

NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED



**REPLIES TO
THE OBJECTIONS / SUGGESTIONS RAISED ON ADDITIONAL
SURCHARGE TO BE LEVIED ON OPEN ACCESS CONSUMERS FOR
THE FY 2017-18**

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Replies to the Objections / Suggestions raised on Additional Surcharge to be levied on Open Access consumers for the FY 2017-18 by

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	<p>1. Telangana Solar Open Access Developers Association, # 8-3-224/4/A, Pt.no. 11&12, Sy no.01, room no.412 madhura nagar, Yousufguda,Hyderabad-5000038.</p> <p>2. Arhyama Solar Power Pvt. Ltd, Margi Building, Room No. 201 & 202, 8-3-224/4/A/11&12,F/4,Yousufguda Main Road, Madhuranagar, Hyderabad-5000038.</p> <p>3. Peritus Corporation Private Ltd, 601,Cyber Heights, Plot # 13, Road No. 2, Banjara Hills, Hyderabad – 5000034.</p> <p>4. Sarvotham Care, # 1-20248,Umajay Complex, Rasoolpura, Secunderabad – 500003.</p> <p>5. Fusion Solar Farms Pvt. Ltd, Plot No.606, Jubilee Hills, Road No.33, Hyderabad – 5000033.</p> <p>6. P.Madhava Rao(Director/Projects), Yantra Greenpower.</p> <p>7. Sri Suryanarayana Swamy Solar Power Pvt. Ltd, Flat.No. 1-110/1,Jayalaxmi Trader, Azad Nagar, Kodad-508206, Suryapet Dist.</p> <p>8. Tropical Flavours (P) Ltd, Kandukur P.O., Sri Sailam Road, Ranga Reddy Dist. -501359.</p> <p>9. Value Labs LLP, Plot # 41, HITEC City, Phase-II, Madhapur Road, Hyderabad – 500081.</p>	
i.	<p>As per the National Tariff Policy 2016:</p> <p>“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”</p> <p>Insofar as electricity generated from renewable sources of energy is concerned, the provisions of the act contained in the preamble, section 61(h), and 81(1)(e) requiring promotion of such sources of</p>	<p>The licensee has an obligation to provide uninterrupted reliable power supply to all the consumers in its area of supply. As a part of its universal obligation, the licensee to meet the increasing demand, has tied up with Power generators to remove demand-supply gaps.</p> <p>The licensee projects the demand requirement based on the past growth in the respective categories and make arrangements for procurement of power from the generators including renewable sources in advance.</p> <p>While contracting energy through such long term PPAs, the tariff payable to the generators usually consists of two part i.e. capacity charges and energy charges. Therefore the Discom has to bear the fixed cost even when there is no offtake of energy through such source.</p> <p>Another major concern of the Discoms is that the tariff design is not reflecting the actual break-up of fixed and variable components of cost structure. This led to under-recovery of fixed cost commitment from the Demand charges payable by the Consumers</p>

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	<p>energy has to be given due consideration. There has to be special consideration shown by way of exemption of Additional Surcharge in respect of such energy; instead of un due timeline extension being granted to developers having Power Purchase Agreement (PPA) with utilities.</p> <p>It should be noted that as per NTP 2016, the licensees should conclusively demonstrate the assets are stranded because of Open Access Consumption and there should be an unavoidable obligation and incidence to bear fixed costs.</p>	<p>Thus in a power surplus scenario, any deviation in actual demand from the projected demand will have a significant financial impact to the Discoms as there will be fixed charge commitment payable to the generators despite non drawl of energy from such sources.</p> <p>It can be seen from the past financial year 2015-16, the industrial sales has been reduced than anticipated by 1460 MU of which 900 MU (60%) attributable to Open access sales and in FY 2016-17 the total open access sales is around 89% of quantum of sales diminished from approved sales.</p> <p>Hence if a consumer opts for open access during a financial year, the tied up resources with power purchase generators will get stranded to that extent as the Power generation has to be forcibly backed down to counteract unanticipated fall in demand.</p> <p>Hence there is a conclusive evidence to show that the assets are getting stranded due to consumers opting from open access and there is unavoidable incidence to bear fixed costs.</p>
ii.	<p>The generation assets getting stranded for the licensees is due to improper planning of the licensees or may be power purchase on power exchanges by consumers and not any way related to the consumers consuming power from solar developers through open access. Hence, request the Hon'ble Commission to not impose additional surcharge for all solar open access transactions.</p>	<p>The licensee estimated the Demand considering the past and current trend evidenced in respective categories which will be moderated by the Honble Commission. This is widely accepted practices by many Power utilities and accepted by the Regulatory Commissions.</p> <p>The fixed cost commitment towards power purchase is a liability to the Discom that has to be borne by the Discom which is getting under-recovered due to consumers moving out under Open access. The financial impact to the Discoms will be same so far the consumer buys from third party viz. power exchanges or from a solar developer.</p>

**Replies to the Objections / Suggestions raised on Additional Surcharge to be levied on Open Access consumers for FY 2017-18 by
S. Surya Prakasa Rao, Former Director (Commercial), APCPDCL, and Former Secretary, erstwhile APERC, 105, Ashok Chandra Enclave, Red Hills,
Hyderabad-500 004.**

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i.	<p>The petitioners computed the stranded Fixed Costs as Rs.1125 / KVA /Month , (Rs1.95 /KVA h @ 80 % L/F) on the basis of the imaginary demand charge of Rs.1515 /KVA less the Demand Charge of Rs.390 applicable for HT- I A Industrial General category consumers as per Retail Tariff Order of 2017-18.</p> <p>Objection : At the outset it is submitted that the proposals are not in line with Sec. 42 (4) read with Clause 8.5.4 of the New tariff Policy of Jan 2016. There is no scope for any stranded costs in the “full cost tariff” regime followed by this Hon’ble Commission. Entire ARR is realized through tariff from all consumers, Subsidy of Rs.4774 Crs from GOTS and Rs. 20.18 Crs through internal efficiency improvement as specified by this Hon’ble Commission, vide para 7.6.2 of the Tariff Order of 2017-18.</p>	<p>Licensee submits that the proposal of Additional Surcharge to be levied on open access consumers is in line with Sec.42 (4) of Electricity Act, 2003 and clause 8.5.4 of NTP, 2016 as stated in the petition for Additional Surcharge.</p> <p>Further, Licensee submits that even though two-part tariff has been introduced by SERC, mismatch between the actual fixed and variable cost liability incurred by Discoms to the proportion of cost recoverable through fixed charge and energy charge still exists resulting in insufficient recovery of fixed charges leading to financial loss of the Discoms on account of stranded capacity incurred due to open access sales.</p>
ii.	<p>Licensees have stated that that they projected the energy sales for 2017-18 assuming that they could retain OA consumers.</p> <p>Objection: Licensees have not indicated the basis for this assumption. AO regulations have been in existence since 2005, and the many consumers have been opting for OA for various reasons and such OA usage should have been foreseen for 2017-18 also, unless any special incentives are offered to attract the OA users to the fold of DISCOMs. In the absence any such scheme, the assumption of retaining them is arbitrary, and the stranded costs if any, arising on that account cannot be passed on to OA consumers.</p>	<p>Licensee submits that irrespective of high degree of uncertainty in the power procurement or drawal pattern of open access consumers from Discoms and other sources of power like power exchange, is required to keep its entire generation and transmission capacity available for the consumers under universal obligation. Hence, Licensee projected the energy sales for 2017-18 assuming to retain OA consumers.</p>
iii.	<p>It is seen from the Tables in para 3.2.6 of the Retail supply tariff Order, 2017-18,</p>	<p>Under the purview of Hon’ble Commission.</p>

