacity from SCCL’s units 4 and 5 and 2400 MW (3x800 MW) from Telangana STPP, besides their negotiations for getting the balance 15% share in TSTPP 1600 MW plant of NTPC. Such additions should be appropriately planned in a phased manner to meet requirement for power, leaving no scope for adding to the unwarranted surplus power already available and projected to be available during the 5th control period..
6. The DISCOMs have explained that the availability from CGS stations for 1019 MW, including 539 MW from Simhadri project, is reduced during the 6th control period due to expiry of PPAs. They have proposed that they would ensure the cost effectiveness and would explore option of extending PPAs, if required. The Ministry of Power, Govt, of India, has notified on 20th April 2023, a Scheme for Pooling of Tariff of those CGS plants whose PPAs have expired. This scheme is effective from 1st July 2023 onwards. It is mainly designed for CGS stations which have completed 25 years of service. Common pool will be created with total installed capacity with uniform fixed. cost and variable cost by deallocating power from the original beneficiaries. As per the scheme, the beneficiaries have to requisition power for the required quantum within 15 days from the announcement of common pool website. Priority will be given to the original beneficiaries thereafter first come first serve.

Beneficiaries have to enter separate PPAs for a minimum period of 5 years for requisitioning power from common pool after obtaining proper consent for entering PPAs and for the quantum of power. The CGS plants after completion of 25 years will be added to the common pool subsequently. One year prior intimation will be given to the beneficiaries before completion of 5 years agreement period. A single Window System shall be created through which the desiring State(s)/Discoms including the existing beneficiaries shall submit their willingness for power allocation (quantum as well as period) within 15 days from the formation of Common Pool. The minimum requisition period for power from the Common Pool shall be 5 years. The States/DISCOM shall have to enter a contract (PPA) for a minimum period of 5 years from the intended date of Start of drawl of power from the Common Pool. In view of the said scheme of MoP, GoI, and its impact on the DISCOMs yet to be studied, a balanced stand on procurement of power to meet requirement of TS DISCOMs and its financial impact need to be analysed and a prudent decision be taken.

7. The DISCOMs have explained that they are procuring solar power in two modes of distributed mode (generating plants are placed close to sub-stations to reduce losses) and centralised mode (“generating plants are concentrated in a single region like SECI, CPSU, etc.”) and that they would explore these options in future based on cost-competitiveness. Procurement of power from generating stations set up within the state and nearer to load centres, with well-known benefits, should be the standard practice within given circumstances. Ignoring such opportunities available and preferring purchase of power, especially RE, from projects set up in other states by crony capitalists being pampered by the central and state governments and getting consents for such agreements from regulatory commissions has become the preferred practice of the powers-that-be. In the past, the TS DISCOMs rightly extolled the benefits of distributed mode of adding solar power. Based on the experience of procuring RE from projects set up within the state and outside during the same period, the DISCOMs should have made a comparative analysis of pros and cons of both the methods and explained their benefits or avoidable burdens to take prudent decisions. The very fact that the DISCOMs have projected stagnation in procurement of NCES during the fifth control period confirms that they have been hasty in entering into long-term PPAs with RE units in such a questionable way that they will not require any addition to it during the entire 5th control period. How far the DISCOMs would be able to stick to this stand during the 5th control period is a big question mark in view of the kind of policies the Modi government has been trying to thrust on the states and their DISCOMs and decisions GoTS would take from time to time.
8. The DISCOMs should have projected peak demand and hourly and seasonal surplus/deficit depending on projected availability of power and requirement during the 5th control period. The DISCOMs have to explain as to how their projected power procurement plan, with their expected compliance under RPPO every year during the 5th control period, would contribute to meeting the state grid demand and peak demand, without creating avoidable technical and

financial problems to the DISCOMs and TS GENCO and imposing avoidable burdens on consumers of power. Going by the questionable decisions of the GoTS and practice of the DISCOMs at its behest and the way TSERC has been giving consents to long-term PPAs the DISCOMs had with private generators and with trading wings of the central public sector power companies which are acting as middlemen to sell power of private generators for purchasing unwarranted RE over the years and the adverse consequences being experienced, it is all the more necessary to make a comprehensive and holistic analysis of the experience during the 4th control period, including the legacy of the earlier period, and likely consequences that would follow during the 5th control period.

