

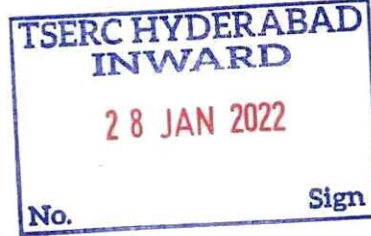


Penna Cement Industries Limited

PCIL/TRANSCO/027/2021-22

28th January, 2022

To
The Secretary,
TSERC, Red Hills,
Hyderabad.
Email: secy@tserc.gov.in



Respected Sir,

Sub: Penna Cement Industries Limited – Objections/Comments/Suggestions in the matter of TS DISCOM's filing of ARR & determination of Grid support charges for parallel operation of Captive power plants for FY 2022-23 – Submissions Furnished-Reg.

Ref: TSERC Press Release dated: 29-12-2021, Filing of ARR for Retail Supply Business for FY 2022-23.

With reference to above your press release dated 29-12-2021, we herewith furnished our objections/suggestions in the matter of filing ARR for retail tariff & determination of grid supporting charges for Captive power plants for FY 2022-23.

We request to please consider our enclosed objections/ suggestions for determination Tariff for FY 2022-23.

Thanking you,

Yours faithfully,
for PENNA CEMENT INDUSTRIES LIMITED,

V Manikanth
General Manager – Projects

Encl: Annexure (Objections/suggestions of Penna Cement Industries Limited)

Annexure:

(A) Proposed New Tariff for HT Consumers

The Telangana Discoms have proposed a significant hike in the tariff of all categories (except agriculture). We, object that the State Government is free to provide subsidised or free power to any class of consumers. However, it should provide full and commensurate subsidy in such cases and there is no occasion to subsidise the cost of supplying free power / subsidised power by imposing the burden on the industrial consumers through cross subsidy. The Objector submits that the proposed tariff hike increases the Cross-subsidy % beyond the permissible range of $\pm 20\%$ as per the Tariff Policy, 2016.

The Discoms have proposed an average hike of 20% for the HT consumers which will have drastic impact on the industrial activities in the state and also due to covid-19 pandemic situation all the industries are in difficult condition. Hence, we request to Hon'ble Commission not to hike the Tariff.

(B) Computation of depreciation in accordance with CERC (Terms and Conditions of Tariff) Regulations, 2019.

We request to Hon'ble Commission, ensure the DISCOM's to follow the computations Depreciation for each year of 4th control period in accordance with the CREC Tariff Regulations, 2019.

(C) New Time of Day (ToD) Tariff

The Petitioner has proposed to reduce the ToD incentive for off-peak hours (10 PM to 6 AM) from Rs.1/unit to Rs.0.50/unit for the applicable categories viz., HT-I Industrial, HT-II Others, HT-III Railways, Bus Stations & Airports and HT-IX EV Charging Stations. However, the Peak hours' charges are the same i.e. Rs. 1/unit. This translates into additional 5% hike in off-peak energy charges for HT consumers besides the proposed Tariff hike.

ToD mechanism shall be on demand side management and not to consider as Tariff hike. We request to Hon'ble commission not change the ToD Tariff structure.



(D) Submission of Objections in the matter of TS DISCOM's proposal for determination of grid support charges for parallel operation of CPPs for FY 2022-23.

We, Penna Cement Industries Limited, owning Captive Power Plant located at Ganeshpahad, Damarcherla, Nalgonda dist. is submitting our objections concern about the proposal of levy of Grid Support Charges by TS DISCOMS.

Before going to the discussion of objections, it may please be noted that, before determination of GSC, The Hon'ble Chhattisgarh State Electricity Regulatory Commission (CSERC) has assigned this responsibility to an independent third party M/s. Electrical Research & Development Association (ERDA) to study various system data and system parameters of representative selected CPPs. Accordingly ERDA has measured various system parameters like harmonics, unbalance current, plant load factor, load cycle, fault level calculations etc by measurement on selected CPPs and relevant substation and finally ERDA has suggested working out the parallel operation charges on sound technical basis taking into consideration advantages and disadvantages to both CPPs & CSEB and submitted its recommendation to CSERC. Accordingly CSERC has determined Grid support charges Rs.21/KVA/Month vide Order dated 31.12.2008.