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	<p>that about 58,358 MU is available against the requirement of 52, 245 MU including losses on the projected energy sales of 45,125 MU, thus leaving a surplus of 6,113 MU in 2017-18.</p> <p>Suggestion: Instead of selling this surplus energy at throw away prices, it can be offered to OA consumers who consume additional energy over previous year, at the cost of supply at relevant voltage applicable for the category of consumer or at a mutually acceptable (negotiated) price, with approval of Hon'ble Commission, so that the alleged stranded Fixed Costs on account of OA users can be avoided. This step will be mutually beneficial.</p>	
iv.	<p>Sec.42(4) stipulates that "Additional Surcharge" shall be as may be specified by State Commission, to meet fixed cost arising out of Obligation to Supply. Sec.181 (2) (q) provides that State Commission may make Regulations for payment of Additional Charges u/s 42(4).</p> <p>Suggestion : Neither the erstwhile APERC, nor this Hon'ble Commission notified any Regulations so far in this regard. Framing of Regulations is necessary in the interest of regulatory certainty more so, as there is considerable ambiguity in the provisions of the Act. Hence the levy of Additional Surcharge may be deferred till the regulations are made specifying the basis and procedure for computing it.</p>	<p>Licensee humbly requests the Hon'ble Commission to notify regulations for determination of Additional Surcharge as per sec. 181(2)(q) of Electricity Act, 2003.</p>
v.	<p>Para 8.5.4 of Tariff Policy appears to be inconsistent with sub-section (4) of Sec.42 of the Act, while the said sub-section (4) itself appears to be anomalous and needs a judicial interpretation considering the following aspects:</p> <p>a. All costs including fixed costs arising out of universal obligation to supply are covered in the "full cost tariff" determined for Retail Supply to consumers. Thus the stranded fixed costs if any traceable to Obligation to Supply to the specific consumer who opts for OA may be relevant and not of the universal obligation to supply which involves many factors like load</p>	<p>The petition for determination of Additional Surcharge for Open Access Consumers by the licensee is in line with Sec. 42(4) of EA, 2003 and clause 8.5.4 of NTP, 2016. Further, the tariff designed is not reflective of the proportion of fixed and variable cost liability of the Discoms resulting in insufficient recovery of the fixed charges by the Discom leading to financial loss on account of stranded capacity incurred due to open access</p>

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	<p>forecast, power procurement planning, merit Order dispatch, etc.</p> <p>b. Therefore, It can be reasonably presumed that the legislative intent of Sec.42 (4) is to fasten this liability on such consumers, for whom dedicated capacity is created under “special agreements” entered by them committing to avail supply for long term with certain specific conditions, but not for consumers who are governed by agreements conforming to the General terms and Conditions of Supply (GTCS)</p> <p>c. The liability for additional surcharge u/s 42(4) is omitted and Sec. 181(2)(q) is being deleted in the “supply licensee regime” being introduced through the Electricity Amendment Bill of 2014/15 placed in the Parliament. This provision is substituted by a new provision as follows: <i>Sec. 42 (5): “ Notwithstanding anything contained in this section, the open access consumer shall not switch over to any other supplier except by giving the notice of minimum time period as may be specified by the Appropriate Commission.”.</i> Hon’ble Commission may consider these aspects before deciding the I.A.s filed by DISCOMs.</p>	<p>sales.</p> <p>Further, it is to mention that the licensee is bound to act in accordance with Electricity Act, 2003.</p>

**Replies to the Objections / Suggestions raised on Additional Surcharge to be levied on Open Access consumers for the FY 2017-18 by
Sri M. Venugopala Rao, Senior Journalist & Convener, Centre for Power Studies,
7-1-408 to 413, F 203, Sri Sai Darsan Residency, Balkampet Road, Ameerpet, Hyderabad – 500 016.**

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i.	<p>When the Discoms are serving all categories of consumers, including subsidised consumers, they have a social responsibility of providing cross subsidy to the subsidised consumers as decided by the Commission. When cross-subsidising consumers leave the Discoms under the arrangement of open access, the latter get deprived of revenue that accrues on account of cross subsidy. As a result, to the extent cross subsidy is lost, either the tariffs to the subsidised consumers or the subsidy to be borne by the Government will have to be increased. On the other hand, the suppliers and consumers under open access will have no obligation to provide cross subsidy, if there is no cross subsidy surcharge. In other words, it will create a situation which leads to resting social responsibility and additional burden with the Government and additional burden to subsidised consumers, on the one hand, and profits to open access suppliers and benefits to open access consumers, on the other. That is the reason why imposition of cross subsidy surcharge and additional surcharge on open access consumers is permitted in the Electricity Act, 2003.</p>	<p>Whenever any consumer opts for open access and takes intermittent supply through open access, the Discoms continue to pay fixed charges in lieu of its contracted capacity with generating stations. However Discoms are unable to sufficiently recover such fixed cost obligation from the open access consumers. As the actual fixed cost recovery is less than fixed cost commitment, the Discoms are saddled with stranded costs on account of universal obligation. Hence the licensee proposed additional surcharge from the open access consumers to recover such stranded costs.</p>
ii.	<p>Whatever principles the Commission is following in determining cross subsidy in its tariff orders, the same should be followed in determining cross subsidy surcharge and additional surcharge also. It is more so because, in normal circumstances, open access purchases would be preferred by consumers if only the cost of such purchases is less than the tariffs to be paid by them to the Discoms for same quantum of power.</p>	<p>Honble Commissions (Combined APERC and TSERC) have determined the cross subsidy surcharge from 2005-06 to 2014-15, on the basis of the methodology followed in the Tariff Orders (embedded cost) for arriving the cross subsidy. Honble APTEL in Appeal nos. 169 to 172 of 2005 and Appeal nos 248 & 249 of 2005 in its order dated: 05-07-2007 has directed the combined APERC to determine the cross subsidy surcharge as per para 8.5 of the National Tariff</p>