- 9. That the DISCOMs have been constrained to make self-contradictory claims and arguments on their justification for entering into long-term PPAs for purchasing RE depending on the somersaulting of GoTS in the arena of questionable decision-making to serve vested interests of chosen private developers and of the powers-that-be is a matter of record. We have been articulating these issues elaborately and repeatedly over the years as and when they came up for consideration of the Commission and our submissions are also a matter of record. Experience confirms that neither the GoTS, nor the DISCOMs, nor TSERC take any responsibility and accountability for such questionable decisions and orders and the resultant adverse consequences. They assume airs of infallibility even in the face of adverse consequences detrimental to larger consumer interest arisen as a result of such questionable decisions and orders. Moreover, the unfortunate tendency of not responding analytically to valid submissions made by objectors in the orders of the Commission has been discernible in some of the issues. The licensees have been allowed to avoid giving relevant information, facts and explanations in response to the valid and relevant questions being raised by objectors. It is also a matter of record and a number of examples can be given. For example, in our submissions dated 9.7.2021, we submitted that “in their presentation during the public hearing on 30.6.2021 in OP Nos.15 to 19 of 2021 relating to the PPAs they signed with TS Genco, TS Discoms projected availability of total installed capacity of 25,760 MW by 2022-23. This also does not include the balance of 2400 MW from TSTPP. Out of 25,760 MW, solar power is 5565 MW, wind power 128 MW and other RE 196 MW, i.e., a total RE of 5889 MW. Against a contracted capacity of 21878.73 MW, as approved by the Commission in the MYT order for TS Transco, do the Discoms require 25,760 MW, i.e., 3882 MW additionally? What is the basis and justification for requirement of the additional capacity? The said presentation of the Discoms avoided to explain the same. In the above-mentioned presentation, TS Discoms informed that there has been no load relief from 20.11.2014 and that as on 1.6.2021, against a maximum demand of 13,688 MW, the contracted capacity is 16,603 MW. With this capacity, when the Discoms are in a position to meet maximum demand during 2021-22, the transmission contracted capacity approved by the Commission for the same year to the tune of 21,370.12 MW is, obviously, very high. Then, what is the basis for additional requirement of an additional capacity of 9,157 MW (25,760 – 16,603 = 9,157) by 2022-23, i.e., an increase of 55.15% within a span of less than two years? In which way the subject 800 MW of solar power,**

which cannot meet peak demand, its generation and supply being between 8 AM and 6 PM, that, too, with occasional intermittence, is required to meet maximum demand?" The DISCOMs did not respond to the same. The Hon'ble Commission simply considered the proposals of the DISCOMs and issued order for purchase of the said solar power from NTPC and SECI, without any analysis and justification for the same. And this kind of spree of entering into long-term PPAs for purchase of solar power continued by the DISCOMs and giving consent to the same by the Hon'ble Commission also continued subsequently. Now, in the subject submissions, the DISCOMs have admitted that the reason for their energy surplus scenario is addition of new capacity from TS GENCO, CGS and NCES (SECI and CPSU schemes) stations, without explaining as to why they have been entering into long-term PPAs for purchasing such unwarranted power and seeking consents of the Commission to the same.

10. The way load factor is projected by the licensees to be stagnating or decreasing during the 5th control period also confirms their failure to ensure patterns of supply of power to various categories of consumers to increase load factor.
11. The policy of time of the day tariffs, with higher tariffs during peak hours and lower tariffs during off peak hours, for HT industries is claimed to be intended for consuming more power during off peak hours and reducing consumption during peak hours, thereby enhancing the general load factor. For other categories of consumers, such a change of pattern in power consumption is not possible, because of the nature and time of requirement of power for their activities. In any case, other categories of consumers have been using power during peak and off peak hours, depending on their requirement. Any attempt to impose TOD tariffs on non-industrial consumers, as proposed by the MoP, GoI, is whimsical and irrational, especially in terms of load forecast and procurement plans for various reasons. This questionable approach goes against the policy of free supply of power to agriculture throughout the day, especially during peak hours.
12. The projections made by the DISCOMs on the basis of the policy of supply of power to agriculture 24x7 and supply of power for lift irrigation schemes have elements of uncertainty for various reasons. The DISCOMs have to give actual hours of consumption of power by agricultural consumers and for lift irrigation schemes based on experience so far and substantiate need for projected requirement. Due to various factors like rainfall, availability of ground water, cropping pattern, availability of water in canals, durations of pumping water, etc., requirement of power for agriculture and lift irrigation changes. The experience in Telangana, as submitted by the TS DISCOMs themselves, and considered by TSERC in the RSTOs of the last two financial years is that there is declining trend in power consumption for agriculture and vast difference between estimated requirement and actual consumption of power for lift irrigation schemes. Requirement of power for agriculture being seasonal, estimates for the same need to be realistic based on actual experience over the years. For meeting seasonal requirement and daily

