



Penna Cement Industries Limited.

PCIL/TRANSCO/15/2022-23

09th August, 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 determination of Additional surcharge to be levied on Open Access Consumers/users for H2 of FY 2022-23 – Submissions Furnished-Reg.

Ref: TSERC Public Noitce dated: 18-07-2022

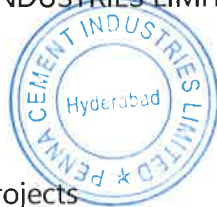
With reference to above your public notice dated 18-07-2022, we herewith furnished our objections/suggestions in the matter of determination of additional surcharge to be levied for open access users for H2 of FY 2022-23.

We request to please consider our enclosed objections/ suggestions for determination additional surcharge for H2 Of 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: Comments on additional surcharge for open access users for H2 of FY 2022-23.

1. No Link in Additional Surcharge & Open Access Volume:

- 1.1 The National Tariff Policy, 2016 emphasizes upon the objective of promoting open access while ensuring that charges and conditions levied for such open access do not make it un-competitive. The relevant clauses of the Tariff Policy, are extracted as under:

“8.5 Cross-subsidy surcharge and additional surcharge for open access

8.5.1 National Electricity Policy lays down that the amount of cross-subsidy surcharge and the additional surcharge to be levied from consumers who are permitted open access should not be so onerous that it eliminates competition which is intended to be fostered in generation and supply of power directly to the consumers through open access.

.....
8.5.4 The additional surcharge for obligation to supply as per section 42(4) of the Act should become applicable only if it is conclusively demonstrated that the obligation of a licensee, in terms of existing power purchase commitments, has been and continues to be stranded, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract. The fixed costs related to network assets would be recovered through wheeling charges.”

- 1.2 The above highlighted section of the National Tariff Policy that additional surcharge is applicable only when the existing power purchase commitments has been and continues to be stranded due to open access. It is understood here that any increase or decrease in the open access volume in the state will accordingly lead to increase or decrease of the Additional Surcharge. The graph below shows the open access volume in the past years (as submitted by Discom) and additional surcharge approved by the Hon’ble Commission.
- 1.3 It can be observed additional surcharge for H2 of FY 21-22 is 0.96 & H1 of FY 22-23 is 1.15. Despite of continuous decrease in open access volume in the past years the additional surcharge is continuously increasing, which is contradictory to the National Tariff Policy and definitely not in the interest of State Consumers.

2. Levy of Distribution charges for the whole System

2.1 Discom in the present petition has considered the per unit Distribution charges at Rs. 1.05/ unit which is for the whole Distribution Network including cost associated with LT network which is not being utilized by the Industrial or OA Consumers.

2.2 The concerned issue is not new to the Hon’ble Commission and was also raised in the previous Additional Surcharge petition, wherein the Hon’ble Commission denied the objection stating that the Distribution Charges are being considered as per the methodology approved vide Telangana State Electricity Regulatory Commission order dated 18.09.2020.



2.3 However, the past order of ASC for H1 FY 2022-23, no rationale was provided for levy of charges associated with LT network as a part of Additional Surcharge to be paid by the HT consumers.

2.4 It seems that the Hon'ble Commission has allowed the Discom to recover charges associated with LT network twice firstly from existing LT consumers through tariff and from HT consumers by way of Additional Surcharge.

2.5 Owing to above incorrect consideration of wheeling charges for the system as a whole, we re-submit our objection on the matter as mentioned above for the kind reference of the Hon'ble Commission

2.5.1 ARR and Wheeling Tariffs for Distribution Business for FY 2019-20 to FY 2023-2024; Tariff Order dated ___ : The Hon'ble Commission in the Wheeling Tariff Order has computed voltage wise wheeling charges for LT category, 11 kV category and 33 kV category, wherein due to the eligibility criteria of the Open Access Consumers they are only connected at 11 kV and above. The distribution cost for 11 kV consumer is merely 30% of total distribution cost (claimed by Discom) based on the voltage wise cost approved by the Hon'ble Commission vide Order dated 29.04.2020 in terms of ARR determination for the wheeling business for 4th Control period (FY 19-20 to FY 23-24).

2.7 The Discom in the present petition has claimed Distribution Charges @Rs. 1.05/ unit for computation of Additional Surcharge, which is for Distribution Network as a whole without bifurcation among LT, 11 kV and 33 kV category. The Hon'ble Commission by allowing such methodology is approving Additional Surcharge contradictory its own Tariff Orders.

2.8 We also submit that as per regulation 8 of the Terms and Conditions of Open Access to Intra-State Transmission and Distribution Regulation 2005, the Hon'ble Commission has allowed open access to consumers with contracted capacity more than 1 MW. Therefore, consumers availing Open Access are utilizing the facility of Open Access are connected to HT/EHT network only.