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		<p>Policy, 2006, which stipulates that weighted average power purchase cost of top 5% marginal sources excluding NCE and liquid fuel sources is to be arrived for arriving the CSS for a particular class of consumers.</p> <p>Subsequently, APERC has filed civil appeal nos 4936-4941 of 2007 before the Hon'ble Supreme Court challenging the order of APTEL, which are dismissed by Hon'ble Supreme Court in its order dated: 31-03-2016.</p> <p>Honble TSERC, from 2015-16 onwards has been determining the Cross Subsidy Surcharge on the basis of methodology stipulated in the Tariff Policy.</p>
iii.	<p>The arrangement of open access is a negation of regulation; it is one of the dichotomies in the reform process being fobbed off on the power utilities of the States by the Government of India. The costs of generation of power differ from one power station to another, depending on their capital cost, the costs of fuels they use, parameters of efficiency they can achieve, etc. In a multi-buyer system, when the Discoms purchase power from different projects at different tariffs through power purchase agreements, the average cost of power purchase and cost to serve each category of consumers are being taken into account to ensure uniformity in tariff to each category of consumers being determined by the Hon'ble Commission. It ensures some kind of equilibrium and equity. Irrespective of differences in costs of generation of power by different projects, once fed into the grid, the utility of energy is same to all the consumers. If cross-subsidising consumers of a category are allowed to procure power under open access, depending on the sources from whom they procure power, the tariffs they have to pay may differ. Such consumers get the benefit of reduction of tariff, if they get power from open access sources at tariffs lesser than what they have to pay</p>	<p>The stated objective of Electricity Act is for generally taking measures conducive to development of electricity industry, promoting competition therein, protecting interest of consumers and supply of electricity to all areas. Provision of Open Access is a central measure for promoting competition and in providing the choice to the consumer to choose the supplier.</p> <p>Tariff Policy of MOP dated 28th January 2016 mandates reduction of cross subsidy to +/- 20% of average cost of supply based on the road map specified by the State Regulatory Commission.</p> <p>However the concern of the objector on the adverse impact of Open Access on the Discom is noted.</p> <p>The provision of open access as enshrined in the Electricity Act needs to be allowed with proper safeguards on protecting the interest of licensee which has contracted sufficient power and set up network infrastructure to</p>

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	<p>to the Discoms. Similarly, open access sellers also may get the benefit of higher tariffs, if they can sell power at tariffs higher than they otherwise have to sell to the Discoms under due regulatory process, but less than the tariffs such open access consumers have otherwise to pay to the Discoms. It will lead to a situation when same categories of consumers have to pay different tariffs to the Discoms and open access sellers. In other words, regulation ensures uniformity and equity, whereas open access leads to inequity and lack of level playing field to same category of consumers, say, industries, i.e., between same category of consumers who purchase power from the Discoms and who purchase power from open access sources and even among the latter consumers themselves.</p>	<p>supply 24 x 7 reliable power to all consumers in its licensee area.</p>
iv.	<p>In a situation of severe scarcity for power that may arise as a result of faulty policies and failures of the Governments, among other reasons, when cross-subsidising consumers, subjected to severe power cuts, are forced or permitted to get power through open access from other sources, obviously, at a higher price than the applicable tariffs of the Discoms, imposing cross subsidy surcharge and additional surcharge on such open access purchases would tantamount to penalising such consumers for the failures of the Governments and their power utilities. Barring this exception, cross subsidy surcharge, as well as additional surcharge, should be determined and collected from the open access consumers buying power from other sources, even when the Discoms are supplying adequate power to them. In such a situation, if no cross subsidy surcharge, as well as additional surcharge, is imposed on such open access consumers, loss of cross subsidy and profits of the Discoms on account of slump in their sales to such open access, but otherwise regular, consumers will lead to imbalances and affect the finances of the Discoms and their ability to adjust required cross subsidy. It will also lead to under-utilisation of transmission and distribution capacities created. It</p>	<p>The peak demand in Telangana for FY 2015-16 was 6,849 MW and for FY 2016-07 the peak demand recorded was 9,191 MW. The Licensee has made all efforts in meeting the peak demand without any restrictions. This was possible only through advance planning and contracting the adequate quantities of power with regulatory approval. Further, to meet the future demand of the state, state utilities have tied up adequate power from various sources. The total contracted capacity for FY 2017-18 would be 14,695 MW.</p>

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	<p>will also lead to increasing availability of surplus power and need for backing down the same and paying fixed costs for such non-generation of power. Therefore, the Discoms should ensure that their decisions for procurement of power should not lead to availability of unwarranted surplus power, with attendant avoidable burdens on consumers of power.</p>	
v.	<p>The amounts of cross subsidy surcharge proposed by the Commission for same category of consumers differ from one Discoms to another. This may be due to variance in cost to serve the same category of consumers under different Discoms. In the face of such variance in cost to serve the same category of consumers under different Discoms, uniformity in tariffs to the same category of consumers in the entire State is being maintained by the Government providing subsidy required by the Discoms. In the absence of any such arrangement to maintain uniformity in cross subsidy being provided by cross-subsidising consumers under different Discoms, variations in cross subsidy surcharge and additional surcharge to be provided by them arise. Here, in this case, it is likely that uniformity is being imposed arbitrarily and artificially by the Commissions, whereas uniformity in tariffs to same category of consumers under different Discoms in a State is being ensured with the subsidy being provided by the State Government. This is one of the cons of the reform process creating different Discoms in the State. The remedy to avoid such undesirable variations and inequitous arrangement and maintain uniformity is to merge all the Discoms into one.</p>	
vi.	<p>When any cross-subsidising consumer leaves the Discom concerned, opting for open access, the transmission and distribution capacity created for such a consumer earlier becomes idle, depriving the Discom concerned of charges that were being collected for utilisation of T&D capacity, as a part and parcel of tariff that was being collected from such consumer till then. Till the utilities give new service connections, that T&D capacity continues to remain idle.</p>	<p>In the case of a power surplus scenario, the need for collecting additional surcharge from open access consumers arises despite serving the existing and/or new consumers as the power procurement is being done considering the anticipated demand hike in all consumer categories. Majority of the consumers are availing supply through open</p>

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	<p>Also, additional surcharge is intended to avoid loss of charges on account of such capacity remaining idle, in addition to fixed charges to be paid by the Discoms for backing down the surplus power that arises as a result of such open access transactions. Once Transco/Discom can make use of such idle capacity by serving the existing and/or new consumers, the need for collecting additional surcharge from the earlier consumer who opted for open access ceases.</p>	<p>access maintaining the contracted demand with the Discom. These consumers are procuring the power through open access through exchanges when the price is low and they are taking power from Discom when the exchange price is high. Even though the consumers are taking power through open access, Discom shall be ready to provide supply to the consumer whenever he desires as he is having contracted demand with the Discom.</p>
vii.	<p>Providing open access just for asking may not be feasible and desirable, for excess T&D capacity has to be created in advance to facilitate the same. It entails substantial investments and utilisation of such excess capacity is always subject to the volatile nature of open access transactions. Irrespective of the regulations pertaining to open access, an element of uncertainty and under-utilisation or even overloading of the system, with its attendant problems, are inherent in such an unplanned arrangement. Such constraints of availability of transmission corridor are being felt in getting additional power from one State to another and from one region to another. Unless T&D system is strengthened and expanded to create additional capacity to meet the requirements of growing demand for power in a planned way, problems of overloading and higher losses will continue. It may even result in grid failures. The arrangement of open access is no substitute for planned development of the power sector, including T&D system, to ensure quality supply of adequate power at reasonable prices to the consumers.</p>	<p>Open access is one of the ways to promote competition in the sector but shall not put the Discoms under financial doldrums which is being strictly regulated by the State Commission. Hence, the Electricity Act,2003 has allowed the Discoms to collect the cross subsidy surcharge and additional surcharge to recoup any financial losses suffered from open access consumers.</p> <p>The Discom is strengthening its distribution system for giving reliable and quality power supply to its consumers and planning to provide 24 hours power supply to agriculture consumers phase by phase.</p>
viii.	<p>It is a delicate task for the Hon'ble Commission to decide additional surcharge to be levied on open access consumers, with the dichotomy of ensuring regulatory process for maintaining uniformity in tariffs and protecting the interests of the Discoms, especially in view of their social responsibilities, on the one hand, and encouraging open access transactions, on the other. As</p>	<p>It may be well appreciated that delivery of power to the consumer would be successful not only by having sufficient contracted power quantum. A robust transmission and distribution network is needed for delivering the power to the consumer.</p>

