

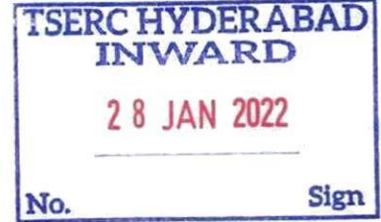


Ref No. IEX/RA/114/21-22

Date: 24th Jan. 2022

To,

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



Sub: Comments/ Suggestions on Determination of the Aggregate Revenue Requirement (ARR) for Retail Supply Business for FY 2022-23 by the Telangana Distribution Licensees- Southern Power Distribution Company of Telangana Ltd (TSSPDCL) and Northern Power Distribution Company of Telangana Ltd (TSNPDCCL)

Dear Sir,

With reference to public notice inviting comments of the stakeholders on the Tariff Petition filed by Telangana Discoms before Hon'ble Telangana State Electricity Regulatory Commission (TSERC) for determination of Aggregate Revenue Requirement (ARR) for Retail Supply Business for FY 2022-23, we enclose herewith our comments on the subject Tariff Petition of Telangana Discoms.

The Hon'ble Commission is requested to consider our views while computing the Aggregate Revenue Requirement and Tariff Structure.

Yours Sincerely,

Jogendra Behera

Vice President- Market Design & Economics

Email: iex-ra@iexindia.com

Copy to:

1. The Chief General Manager (RAC), Southern Power Distribution Company of Telangana Ltd (TSSPDCL), Corporate Office, A Block, First Floor, Mint Compound, Hyderabad- 500063
2. The Chief General Manager (IPC & RAC), Northern Power Distribution Company of Telangana Ltd (TSNPDCCL), H.No. 2-5-31/2, Vidyuth Bhavan, Nakkalagutta, Hanumakonda- 506001

1. The Distribution Licensees of the state of Telangana viz. Southern Power Distribution Company of Telangana Ltd (TSSPDCL) and Northern Power Distribution Company of Telangana Ltd (TSNPDCL) (hereinafter referred to as 'TSSPDCL and TSNPDCL' or collectively as 'Licensees' or 'Petitioners' or 'Discoms') have filed the present Petitions before the Hon'ble Telangana State Electricity Regulatory Commission (hereinafter referred to as 'Hon'ble Commission') for determination of Annual Revenue Requirement for FY 2022-23 in accordance with the provisions of TSERC Tariff Regulations.
2. IEX is submitting its views and observations on the Tariff Petition filed by the Discoms in subsequent paragraphs.

I. Computation of CSS

A. Computation of ABR

- i. TSSPDCL has computed CSS as the difference between the tariff (ABR) applicable to the relevant category of consumers and the cost of the distribution licensee to supply electricity to the applicable class of consumers.
- ii. On working out the category wise ABR based on category wise sales and revenue as provided by TSSPDCL, it is observed that a higher ABR has been considered in the Petition for HT industry- 132 KV category for the computation of CSS. The table below provides comparison of ABR proposed by TSSPDCL for FY 2022-23 against ABR worked out based on the details provided in the Petition.

Table: 1- Comparison of ABR and Energy Sales

HT-I Industrial Category	ABR proposed in the Petition (Rs./unit)	Revenue (Rs. Cr) [a]	Sales (MUs) [b]	Computed ABR (Rs./unit) [a/b*10]
11 KV	9.54	4207.27	4409	9.54
33 KV	8.51	4869.04	5721	8.51
132 KV	7.74	2480.19	3535	7.02

- iii. A higher ABR would result in disproportionately higher burden of CSS on the industries. Thus, the Hon'ble Commission is requested to assess the ABR while computing the CSS.

B. Non-Consideration of Transmission Charges and Losses

- i. The Petitioner in the present proposal has intended to compute Cross subsidy Surcharge (CSS) as per the methodology stated in the National Tariff Policy, 2016. The Petitioner has submitted the following in respect of computation of CSS:

“3 Cross Subsidy Surcharge Proposals

3.1 Legal and Policy position– Cross Subsidy Surcharge

.....

The licensee has computed the Cross Subsidy Surcharge as per clause 8.5 of the National Tariff Policy notified on 28th January 2016.

CSS is computed as the difference between the tariff applicable to the relevant category of consumers and the cost of the distribution licensee to supply electricity to the consumers of the applicable class.

*In case of a consumer opting for open access, the distribution licensee needs to be compensated on introduction of competition through open access. **Accordingly, the cost of supply to the consumer for this purpose may be computed as the aggregate of***

a) Per unit weighted average cost of power purchase including meeting the Renewable Purchase Obligation;

b) Transmission and distribution losses applicable to the relevant voltage level;

c) Transmission, distribution and wheeling charges up to the relevant voltage level;

d) Per unit cost of carrying regulatory assets, if applicable.