2.9 Thus, the OA consumers could not have incurred the said distribution cost @Rs. 1.05/unit claimed by the Discom or distribution cost @Rs. 0.87/ unit as approved by the Hon'ble Commission in the previous Order No. 61 and 62 of 2021 dated 22.03.2022 even if they had utilised the Discom Network (HT network).

2.10 It is therefore submitted that consideration of payable distribution charges @Rs. 1.08/unit is resulting in loading the LT system cost on OA consumers and burdening them disproportionately against the Tariff Order issued by the Hon'ble Commission. The said charges as per the ARR Order dated 29.04.2020 would be around **Rs. 0.36/unit or the actual cost incurred by them for HT>11 kV consumers.**



3. Open Access Charges more than the Average Cost of Supply

- a. The Discom in the present Petition has proposed Additional Surcharge @Rs. 6.81/unit.
- b. The Hon'ble Commission in Annexure 10 of the Retail Supply Tariff Order for FY 2022-23 dated 30.03.2022 has determined Cost of Supply for each category. It is observed from the Tariff Order that the Cost of Supply approved by the Hon'ble Commission for HT (Industrial Category) 33 kV and 132 kV is far less than the Additional Surcharge recovery proposed by the Discom.
- c. It seems that the Discom by way of such proposal is making mockery of the procedure approved by the Hon'ble Commission for computation of Additional Surcharge. Further, **the total of Additional Surcharge (proposed), CSS and wheeling charges (approved vide Tariff order for FY 2022-24) is coming out to be more than the Cost of Supply of all the HT categories.**
- d. The table below shows a comparison of Average Cost of Supply approved by the Hon'ble Commission vis-à-vis the Open Access Charges for all the HT categories eligible for OA.

In Rs./ unit	ACoS	CSS	Wheeling Charges*	Additional Surcharges	Total Charges
HT Industry		(i)	(ii)	(iii)	(iv)=(i)+(ii)+(iii)
11 kV	7.90	1.97	0.51	6.81	9.29
33 kV	5.77	1.74	0.06	6.81	8.61
132 kV	5.05	1.70	0.00	6.81	8.51

* Wheeling Charges determined at 85% Load Factor.
Charges considered for TSSPDCL

- e. From the above table it is clear that by making the present proposal, the Discom is displaying its apathy towards the consumers, and exhibiting a mockery of the entire process. It is also against the right to open access to a consumer rather this will encourage Discom to over recover revenue from Open Access Consumers.
- f. Further, it is necessary to mention here that the Additional Surcharge Proposal of the Discom is more than 150% of the weighted average Power Purchase Cost approved by the Hon'ble Commission vide Tariff order for FY 2022-23 dated 23.03.2022.

Rs./ unit	TSSPDCL	TSNPDCL	Additional Surcharges (Proposed)
Wtd Avg Power Purchase Cost	4.50	4.46	6.81

- g. The Hon'ble Commission is requested to take necessary steps to allow such proposals which are rationale in nature and does not allow Discoms to make mockery of the processes by way of such petitions.



4. POC ISTS transmission Charges should not be considered for reducing demand charges paid by OA consumers:

- a. TSSPDCL has, for the computation of per unit transmission charges, considered the inter-state, intra-state transmission charges and SLDC charges. The said claims are based on the past Additional Surcharge Orders of the Hon'ble Commission, wherein the Hon'ble Commission has also included both the inter and intra-state transmission charges in the stranded cost while working out the ASC for corresponding periods.
- b. As against the above, **in its order dated 27.03.2018 for determination of ASC for FY 2018-19, the Hon'ble Commission considered only the intra-state transmission charge for computing per unit transmission charge** which we believe was the correct approach owing to the following reasons:
 - i. Inter-state transmission cost is on account of the transmission charges being paid by the Discom for long/medium term access to the ISTS system. Such charges to be paid by the Discom are notified by NLDC.
 - ii. **Any consumer availing open access to the ISTS system also pays its ISTS cost for the power procured through open access, the benefit of which accrues to the state in reduction of their POC charges.**

This reduction is due to the following clause 11 (3) of the CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020-

"11. Transmission charges for Short Term Open Access

.....

(3) Transmission charges for Short Term Open Access paid by an embedded intra-State entity during a month shall be reimbursed in the following billing month to the State in which such entity is located."