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	<p>such, for the reasons explained above, among others, the Hon'ble Commission may consider determining additional surcharge in such a that it protects the genuine interests of the Discoms, on the one hand, and provides a marginal benefit to the open access consumers, in view of the fact that open access has to be permitted as a mandatory policy imposed by the Gol. I request the Hon'ble Commission to take into account the claim of the Discoms that the fixed cost commitment arising out of their obligation to maintain a robust distribution network, as well as payment of transmission charges to TS Transco, which work out to Rs.7245 crore, is not included in the costs while arriving at additional surcharge as worked out by them, while determining additional surcharge to be collected from open access consumers.</p>	<p>Hence if any transmission and distribution assets which are getting stranded due to open access, the costs of the same needs to be recovered from the open access consumers.</p>

Replies to the Objections / Suggestions raised on Additional Surcharge to be levied on Open Access consumers for FY 2017-18 by Sri Gowra Srinivas, President, FTAPCCI, HO : Federation House, FAPCCI Mar, Red Hills, Hyderabad-500004.

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i.	It is respectfully submitted that in the instant Petition, the Petitioner has not furnished evidence to establish its claim of stranded capacity due to increase in OA sales. In fact, the Petitioner has miserably failed to furnish any data on its stranded capacity during the past/recent period on account of such increase in open access sales. The only data submitted by the Petitioner is with respect to growth of open access sales of HT-1 consumers during FY 2015-16 and FY 2016-17. It's only based on this increase in open access sales of HT consumers that the Petitioner intends to claim additional surcharge for the forthcoming period.	The Discom has provided the adequate data required for computation of additional surcharge in the IA and as additional information to the Honble Commission which is also placed in the TSNPDCLs website. During the year 2016-17, various generators have backed down to reduce their generation by 4910 MU due to reduction in Discoms demand. This is mainly due to the reason that consumers of Discom are availing of supply through open access for a quantum of 2134 MU. The discoms have to pay the fixed cost even though the generation from generators is backed down. As per the filings of Discom even though the fixed cost of the discoms arised out of fixed charges of power purchase cost is around Rs 1515 per kVA per month, the demand charges collecting from the HT consumers is only Rs 390 per kVA per month. Rest of the fixed charges is covered under energy charges. When the Discom consumers procure power through open access, they will pay minimum of 80% demand charges and they are not liable to pay energy charges to Discoms for energy procured through open access. Therefore open access consumption by discom consumers is leading under recovery of fixed costs.
ii.	The Petitioners have provided no conclusive evidence of the fixed cost of power that has been lying stranded solely due to open access consumers. From the data provided, it is not possible to ascertain the amount of MUs backed down conclusively due to power purchase through open access and the fixed costs for the same. The total amount of stranded power procurement cost is required to be worked out periodically to be apportioned amongst the open access consumers importing power during the period when additional surcharge is leviable.	
iii.	<p>Errors in Present Computations</p> <p>a. The fixed cost claimed by the Petitioner in its Retail Tariff Petition (page 54 of the Tariff Petition filed by</p>	a. The Fixed costs claimed in the ARR filings is 11055 crores and the Licensee has considered the total NCE cost in the fixed cost in filings of additional surcharge. Hence totaling of NCE costs of Rs. 2843 crores to the fixed costs

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	<p>TSSPDCL) was Rs. 11055 crore against that claimed in the instant Petition as Rs. 13898 crore.</p> <p>b. To utter dismay, the Petitioner has included even the variable cost of renewable power sources to the tune of Rs. 2744.12 crore while claiming the fixed cost of Rs. 13898 crore in the instant Petition. It may be noted that even the Hon'ble Commission while issuing the Tariff Order dated 26.8.2017, has approved the fixed cost for renewable power sources at Rs. 24.20 crore only.</p> <p>c. The total fixed cost approved by the Hon'ble Commission in the Tariff Order dated 26.8.2017 is Rs. 10212 crore against that claimed by the Petitioner at Rs. 11055 crore.</p> <p>d. The total power purchase cost approved by the Hon'ble Commission in the Tariff Order dated 26.8.2017 is Rs. 21692 crore against Rs. 24421 crore claimed by the Petitioner.</p> <p>e. The "fixed cost to be recovered" has been computed by the Petitioner based on the average peak demand met in the State in FY 2016-17, whereas the same ought to be based on the connected load of the discoms.</p> <p>f. Notwithstanding above, the comparison of fixed cost obligation of power purchase at Rs. 1515/kVA/month with the fixed charges in tariff i.e. Rs. 390/kVA/month is baseless since ARR recovery is allowed by the Hon'ble Commission in the Tariff</p>	<p>will result at Rs. 13898 crores which is stated in IA petition. Hence there is no error crept.</p> <p>b. The Licensee submits that the renewable generating stations are must-run stations so their cost of generation remains fixed and doesn't get affected by the change in energy requirement therefore variable cost of renewable power sources has been included in the computation..</p> <p>c. The fixed cost claimed by the Discoms including NCE cost in ARR filings is Rs 13898 crs, whereas, honble commission has approved a fixed cost of (Rs 10212.53 cr+Rs 2430.42 cr)= Rs 12,643 cr.</p> <p>d. Discoms have filed for power purchase cost of Rs 24,421 cr whereas, Hon'ble Commission has approved Rs 21,692 cr.</p> <p>e. Discoms have calculated the fixed charges based on the average peakdemand as the Discom would get demand charges based on the recorded demand only not on contracted demand.</p> <p>f. In the two part tariff mechanism, the retail supply tariffs are divided into two components viz. fixed charge/demand charge and energy charge. Fixed charge/demand charge is designed to recover the costs of the DISCOM which are fixed in nature such as the capacity charges payable to power generators, transmission charges, operation & maintenance expenses, depreciation, Interest on loans, return on equity etc. this is generally recovered on the basis of connected load/contract demand or maximum demand of the consumer. Energy charge is designed to recover the costs of the DISCOMs which are variable in nature such as variable cost component of power purchase etc. These costs are recoverable on the basis of the actual consumption of the consumers during the billing period (per kWh or per kVAh basis).</p> <p>Even though two-part tariff has been introduced by the Hon'ble Commission, there is a mismatch between the actual fixed and variable cost liability</p>