Surcharge formula (as per NTP, 2016):

Where,

S - is the surcharge

T - is the tariff payable by the relevant category of consumers including reflecting the Renewable Purchase Obligation;

C - is the per unit weighted average cost of power purchase of by the Licensee, including meeting the Renewable Purchase Obligation;

*D - is the **aggregate of transmission, distribution and wheeling charge** applicable to the relevant voltage level;*

*L - is the **aggregate of transmission, distribution and commercial losses** expressed as a percentage applicable to the relevant voltage level;*

R - is per unit cost of carrying regulatory assets.

....

The licensee would like to file a proposal for determination of cross-subsidy surcharge for Open Access transactions along with this tariff filing duly adopting the methodology stated in the National Tariff Policy, 2016 for determination of the cross-subsidy surcharge."

(Emphasis Added)

- ii. Though the Petitioner has intended to follow the methodology defined in the National Tariff Policy, 2016, it has not considered the transmission charges and losses while computing the cost of supply of the consumer as mentioned in the Petition (highlighted above).
- iii. In view of the above, the Hon'ble Commission is requested to assess the claim of the Petitioner w.r.t the computation of CSS, so as to determine CSS in line the National Tariff Policy, 2016.

II. Short term procurement/sale through IEX

A. Introduction of long duration contracts at the IEX

- i. The Government of India alluded to the imminent growth of short term market in the draft National Electricity Policy document issued in 2021. Several measures have been taken to achieve such objectives and a key among them is the resolution on introduction of long duration contracts at the power exchanges.
- ii. While hitherto, the short term procurement beyond 11 days of contract could be done by the Discoms through the trader/DEEP only, we submit that IEX is in the process of introducing longer duration contracts for delivery of power beyond 11 days at the exchange platform. These contracts will ensure delivery of non-conventional and conventional power beyond 11 days of trade for upto 1 year. As on date, the approval is pending before the Hon'ble CERC.

- iii. In view of the above, we request the Hon'ble Commission to consider and approve all the available options in the short term market for optimising power purchase costs as well as to meet the deficit requirements of the Discoms.

B. Renewable Energy from Power Exchange

- i. The Distribution Licensees now have the option to either fulfil their RPO obligations by procuring RE power or sell surplus RE power in the short term market through Green-DAM and Green-TAM products available at IEX platform.
- ii. Green Day Ahead Market (GDAM) was introduced during FY 22 at IEX platform w.e.f. 26.10.2021 wherein Solar and Non-Solar renewable energy is being transacted. The buyers of this market will get Solar and Non-Solar RPO credit on the basis of proportion of the solar and non-solar bids of the sellers cleared in the total volume of the RE market. GTAM market was introduced in August 2020, wherein Solar and Non-Solar renewable energy is being transacted in intra-day, Day Ahead contingency, Daily and Weekly Contracts.
- iii. Presently GDAM segment has around 26 sellers and 40+ buyers participating in this market segment. GDAM and GTAM provide alternate market-based route to the RE generators to sell their green power and for the buyers to fulfil their RPO at competitive price with flexibility of entry and exit in the market.
- iv. The Discoms can make use of these market segments either to dispose their surplus RE or fulfil its RPPO target.

III. Facilitation Charges for Open Access Charges

- A. The Petitioner has proposed to introduce "Facilitation Charges" of Rs. 20,000/- per month or part thereof (at a rate of 5% increment every year) for providing open access and to meet the cost being incurred by the Licensee in providing the Open Access facility to the Open Access users.
- B. As per the Electricity Act 2003 and the open access regulations of the Hon'ble Commission, the distribution licensee is mandated to provide non-discriminatory open access to its network to the consumers on payment of the prescribed charges to the distribution licensee. The licensee is also ensured with the recovery of its entire wheeling cost in the ARR approved by the Hon'ble Commission, that includes the employee, administrative expenses etc., incurred towards providing the wheeling services to consumers.
- C. Further, the embedded open access consumers of the Licensee pay monthly fixed charges as per their contract demand and in accordance with the Hon'ble Commission's Tariff Order.
- D. Thus, the existing charges for granting open access, levied as per the open access regulations of the state, clearly take into account the efforts put in by the area Distribution licensee and may not need to be supplemented with additional charges as claimed by the Petitioner.

We accordingly request the claim to be rejected by the Hon'ble Commission.