requirement for limited hours, need for ensuring an ideal power mix to the extent practicable is obvious.

13. **The financial impact of transmission and PGCIL losses and inter-state transmission charges, outwardly claimed to be waived as a matter of policy, without the Modi government reimbursing the same to PGCIL, but imposed on consumers in a manipulative way through the orders issued by CERC, for inter-state supply of power would turn out to be substantial running into thousands of Crores of Rupees during the period of the PPAs concerned, apart from several other adverse consequences detrimental to the interest of the state and consumers of power as explained in our earlier submissions on the ARR and tariff proposals of the DISCOMs for the year 2023-24. In the subject submissions, the DISCOMs have not explained the impact, present and future, of PGCIL charges as determined questionably by CERC in tune with the whimsical policies of the Modi government at the centre.**
14. **Surplus power backed down and the fixed charges paid therefor during the 4th control period and likely position during the 5th control period as per the projections made by the DISCOMs needs to be revealed and examined. In other words, the Hon'ble Commission is expected to ensure, to the extent possible and practicable in given circumstances, that the objectives of the subject plans, as pointed out in point number 3 above, are achieved. When changed circumstances demand review and modification of the subject plans as approved by the Commission, it should be done through the process of public hearings, ensuring transparency, substantiation of proposals made for such a review and modification and their justification. When a PPA or PPAs come before the Hon'ble Commission for its consideration, it provides an apt opportunity to make such a review, as procurement of power under the PPAs concerned needs to be justified by the DISCOMs.**
15. **Availability of power from committed sources should be worked out on normative basis as per the terms and conditions in the PPAs concerned.**
16. **The DISCOMs have submitted that by considering the actual agriculture sales, the loss at LT voltage level is higher than the loss approved by the Hon'ble Commission. The incremental losses have resulted in additional procurement of energy for FY 2021-22 for which they have not gained any additional revenue, the DISCOMs have argued. They have requested the Hon'ble Commission to consider the actual losses of FY 2021-22 to arrive at the loss trajectory for the next two control periods. When supply of power to agriculture comes down compared to the quantum determined by the Commission in the retail supply tariff order, losses also should come down and availability of surplus power should increase. In such a situation, need for purchase of additional power to meet demand of agriculture does not arise. Moreover, experience in a particular FY should not be the basis for arriving at the lost trajectory for the next two control periods. The claim of the DISCOMs that they are striving to reduce the losses by implementation of loss reduction measures**

during the 5th and 6th control periods goes against their request for determination of loss trajectory for the control periods based on the experience of FY 2021-22. Therefore, we request the Hon'ble Commission to take a realistic view of the expenditure proposed to be incurred by the DISCOMs for loss reduction and the declining trend of consumption of power for agriculture and fix targets for loss reduction during the 5th and 6th control periods in a balanced way.

17. The regulatory process of the Commission should not facilitate concealing of all the relevant information from public gaze and consumers of power at large are entitled to know the reality, as they are, and will be, bearing all the burdens relating to the expenditures being and proposed to be incurred by the DISCOMs and approved by the Commission. The prudence check by the Hon'ble Commission should cover how the process of tendering, their terms and conditions, for selection of bidders for purchases being made by the DISCOMs and prices and charges being finalised by them for purchase of materials and maintenance charges with required comparative study based on results and experience in other states and market trends relating to the issues concerned and the details be made public. Experience confirms that the successive Commissions have been avoiding making such information public. We have already submitted our objections to DBT in our submissions to the Hon'ble Commission during the public hearings on ARR and tariff proposals of the DISCOMs.

18. I request the Hon'ble Commission to permit me to make further submissions during public hearings on the subject issues, and after receiving responses of the licensees to our submissions.

Thanking you,

Yours sincerely,

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