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	<p>Order based on the total ARR recovered through appropriate fixed and energy charge rate and not through a mechanism where overall fixed charge obligation is recovered through fixed charge rate and the energy charge obligation is recovered through energy charge rates.</p>	<p>incurred by DISCOMs to the proportion of cost recoverable through fixed charge and energy charge still exists. For a short Term Open Access consumer who is moving to open access, DISCOM save only on the variable cost of power procurement whereas DISCOM still has to incur the fixed cost (Capacity charges) which should in turn be recoverable from consumers. If the tariff designed is not reflective of the proportion of fixed and variable cost liability of DISCOMs, there will be insufficient recovery of the fixed charges by the DISCOM.</p>
iv.	<p>The discoms appear to have remarkably deviated in their planning and projections w.r.t. the power requirement and availability in the State. As a result of the above, the Petitioners are now left with huge surplus power available ("a problem of plenty") with no corresponding off-take in the State. Thus, the stranded capacity and cost required to be paid by the Petitioners allegedly for such surplus power is not due to the open-access customers only. The data submitted by the petitioner states that the actual power procured by the open access HT customers during 2016-17 was 2134 MUs. This sale is around 5.26% of the total revised sales approved by the Hon'ble Commission for FY 2016-17 in its Order dated 26.8.2017. It is submitted that the discoms have projected a surplus available energy to the tune of around 11,320 MUs during FY 2017-18. This undespached quantum, notwithstanding the open access purchase, further depicts the fixed cost burden that would be borne by the Petitioners owing to its poor planning. It is therefore pertinent that the Petitioners provide specific reasons for such capacity getting stranded, since</p>	<p>The licensee has an obligation to provide uninterrupted, reliable power supply to all the consumers in the area of supply. As a part of its universal obligation, the licensee to meet the increasing demand in domestic, agriculture, industry, commercial has tied up with Power generators to eliminate demand-supply gaps. The licensee will enter long-term PPAs to cater to the needs of the state in providing uninterrupted, reliable power supply and in meeting the sales growth. The power procurement plans is being done based on load forecasts plans, government policies and socio-economic aspects. The licensee projects the demand requirement based on the past growth in the respective categories and make arrangements for procurement of power from the generators including renewable sources in advance. Further, it takes 3 to 5 years for a thermal plant to start its commercial operations from its initial stage. Hence any sudden increase in demand during the year has to be met from the long term sources or at higher rates from short term sources. Hence the power procurement plan considers the minimum spinning reserves to be maintained to handle demand exigencies, gestation period of power plants, existing plant capacities and availability of transmission corridors.</p>

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	there can be several factors responsible for idle capacity besides the increase in OA sales, namely lack of adequate power evacuation capacity, T&D network outages, significant demand reduction, etc. In absence of above details and particulars, the relief sought by the Petitioners ought not to be granted.	Thus varied factors apart from load forecasts will be factored in making power procurement plans in order to ensure uninterrupted and reliable power supply.
v.	The Objector has already been subjected to significantly high demand charges, based on the available data, which entails that a considerable amount of fixed cost burden of the discoms is being offset from the demand charges paid by the industrial consumers. Thus, need of an Additional surcharge in the present milieu cannot be reckoned with.	
vi.	<p>The manifold flaws in the approach of Petitioner to claim Additional Surcharge in the present submissions are briefed hereon.</p> <ol style="list-style-type: none"> a. Firstly, the Petitioner ought to have submitted and considered the actual units which were backed down/surrendered from different generating stations and determine the fixed costs paid by discoms for the actual energy surrendered for open access. b. Secondly, there are no findings or discussions on the reasons why such power could be surrendered / backed down. Interestingly, the surrendering/backing / down of power is due to plethora of reasons not attributable to consumers such as reduced demand on account of reasons such as rains, lower requirement, festival/ gazetted 	<ol style="list-style-type: none"> a. The details of backed down from different generating stations are already been submitted to the Honble Commission as a part of additional information and the same is also placed in TSNPDCL website. b. During the year 2016-17, various generators are backed down to reduce their generation of energy of 4910 MU due to reduction in Discoms demand. This is mainly due to the consumers of Discom availing of supply through open access for a quantum of 2134 MU. The discoms have to pay the fixed cost even though the generation from generators is backed down. <p>The Licensee stands to pay fixed charges and penalty to Generators in the event of reduction in energy dispatch from the Generator due to drop in demand from consumers who have contracted power through open access. Hence open access sales are leading to undermine the recovery of costs incurred by the Licensee.</p>

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	<p>holidays, etc.</p> <p>Therefore, it is pertinent that the Hon'ble Commission identifies the stranded capacity entirely due to open access sales, based on the data for such time slots where the generating capacity was available but not scheduled solely due to consumers availing power via open access. Only after identifying such stranded power and establishing that there is indeed such idle capacity, the computations should be done considering the total fixed costs paid by the discoms. From the present submissions, it only appears that the Petitioners seek to recover the fixed costs of surplus power as Additional Surcharge from the OA consumers.</p> <p>As regards the correct approach to verify the reasonableness of the claims of Petitioners, it is first of all stated that the OA consumers pay demand charges for their contract demand maintained with the discoms as well as a minimum energy charge on 50 kVAh/kVA/month of contracted demand. The demand charges offset the discoms' liabilities towards the fixed cost of generation. The significance of this step is further more justified since the industrial consumers (incl. the OA consumers) have already been subjected to higher demand charges.</p> <p>Having identified the actual fixed cost of stranded power as paid by the discoms for the units availed via OA, it must be compared with the total demand charges paid by the OA consumers and regular consumers of the state against the contract demand maintained with the discoms. The Additional Surcharge should have then been calculated to</p>	<p>The claim of the petitioner that the demand charges are high is incorrect. The total fixed charge commitment of the Discoms is not being collected in the form of demand charges which led to under recovery of fixed charges. As per ARR filings 2017-18, the total fixed costs to be recovered are Rs. 1515 per kVA/month. But the fixed costs recovery in the form of demand charges is only Rs. 390 per/kVA/month which is only 25% of the Discom fixed cost commitment.</p> <p>The difference of fixed costs to be recovered and actually collected from the consumers only is being levied as additional surcharge which is reflected in the computation table of Discom Additional surcharge petition.</p> <p>The details of availability of power, anticipated demand and projected open access consumption by the consumers from the third party is been already submitted in the ARR filings, additional surcharge filings and subsequent additional information.</p>

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	<p>compensate the difference if any.</p> <p>It is submitted that in the present context, the stranded capacity would be the stranded quantum due to the consumers who opt to purchase power from third parties through OA instead of drawing their full requirement from the licensee. As such, it is also important to ascertain the surplus power available with the licensee vis-a-vis power procured by the consumers from third parties.</p> <p>The approach for arriving at the stranded quantum and cost has been deliberated by the Hon'ble Gujarat Electricity Regulatory Commission in its Order dated 12.3.2014 in Petition No. 1302 of 2013. The Objector requests the Hon'ble Commission to direct the Petitioner to provide the necessary data based on the aforementioned approach.</p>	
vii.	<p>The proposed surcharge is against the provisions of the Electricity Act, 2003, National Electricity Policy, 2005, Tariff Policy, 2016, and the intention with which consumers are permitted to receive supply of electricity from sources other than the distribution licensee i.e. cost effective electricity. The aforementioned statute along with the policies mandates implementation of open access with a caution that the levy of cross subsidy surcharge, additional surcharge and wheeling charge should not make open access onerous. This is purportedly an attempt by the discoms to make procurement through open access more expensive so that such consumers are forced to avail supply from the discoms.</p>	<p>The Discoms proposed additional surcharge strictly in accordance to Sec. 42(4) of the Electricity Act, 2003 and National Tariff Policy. The Act while promoting open access in the electricity sector has also emphasized on the need for collection of cross subsidy surcharge and additional surcharge to the extent of losses suffered by the Discoms arised in meeting the universal obligation.</p>

Replies to the Objections / Suggestions raised on Additional Surcharge to be levied on Open Access consumers for FY 2017-18 by InWEA.

