



The Federation of Telangana Chambers of Commerce and Industry

(Formerly known as FTAPCCI)

ISO 9001:2015

Empowering Industry, Commerce & Trade

Registered under the Companies Act, 1956

REGD OFFICE : Federation House, Federation Marg , 11-6-841, Red Hills, Hyderabad 500004, Telangana. India. Tel : 91-40-23395515 to 22 (8 lines), Fax : 91-40-23395525
e-Mail : info@ftcci.in ; Website : www.ftcci.in

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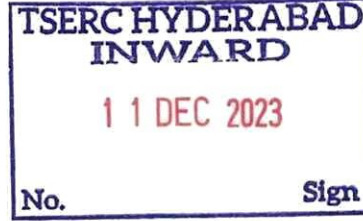
Meela Jayadev
President

Suresh Kumar Singhal
Senior Vice President

R. Ravi Kumar
Vice President

FTCCI/2023-24/Energy/285

The Secretary,
TSERC,
5th Floor, Singareni Bhavan,
Red Hills, Hyderabad - 500 004



Date: 11.12.2023

Dear Sir,

Sub:- Submission of comments on Draft Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023 – Reg.

The Federation of Telangana Chambers of Commerce and Industry is hereby submitting comments, objections and suggestions on Draft Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023 for consideration of Hon'ble Commission.

Keeping in view the importance of the Regulation, we request the Hon'ble Commission to conduct the public hearing on the same.

Thanking you,

Yours sincerely,


T Sujatha
Dy. CEO



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BEFORE THE TELANGANA STATE ELECTRICITY REGULATORY COMMISSION

5thFloor, Singareni Bhavan, Red Hills, Hyderabad 500004

In the matter of:

Draft Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023

Observations/ Comments/ Objections/ Suggestions by

The Federation of Telangana Chamber of Commerce and Industry (FTCCI)

11th December 2023

1. PRELIMINARY NOTINGS:

At the outset we note that the "The Draft Regulation on Multi Year Tariff, 2023" is a comprehensive document presented by the Honorable Commission supported by an EXPLANATORY NOTE on the Draft Regulation.

2. POSITIVE AFFIRMATIONS BY THE HONORABLE COMMISSION IN THE EXPLANATORY NOTE:

- Sec.61 of the EA 2003 & its provisions is reported as the guiding factor in the Tariff determination process. Section 61 stipulates guidelines specified in sub-section (a) to (i). For this DraftTARIFF REGULATION ON MULTIYEAR TariffPRINCIPLES, we note the following cited below as significant for we consumers for positive outcomes and congruence between Actual Final Competitive Tariff and NEP & NTP.
- Sec 61(d) "safeguarding of consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner"
- Sec51(e) "*the principles rewarding efficiency in performance*"
- Sec51 (I) "NEP&NTP". This has been emphasized by this commission.
- The NEP provides certain guidelines regarding performance norms and the need to provide certain incentives and disincentives as provided for and reproduced here "5.8.5 *all efforts will have to be made to improve efficiency of operations in all segments of the industry. Suitable performance norms of operations -----*

-----consumers. This will ensure protection of consumers 'interest on one hand and provides motivation for improving the efficiency of operations on the other."

- The Tariff policy notified on 28.01.2016 stipulates "5.11 Tariff policy lays down the following framework for performance-based cost of service regulation in respect of aspects common to generation, transmission as well distributions....."
- As many as five Regulations namely Regulation 3,4&5 of 2005, Regulation 1 of 2006 & Regulation 1 of 2019 with two guidelines of 2006 are reported to be consolidated in the Draft regulation of 2023 in this draft Multiyear tariff.

3.0 The Draft Regulations admittedly are guided by stipulations of consumer interest and to be achieved by operations efficiency in all management areas starting with DEMAND FORECASTING, Sales and collection efficiency, T&D loss, Availability & PLF of GENCOs, Network management. Thus, the milestone guiding to assess each clause in this DRAFT REGULATION is **Efficiency**.

4.0 We have noted that the draft regulation has drawn from FIVE PREVIOUS REGUGATIONS & TWO GUIDELINES. Arguably much has happened in the years between 2005 and now in terms of demand pattern & distribution, customer mix, technology that has contributed to efficiency and new statistical techniques including AI can and have to be used to deliver to the customer quality service while complying with Laws and Regulations. In this context this Draft Regulation has addressed several of issues but have NOT SATISFACTORILY addressed some key questions mandated in Section 61(c),(d),(e) of the EA 2003 and CLAUSE 5.8.5 of NEP and form the reasons for our objections.

4.1 Electrical Energy is the key economic driver and its Adequacy is cornerstone in ensuring Economic growth of India.

4.2 MoP have notified under Rule 16 on 28th June 2023 "Guidelines for Resources Adequacy Planning Framework for India. Section 1.1.1 stipulates "It is incumbent upon DISCOM TO SUPPLY 24*7 reliable power to its consumers. All DISCOMs are duty bound to tie up sufficient capacity to meet the demand of its consumers. If any DISCOM does not do so, it is failing in its duty. Rights of consumer's rules, 2020 prescribe payment of compensation to consumers for avoidable load shedding." We submit to the Honorable commission to include these guidelines to form part of the eventual Regulation.