We request the Hon'ble Commission to engage a similar independent reputed third party to conduct a thorough analysis of system study and technical issues concerning power load throwbacks by CPPS/consuming industries, power harmonics in parallel operation of CPPs, size of the CPPs and judiciously arrive at a reasonable charge as has been followed by other state utilities to arrive of the grid support charges/parallel operation charges. TS DISCOMS also should pursue this best practice to obtain an arm's length analysis and fair rates for all constituents.

Our objections on Proposed Grid Support Charges:

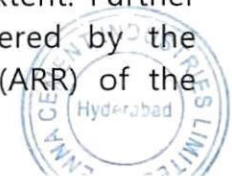
1. The proposed grid support charges are not only arbitrary but also suffer from legal infirmity. There is no provision in Electricity Act, 2003 or in any Regulation of TSERC to determine Grid Support Charges or Parallel Operation Charges. The provision in Para 5.2.26 of National Electricity Policy 2005 notified by Govt of India which lay emphasis on grid connectivity of captive generators which is reproduced below:"

"Under the Act, captive generators have access to licensees and would get access to consumers who are allowed open access. Grid inter-connection for captive generators shall be facilitated as per Section 30 of the Act. This



should be done on priority basis to enable captive generation to become available as distributed generation along with the grid."

2. It is further submitted that as per the Electricity Act 2003, the usage or grid support of the transmission or distribution network is possible only by way of open access as provided under Sections 39 and 42 of the above Act. As per the said provisions, the transmission and distribution licensee is only mandated to levy transmission/wheeling charges upon the Captive users, or any other open access consumers. It is further submitted that in the event of the CPPs sources power for their captive user industries by laying down their own dedicated transmission lines, as per mitted under Section 9 of Electricity Act 2003, then even the aforesaid charges con not be levied.
3. The Transmission system of the Transco/Discom should be so designed that it should take care of fluctuating load of the consumer as it is the duty of the transmission licensee under Section 40 of Electricity Act, 2003. Moreover variation of load of a consumer having CPP is much less than a consumer without CPP.
4. The unbalanced voltage of the grid is a source of negative phase sequence current which is absorbed by the generators of CPP.
5. Fault level depends upon the generation capacity connected to the grid. Since the CPPs constitute 50% of the generation capacity connected to the grid they are supposed to contribute to the increase fault level of the grid. The parallel operation of CPPs with the grid is highly beneficial otherwise during a fault the grid voltage would have collapsed.
6. As per Regulations of Supply Code, Industries having CPPs can draw emergency power up to the capacity of largest generating unit by paying required tariff. Therefore, it is not a support of the grid as claimed by the Petitioner. CPP's drawl of power is limited to "start-up power" when there is total loss of generation of the CPP. The drawl of power for production purposes, is limited to the CMD as per the Power Supply Agreement with the DISCOM. Otherwise penalty is attracted. Overdrawl is prevented by proper setting of the relay at the Grid Sub-station. Due to injection of power by CPPs the load on the transformers in the grid reduces resulting in less transformer loss."
7. The CPP are acting as distributed generator at the load center for which the transmission and distribution loss has been reduced to great extent. Further since all the cost of the transmission utility is being covered by the Commission while approval of Annual Revenue Requirement (ARR) of the



utility there is no scope of levying such additional charges on the consumers. On the contrary to the claim of DISCOMS that the CPPs which are connected with the grid are getting benefits, we are facing lot of problems due to irregularities of grid operation by TRANSCO.

8. Transco being the State Transmission Utility (STU) has the responsibility to maintain the network system of the state as per Sec.39 and 40 of Electricity Act, 2003. As per Regulation Grid Code, all the users or prospective users of STU are to be treated equal. Further Section 9 of Electricity Act, 2003 does not difference between CPP and IPP as far as grid connectivity is concerned and hence both should be treated equitably from the viewpoint of grid connectivity and support. Moreover industries owning arc furnaces and rolling mills but without CPPs creates much bigger problems and create pollutions in the state grid as compared to an industry having a CPP. The fluctuation in the load, generation of odd harmonics is technically issues which are common for industries with CPPs and without CPPs.
9. Just as in the case of APERC Original proposal when GSC was proposed at 50% of the then applicable Demand Charge of Rs. 170 per KVA during the year 2002, the current proposal of 50% of the Demand Charge of Rs. 475 per KVA per month is also not supported by any data proving that the grid suffered to this extent in providing parallel operations to CPPs.
10. CPPs involve heavy capital investments and are necessitated to provide fillip to the main consumption industry utilizing captive power at reasonable rate as opposed to fluctuating and ever-increasing grid tariff.
11. The proposed levy of GSC aims to stifle the consuming industries by this arbitrary levy, which in turn erodes the viability of the principal industry to a point that it must perforce cease operations.
12. The CPPs who are predominantly coal-fired, are already subjected to substantial increases in coal cost being supplied by the State mining companies and have no window to absorb such high levies such as the proposed GSC.
13. CPPs have repeatedly expressed their willingness to provide additional protections in their facilities as desired by the grid to see that no untoward load throwbacks or fault currents or reactive power surges happen.
14. The prevailing parallel operation charge which is equivalent to the proposed GSC in other States is as follows:



Name of the State	Grid Support Charges Rs/KVA/Month
Madhya Pradesh	Rs.20/KVA/Month
RERC	Rs.20/KvA/Month
Gujarat	Rs.26/KVA/Month
Tamilnadu	Rs.30/KVA/Month
J&K	Rs.16/- per kVA per month on the installed capacity of the CPP
Odisha	Nil
West Bengal	Nil
Kerala	Nil
Karnataka	Nil

The above utilities have proposed these rates after third party analysis.

From the above table it can be seen that the parallel operation charge or GSC in other States has been worked out based on clear parameters of the costs incurred by the Grid and so are considered reasonable as against the proposed levy of 50% of the Demand Charge of Rs. 475 per KVA per month, proposed by TS Discoms. The proposed levy has no basis and is grossly excessive, arbitrary, and so requires be reducing substantially and validating by an independent third-party analysis. What is the basis and methodology adopted while arriving GSC 50% of demand charges.

15. Most of the CPPs installed capacities are much higher when compared to their captive load. When the installed capacity / operating capacity of captive load is much lower than installed Capacity of Power plant, it is very unfair to impose GSC based on the installed capacity of CPP. The proposed grid support charges computation as "difference between the capacity of CPP in kVA and the contracted Maximum Demand in kVA with Licensee and all other sources of supply, at a rate equal to 50% of the prevailing demand charge for HT Consumers. In case of CPPs exporting firm power to TSTRANSCO, the capacity, which is dedicated to such export, will also be additionally subtracted from the CPP capacity".

We request to Hon'ble commission to consider the Captive Demand instead of difference between installed capacity of CPP and CMD of CPP.

16. The proposed levy of GSC at such a high rate will be a death knell for large process industries which depend upon captive power at reasonable cost. The proposed GSC will hit at the core viability of the principal industry resulting in closure of operations and in loss of direct and indirect employment aside from loss of revenue to the exchequer.

17. We object the proposed levy on Captive Power Plants (CPPs) *inter alia* alleging that the levy was devoid of merits, excessive; that there was no evidence of actual



forbearance / costs /damages on the part of the grid on account of CPPs running parallel operation and if at all, it was only for export of surplus power from CPPs. We also claim that we have adequate protections against any power load throwback within the permitted time intervals under the grid code and accordingly refuted the claim of TS DISCOMS as being without merits.

We wish to bring to your notice that, our captive power plant is located in Nalgonda dist and we are paying O & M charges for operation & maintenance of 132 KV SS, Ganeshpahad since commencement of power plant along with line & bay maintenance charges.

Further, we also communicate to you we are supplying the captive power to our cement plant through open access by remitting the Transmission charges. As discussed above points, the transmission charges are based on Tariff order approved by Hon'ble Commission time to time. The transmission tariff is inclusive of total O & M expenses.

In view of the above, we prays the Hon'ble Commission be graciously pleased to reject the Application/proposal of TS DISCOMS for levy of Grid Support Charges considering the above charges towards O & M charges for operation of Switching station and O & M expense.

We further pray the Hon'ble commission kindly evaluate the actual expenses apart above O & M expenses of grid for captive power plants. it is requested that the TS DISCOMS be directed;

- a) To engage an independent reputed third party to conduct a thorough analysis of system study and technical issues concerning.
- b) Power load throwbacks by CPPS/consuming industries, power harmonics in parallel operation of CPPs, size of the CPPs and judiciously arrive at a reasonable charge as has been done by other state Commissions/governments.
- c) It is pertinent that most of other utilities followed the practice of independent third-party analysis to arrive of the grid support charges/parallel operation charges. TS DISCOMS also should pursue this best practice to obtain an arm's length analysis and fair rates for all constituents.