Sl. No.	Objections / Suggestions	Reply
i.	<p>At the outset, InWEA would like to submit that the proposed Additional Surcharge on OA consumers is unjustified and the need for the same has merely arisen out of poor planning by both the DISCOMS in terms of poor load growth projection coupled with contracting of excess Power. In view of the same InWEA would like to plea to the Commission that the present proposal of levying Additional Surcharge should not be approved. InWEA would like to highlight that the petitioner has proposed Additional Surcharge considering the total Annual fixed Cost (including Hydro and Renewable stations) for FY 2017-18 as INR 13,898 Crore. However as per the Retail Supply Tariff Order dated 26.08.2017 the annual Fixed cost approved by the Commission for FY 2017-18 is INR 10,212 Crore only. Therefore, we would like to request the Commission to consider the annual fixed cost as INR 10,212 Crore, as approved in the Retail Supply tariff order. Based on the revised Fixed cost the Additional Surcharge as per the methodology specified by the petitioner comes out to be INR 1.26 per kVAh.</p>	<p>The Licensee has tied up considerable quantum of power procurement from various sources in order to provide reliable and quality power supply without any load shedding to all the consumers in the state under universal service obligation.</p> <p>The peak demand for electricity in the state for FY 2015-16 was 6,849 MW and for FY 2016-17 the peak demand recorded was 9,191 MW on 31st March 2017.</p> <p>The Licensee has made all efforts in meeting the peak demand without any restrictions which was possible only through advance planning and contracting of adequate quantities of power with regulatory approval.</p> <p>Further, for FY 2017-18 the peak demand recorded was 9397 MW on 7th August 2017 and the Licensee has contracted for adequate quantities of power to meet the expected growth in peak demand.</p>
ii.	<p>We would further like to emphasize that in order to conclusively demonstrate that Open Access has actually resulted in stranded Cost obligations as per the provisions of Section 42(4) of the act, the petitioner should be asked to submit monthly back down data, similar to the approach followed by various Commission such as MERC, GERC, RERC etc., and as clarified by APTEL for Computation of Additional Surcharge, whereby the historical back down MUs of past 1 year(or 6 Months), have to be used to conclusively demonstrate that Open Access in the past period, has resulted in stranded capacity of generating stations, and accordingly the Discoms were allowed to recover additional</p>	<p>Licensee submitted the additional information as directed by the Hon'ble Commission in this regard.</p>

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	<p>surcharge to provide for the fixed cost obligation due to stranded capacity. However, the petitioner has not submitted any back down data, which does not demonstrate that Open Access has actually resulted in stranded Cost obligations as per the provisions of Section 42(4) of the act read with clause 8.5.4 of the Tariff policy 2016.</p>	
iii.	<p>The Proposed Additional Surcharge of Rs. 1.95/kWh is the highest as compared to the existing level of Addition Surcharge across various States. The proposed Additional Surcharge is as high as 1.56 times the highest Additional Surcharge prevailing in the country i.e., 1.25 Rs/Unit in Punjab. The proposed Additional Surcharge would make Open Access transaction which currently form merely 4.5% of the total Sales for FY 2016-17, in the State financially unviable. Therefore, such high Level of Additional surcharge should not be allowed to be recovered by Discoms.</p>	<p>The Additional Surcharge to be levied on open access consumers in a state depends on various factors like fixed cost commitments of the licensees prevailing in the corresponding state, methodology adopted by SERC's etc. However, it is to mention that the additional surcharge proposal of Rs. 1.95/kVAh is lesser than the additional surcharge approved by Delhi ERC for FY2016-17 i.e. Rs.3.00 per unit.</p>
iv.	<p>We would further like to humbly request the Hon'ble Commission to not to Levy Additional Surcharge on Open Access Procured through wind Generators in line with promotional aspects of Government's policies for Non-Conventional Energy generators.</p>	<p>The Additional Surcharge, being a compensatory amount payable towards the fixed cost of stranded power resulting from approved power purchase contracts, has to be determined commonly for all the OA Users.</p>

**Replies to the Objections / Suggestions raised on Additional Surcharge to be levied on Open Access consumers for the FY 2017-18 by
Open Access Users Association, 2nd Floor , D21 Corporate Park, Sector 21, Dwarka, New Delhi – 110 075.**

Sl. No.	Objections / Suggestions	Reply
i.	<p>No Surplus Energy:</p> <p>a. Clause 10 of the petition for Additional Surcharge (AS) States that there was a decrease in sale of power from approved level of sale to the tune of 2,406 MU. As per NTP, 2016, AS can only be calculated on stranded power, which has been and continues to be stranded. Although there is a decrease between approved sales and actual sales of DISCOM, the data in TS TRANSCO for the period starting from 1st April, 2016 to 31st March,2017 shows that there has been no surplus or deficit in Energy capacity of the state for the FY 2016-17. Thus, no power can be said to be stranded and continue to be stranded which is not at par with the condition to levy of Additional Surcharge as per Clause 8.5 of National tariff Policy, 2016.</p> <p>b. Also as per Retail Supply Tariff order for FY 2017-18, Clause (2.3) Sub-Clause (2.3.8) of the Commission as notified on 26.08.2017, the Commission is of the opinion that the projection of the amount of Surplus Energy available as per DISCOM may vary as per practical scenario. Hence, practically the state may not be in such a surplus state so as the generation backing down will prove to be a heavy burden and also continue to be stranded' as the surplus power can also be sold in market, in turn, earning revenue.</p> <p>c. That as per CEA Load Generation Balance Report there was no Surplus or Deficit for the Year 2016-17 both for Energy requirement and Peak Demand. Hence, no concept of stranded</p>	<p>a. In FY 2016-17, a total of 2,135 MUs were procured via open access registering a growth rate of more than 100 per cent leading to stranding of power purchase commitments. Further, it is to mention that the data as indicated in TS TRANSCO indicates the Surplus or Deficit at the State level that includes the energy procured from other sources of power like power exchange, third party etc. apart from the state Discoms. Further, it is to mention that the decrease in sale of power to the tune of 2,406 MU due to open access had an impact on the costs of Licensee due to the obligation of paying fixed costs as per the terms and conditions of Power Purchase Agreements.</p> <p>b. The surplus power can be sold only if it benefits the utility and the consumer in terms of cost-benefit analysis which is not practically feasible all the times. Further the backing down of generation stations despite growth in industrial , agriculture, domestic and commercial sectors proves that assets are getting stranded and leading to financial loss to the Discoms.</p> <p>c. &d. As per CEA Load Generation Balance Report there was a very smaller Surplus of 12 MU for the Year 2016-17 for Energy requirement. Further, the CEA Load Generation Balance Report for FY 2017-18 has in its forecast has</p>