- iii. It is in view of the above that inclusion of ISTS charges again for computation of Additional Surcharge as claimed by the Petitioner, will lead to double levy of the same charge on open access consumers.
 - iv. The submission of the Discom that said benefit is passed in ARR to consumers is not justifiable since the impact of double levy of ISTS charges would already make OA unviable for consumers.
- c. Thus, we request the Hon'ble Commission to re-consider its view on allowing inclusion of ISTS charges in the ASC.

5. Mechanism of Determination of Fixed Cost of Power Purchase

- a. The Discom in the ASC Petition has proposed the fixed charges paid at Rs. 6063.77 Cr for long term available capacity of 8546.53 MW arriving at Rs. 0.71 Cr/ MW for second



half of FY 2021-22. The Hon'ble Commission in the Order No. for O. P. No. 61 & 62 of 2021 for determination of Additional Surcharge dated 22.03.2022 has approved the fixed charges paid at Rs. 6004.53 Cr for long term available capacity of 9227.98 MW arriving at Rs. 0.65 Cr/ MW for first half of FY 2021-22.

- b. We have observed huge increase in fixed cost from H1 of FY 2021-22 to H2 of FY 2021-22 with decrease in the total available capacity. Further, the Discoms have proposed Interest on Pension bonds of Rs. 805 Cr in H2 of FY 2021-22 whereas the Hon'ble Commission approved Interest on Pension bonds of Rs. 342 Cr which is an increase of more than 200% in the Interest on Pension Bonds.
- c. As per the GOI PRAAPTI Portal total power procurement dues of Telangana Discom has increased from Rs. 12914 Cr at the start of Oct 2021 to Rs. 15341 Cr at the end of March 2022. Further, Telangana Discoms have paid only 6% of the amount against the current dues. The table below shows the monthly billed amount and amount paid by the Discom for power procurement as per PRAAPTI Portal.

	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Amount Billed to Discom	1212.1	1830.45	1281.94	1414.26	1509.87	1266.84
Amount Paid By Discom Against Current Dues	107	103	97	28	64	146

- d. It can be observed from the above table that the Discom is collecting the electricity tariff and additional surcharge for payment of power purchase bills however, but it is not clearing the present dues.
- e. The Hon'ble Commission may review the approach and consider **the actual fixed charges paid for that period** while computing the Additional Surcharge. The Hon'ble Commission is also requested to direct the Discom to provide breakup of fixed charges components considered so as to confirm that no charge on account of delayed payment surcharge or change in law or any other non-fixed cost is considered.

6. Demand charges recovered by DISCOM from Open Access consumers

- a. The Discom in the ASC Petition has estimated recovery of Rs. 179.85 Cr as demand charges from OA consumers against 1993.20 MUs of Energy consumed by open access consumers from Discoms in H2 of FY 2021-22, which comes out to be Rs. 0.90/unit. The Hon'ble Commission in the Order No. for O. P. No. 61 & 62 of 2021 for determination of Additional Surcharge dated 22.03.2022 approved estimated recovery of Rs. 186.90 Cr as demand charges from OA consumers against 1785.41 MUs of Energy consumed by open access consumers from Discoms in H2 of FY 2021-22, which comes out to be Rs. 1.04/unit.



- b. Despite of the fact that there was no change in the Tariff for FY 2021-22 the Discom has estimated reduced fixed cost recovery from the OA consumers leading to increase in Additional Surcharge.
- c. From the past Additional Surcharge Orders of the Hon'ble Commission it can be observed that the estimated fixed cost recovery of the Discom is shown to be continuously decreasing leading to increase in Additional Surcharge. The table below shows the estimated fixed cost recovery and per unit of fixed cost as approved by the Hon'ble Commission in the past Additional Surcharge orders.

	ASC Order FY 17-18	ASC Order FY 18-19	ASC Order H2 FY 21-22	ASC Order H1 FY 22-23	ASC Petition H2 FY 22-23
Order dated	13.12.17	27.03.18	24.12.21	22.03.22	
Energy consumed by OA consumers from DISCOM (MU)	1209.78	1448.97	1590.8	1785.407	1993.203
Demand charges recovered by DISCOM from OA consumers (Rs. Cr)	234.54	223.22	185.6	186.8991	179.9504
Per unit Charges recovered from OA Consumers (Rs./ unit)	1.94	1.54	1.16	1.04	0.90
Change in Tariff	No change in Tariff				

- d. The above data needs to be verified by the Commission to avoid loading on any inefficiency of the Discom on consumers by way of Additional Surcharge.
- e. Thus, we request the Hon'ble Commission to re-consider its view on allowing levy of expenses on account of Discom inefficiency for computation of ASC.
- f. Further, we request to re-examine the formula for Additional surcharge to rationalize the same in accordance with Electricity Act of bringing down of the cross subsidy & additional surcharges to NIL over a period of time.