Sl. No.	Objections / Suggestions	Reply
	<p>assets are applicable and also no stranded assets continue to be stranded.</p> <p>d. Notice must be brought to the data as given by CEA in its LGB Report of 2017-18 Sec (3.2.3), that although there was a power shortage, Telangana had managed the demand and supply equalization by Demand Side Management. From an optimistic view, this point can be taken as beneficial for the DISCOM as due to the consumers opting for Open Access; the DISCOM's obligation to supply power to all its consumers had decreased due to which mending the bridge between Demand and Supply was possible. Hence points to the fact that the shifting of Embedded Consumers to Open Access has not only proved beneficial but also an asset which needs to be utilized to the fullest, not by curbing its spirit but encouraging it.</p> <p>e. Notice must be drawn to the fact that as per CEA LGBR 2017, the state of Telangana will face a deficit of 10.1% in peak power availability which points to the fact that procurement of generated power by DISCOM is not enough to fulfill the peak power requirement of the state. In this scenario, when a consumer avails the provision of Open Access, it is indirectly benefitting the DISCOM by reducing the load and requirement of power from the DISCOM helping to achieve its state power requirements. The imposition of Additional Surcharge, will in turn, discourage this move by the consumer and prove to over-burden the DISCOM leading to power holidays.</p> <p>f. That the DISCOM should conclusively prove the quantum of power being stranded which has been and continues to be stranded, by providing hourly data of stranded capacity else the</p>	<p>projected surplus of 3540 MU for FY 2017-18(based on the its own assumptions). It is to be mentioned that the peak demand reached on 7th August 2017, is 9397 MW and Discoms are able to supply this demand comfortably.</p> <p>Further, to meet the future demand of the state, state utilities have tied up adequate power from various sources. The total contracted capacity for FY 2017-18 would be 14,695 MW.</p> <p>f. The details of backing down has been submitted by the licensee as a part of additional information as directed by the Hon'ble Commission.</p>

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	same is liable to be disapproved due to failure of "conclusive demonstration" of the stranded capacity as demanded by DISCOM.	
ii.	<p>Sale of Surplus Energy: Hon'ble TSERC , in its Retail Supply Tariff Order 2016-17, has laid down in Clause 5.43 "Sale of Surplus Energy" that surplus energy shall be sold through IEX/PXIL/bilateral trading with an average rate of Rs. 4.09/kWh. Hence, considering the applicability of this order to be followed by the DISCOM, excess power so generated and un-utilized, shall be sold through IEX/PXIL/Bilateral which further proves that there has been and shall be, no stranded capacity. Further, the income generated by the DISCOM on sale of power should be included in its calculation of revenue.</p>	<p>The Hon'ble Commission has already considered the savings in power purchase cost for FY2016-17 due to the sale of excess power while approving the ARR for FY2016-17. The relevant part of the Retail Supply Tariff Order for FY2016-17 is placed below: "5.43.....The Commission has estimated savings to be INR 220 Crores for FY 201617 which has been reduced from the total power purchase cost to arrive at the net power purchase cost."</p>
iii.	<p>Roadmap to 'progressively reduce' the charges and surcharges: That the Commission has also directed the DISCOM to be consistent and comply with Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005, where it is required by the DISCOM to lay down a Resource Plan which requires the DISCOM to provide Sales Forecast, Load Forecast, Power Procurement Plan and a Distribution Plan (Capital Investment Plan) as per Clause (2.3) Sub-Clause (2.3.8)(b). The relevant portion is given below <i>".....The Commission directs the Licensees to comply with Clause No. 9 of Regulation No. 4 of 2005 for the next Control Period commencing on 01,04.2019."</i> Thus the DISCOM has not shown the roadmap on the trend of Load and Sales which shall give the roadmap on how to 'progressively reduce' the charges and surcharges as per Sec 42, Clause 2 of Electricity Act, 2003.</p>	<p>The Licensee shall file the Resource Plan for the next control period commencing on 01.04.2019 in accordance with Reg. 4 of 2005 and as directed by the Hon'ble Commission in the Retail Supply Tariff Order for FY 2017-18 dated 26.08.2017.</p>

Sl. No.	Objections / Suggestions	Reply
iv.	<p>Reason of levy must be stranded capacity: DISCOM has cited the reason of levy of Additional Surcharge as "expectation" under Clause 12 of the petition of Additional Surcharge, which is non-compliant with the reason of levy of Additional Surcharge as per Clause 8.5 of National Tariff Policy, 2016.</p>	<p>Licensee has filed the proposal for Additional Surcharge to open access consumers as per clause 8.5 of NTP, 2016 i.e. based on the obligation to bear the fixed costs in accordance with the terms and conditions of power purchase agreements of the licensee.</p>
v.	<p>Ambiguity in Calculation at para 15 of I. A. of 22 of 2017:</p> <p>a. DISCOM has put forward a methodology of calculation of Additional Surcharge under para 15 of the petition of Additional Surcharge. To bring in consistency and to comply with the IEGC, 2010 regulations, and CERC (Terms and Conditions of Tariff Determination), it must be noted that Renewable Energy generating plants enjoy a status of "MUST RUN" and should not be backed down in any condition whatsoever. Thus the same should not be considered while calculating Fixed cost of stranded assets.</p> <p>b. That notice must be brought that at the denouement of calculation of Additional Surcharge provided by DISCOM in para 15 of Additional Surcharge petition, the transformation of kW to kVA was done, as can be seen in 'SN' no. 'e' of calculation of additional Surcharge provided in the petition is totally unclear as to what value of power factor has been considered for the required transformation. The DISCOM should provide a detailed calculation on the derivation of values as this may contain redundancy, ambiguity and unclear information.</p> <p>c. That considering the above mentioned factors we have provided a calculation of Additional Surcharge excluding the Fixed Cost (FC) of renewable and hydro power plants as they enjoy a status of "MUST RUN" and thus cannot be considered to be stranded,</p>	<p>a.----</p> <p>b. Unity power factor is considered while converting Rs/kw to Rs/kva.</p>

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	<p>considering a p.f. of 0.95 to convert kVA to kW and vice versa which is annexed as Annexure OI with this objection, where calculation shows that the amount of Additional Surcharge to be charged on excluding fixed cost of Renewable and Hydro comes out to be Rs. 0.45 per kVAh.</p> <p>As evident from the petition filed by Telengana DISCOMs to impose Additional Surcharge on the consumer of Open Access in the state of Telengana, that imposition of Rs. 1.95/kVAh of Additional Surcharge is against the spirit of Open Access as it will not only curb competition instilled by Open Access but also will discourage buyers from purchasing costly power which will discourage the generating station from adding more capacities.</p>	<p>Licensee humbly submits that Electricity Act, 2003 and National Tariff Policy, 2016 empower the distribution companies to levy the additional surcharge on open access consumption to recover the fixed costs incurred due to obligation of power supply. Licensee is not only committed to promote open access consumption but also obligated to ensure that under-recovery of the fixed cost commitment does not have adverse impact on the other consumers. Under recovery of fixed costs would hinder the Licensee in carrying out the necessary investments for supplying quality and reliable power to consumers..</p>

**Replies to the Objections / Suggestions raised on Additional Surcharge to be levied on Open Access consumers for FY 2017-18 by
Shruthi Bhatia, Vice President (Regulatory Affairs and Communication), Indian Energy Exchange Ltd., Fourth Floor, Plot No.7, TDI Centre,
District Centre, Jasola, New Delhi – 110025.**

Sl. No.	Objections / Suggestions	Reply
i.	<p>The Petitioners have invoked Para 8.5.4 of National Tariff Policy (NTP) which inter-alia provides that additional surcharge becomes applicable in case existing PPAs has been and continues to be stranded. In wake of the above set position in the NTP, the words 'has been' mandate that Additional Surcharge becomes applicable only in case of losses have already been incurred by the Discom on account of Open Access availed by Consumers. However the Additional Surcharge cannot be imposed in anticipation of the stranded capacity. Further, the petitioner while anticipating the need for Additional Surcharge has also anticipated that the State would be in power surplus in FY 17-18 therefore as such in the past period Discom has not claimed that it has incurred any losses on account of Open Access.</p>	<p>Licensee humbly submits that licensee is legally allowed to levy additional surcharge for sale on open access apart from CSS at any time of the year as per Sec. 42(4) of EA, 2003 and clause 8.5.4 of NTP, 2016 as stated in the petition for additional surcharge.</p> <p>Majority of power procurement by the licensee is long term in nature. Through its advance planning, the Licensee has contracted for adequate quantities of power to meet the expected growth in peak demand. However, in FY 2016-17, a total of 2,135 MUs were procured via open access registering a growth rate of more than 100 per cent effecting the overall revenue and costs of Licensee due to the obligation of paying fixed costs as per the terms and conditions of Power Purchase Agreements.</p> <p>Further, as per clause 8.5.4 of NTP, 2016 the additional surcharge is applicable if 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.</p>
ii.	<p>It is submitted that the methodology for determination of Additional Surcharge adopted by the other State Electricity Regulatory Commissions viz. Haryana, Rajasthan, Gujarat, Maharashtra etc. is based on the fixed cost related expenses actually incurred by the Discoms in the past period. While claiming the Additional Surcharge, the Petitioner has not claimed any loss in the past period. The present petitions are based on the projected</p>	<p>Earlier as the Discom is unable to meet the entire demand and has allowed load shedding to the consumers, the levy of additional surcharge has not arisen as no assets were stranded due to open access consumers.</p> <p>As the state is moving from power deficit to power surplus in the recent past and consumers opting for open access has been significantly increased, the Discoms are ended up in paying the fixed</p>

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	<p>loss by the Discoms in fiscal 2017-18 on account of open access which is inter-alia contrary to the provision of Tariff Policy which allows recovery of only past period losses through Additional Surcharge.</p>	<p>cost to the generators even there is no energy drawl from such generators due to fall in demand because of open access by the consumers.</p> <p>Based on the open access sales recorded in the year 2016-17, the Licensee has projected the open access sales for the year 2017-18 and based on this OA sales licensees have computed the additional surcharge and submitted to the Hon'ble Commission for its approval.</p>
iii.	<p>Para 8.5.4 of NTP provides that Additional Surcharge is applicable only when capacity 'continues' to be stranded. The continuous period for which certain capacity has been stranded due to Open Access should be construed as the period for which Additional Surcharge is claimed by the Petitioners. In the present case since the period is financial year FY 17-18 therefore the Additional Surcharge can be claimed once the financial year has concluded and the Discoms has conclusively demonstrated that there was no power shortage in any of the 15 min time block of FY 17-18 and the capacity was stranded/backed down primarily on account of open access. In other words Additional Surcharge can be claimed only when Discom is able to meet its peak demand in FY 17-18 and does not do any load shedding during such peak demand period. The Petitioner has not been able to demonstrate continuous stranded capacity as per above mentioned principle. In fact, as per Tariff order for FY 17-18 Discoms had proposed to buy 2796.93 MUs in FY 17-18 through power market which the Honorable Commission did not approve. However, it is evident from past 5 months (Apr17-Aug 17) that the Discoms are regularly purchasing power through short term sources. The petitioner has not demonstrated that there is continuous stranded capacity on account of open access.</p>	<p>The licensee submitted the details of stranded capacity and backing down of generators as a part of additional information as directed by the Hon'ble Commission.</p> <p>Based on the open access sales recorded in the year 2016-17, the Licensee has projected the open access sales for the year 2017-18 and based on this OA sales licensees have computed the additional surcharge and submitted to the Hon'ble Commission for its approval. It is to be mentioned that the peak demand reached on 7th August 2017, is 9397 MW and Discoms are able to supply this demand comfortably.</p> <p>To meet the peak demand, Discoms are procuring power during the peak slots. The stranded capacities due to open access sales may not be continuous.</p>

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iv.	<p>It is submitted that when the open access consumer procures power from sources other than incumbent distribution licensee, the distribution licensee avoids procuring power in merit order i.e. highest variable cost generation is avoided first than the second highest variable cost generation on so on. In case of Telangana, the average power purchase cost (variable cost) of Discoms is — 2.19 Rs./Unit. Therefore, when Discoms avoids procurement of any generation whose variable cost is above 2.19 Rs./Unit, it leads to savings for the Discoms. In the present case, variable cost of generation from some APGENCO Plants, TS GENCO Plants, NLC Plants is more than the 2.19 Rs./Unit and by backing down of these sources, the Discoms can make substantial savings. Since the Discoms have not incurred any loss on account of stranded capacity due to open access, hence, there is no case for claiming Additional Surcharge.</p>	<p>The Licensee stands to pay the fixed charges and penalty to the generator even in the event of any reduction in energy dispatch from the generator due to drop in demand from consumers who have contracted power through open access. The cost recovered from fixed charges in the tariff schedule is less than the fixed cost incurred by the licensee for supplying energy leading to the situation where the licensee is saddled with the stranded cost on account of its universal supply obligation. Hence the open access sales are leading to undermine the recovery of the costs incurred by the Licensee which may have an impact loaded onto other consumers remaining with the Distribution Licensee and hinder the Licensee in carrying out the necessary investments for supplying quality and reliable power to consumers.</p>
v.	<p>a. The Petitioner has claimed Additional Surcharge simply based on the average peak demand of state met and total fixed cost which does not reflect that in a given time block when open access consumer was procuring power through open access, Discoms had stranded capacity and had to back down certain generating station in that time block. There is no rational in the methodology proposed by the Discoms.</p> <p>b. To assess the case for Additional Surcharge, the Honorable Commission is requested to analyze the generation back-down data of each of the 15 min time block period along with the reason of such back-down as the back down could be on account of economical, operation and technical considerations other than open access. The methodology</p>	<p>The computation of additional surcharge as stated in the petition is based on the fixed cost commitment arising out of power purchase agreements entered. Further, the licensee submitted additional information as directed by the Hon'ble Commission.</p>

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	adopted by the Discoms is not rational. Spurious imposition of Additional Surcharge on the open access consumers and will impede competition and power market in the State of Telangana.	