4.3 We note that this Draft Regulation shall supersede following:

1. Regulation 3 of 2005

2. Regulation 4 of 2005

3 Regulations 5 of 2006

4 Regulation 1 of 2006

5 Regulation 1 of 2019

6 Guidelines, December 2006, for Load forecasts, Resource plans and power procurement.

7. Guidelines for Investment Approval, February 2006.

All the above have stood the test of time. The new DRAFT REGULATIONS 2023 have not addressed the matters on load forecasts comprehensively along with the imperative of COMMISSION'S REVIEW (like in section 3.4 in Guidelines for load forecast cited in SERITIM 6&7 ABOVE). Regulatory oversight is the consumer insurance from Licensee's excesses be it TRANSCO,

DISCOM OR GENCO.We submit that the Honorable commission considers these provisions as an ANNEXURE to the draft.

5. OUR OBJECTIONS TO A FEW PROVISIONS IN THE DRAFT REGULATIONS:

5.1 Clause 12.2 uncontrollable factors

5.2 Clause 13 Mechanism for pass-through of gains or losses on account of uncontrollable factors.

5.3 Clause 29 - Return on equity

5.4 Clause 33.3 - Distribution

5.5 Clause 33.4 - Retail Supply of Electricity

5.6 Clause 70 & 80 - Capital Investment Plan

5.7 Clause 87 - Sales Forecast

6. Basis and Reasons to our objections

6.1 Clause 12.2 uncontrollable factors.

We object to the inclusion of 12.2 (d) Variation of Sales & 12.2(k) variation of Revenue from Sale of Power from consumers.

Section 61 (b) (Tariff Regulations) states "the generation, transmission, distribution and supply of electricity are conducted on COMMERCIAL PRINCIPLES "

For DISCOMs the cost of power purchase is 75% and more that is fully protected from any inflationary pressure due the Regulation on FPPCA, IT IS A PASS THROUGH besides increase in several costs in operations as can be seen in the list in clause 12.2.

In any commercial enterprise EFFICIENT PURCHASE, OPERATIONS AND SALES PLANNING is the only mantra. For regulated entities nearly, all Revenue expenditure are

“uncontrollable” and that leaves SALES MIX AND SALES REVENUE. IF THIS TOO IS TO BE DEFINED AS UNCONTROLLABLE, IS THE DRAFT REGULATION effectively STATING THAT ELECTRICITY DISTRIBUTION IS UNCONTROLLABLE, A LAISEZZ FAIRE AND THEREFORE CANNOT OPERATE on commercial principles as mandated in Section 61(b)? Is this not ultra vires to the act U/S SECTION 61(b),(c),(d),(e)?

We may also note that TSERC in OP(SR) No 33 of 2019 ORDER dated 2nd June 2021 rejected a petition from TSDISCOMs SEEKING SUCH AN AMENDMENT

Even in that petition we had reasoned out and showed the claims of justification of DISCOMs as erroneous and arising out of incorrect claims and incorrect analysis.

Our basic question and objection stem from following concerns:

- a) DISCOMS ARE EVEN TODAY NOT 100% METERING THEIR SALES AS MANDATED BY THE COMMISSION, Ministry of Power, NEP. This is skewing the distribution loss claims. In fact, distribution LINE LOSS is at best a guess LEAVING THE REST TO Agriculture sales
- b) Sales forecasting on trend basis over the years has led to exaggerated Revenue FORECAST. For the near same ENERGY quantum Actual sales actual sales mix is heavily leaning to subsidized categories, leading to lower revenue.
- c) UNLESS THE SALES FORECASTING IS IMPROVED, THIS REVENUE BALANCING FORECAST WILL ONLY

LEAD TO SUCH SKEWED REQUIREMENTS OF REVENUE TRUE UP.

- d) We submit this commission should delete this clause of 12.2(d) and 12.2(k) as these are in violation to the ACT as stated above and direct to make reliable forecasting which can be +/- 3% forecast of demand unless there is a force majeure. POOR OR INSPIRED FORECASTING SHOULD NOT VICTIMISE THE ALREADY HEAVILY SUSIDIZING CONSUMERS OF COMMERCE & INDUSTRY.

6.2 Clause 13. Mechanism for pass through of gains and losses on account of Uncontrollable factors

Fuel cost adjustment is single largest contributor to cost variance and the most contentious. The number of variables viz: GCV, moisture content, ash content & basis of Bill payment is now a complex exercise. However, it is possible to make the process transparent with a cross check between power generated at generation station bus cumulatively versus the SHR. This will be a balancing figure of consumption of coal to be checked /adjusted for reported GCV by the supplier in their invoice tallied with the Lab report of the respective GENCO.

While we are satisfied with the FCA formula given in the regulation, like they say, the devil is in the detail. We have expressed dissatisfaction to the lack of transparency in this VERY IMPORTANT COST VARIANCE FACTOR, on various fora.

We submit that a robust system of satisfactory data correlation needs to be adopted by this Honorable Commission in the consumer interest, transparency and accountability of GENCOs and DISCOMs to all concerned. THIS IS A RED FLAG THAT WE

PRAY TSERC ADOPTS A CONSULTATIVE PROCESS WITH ALL STAKEHOLDERS.

6.3 Clause 29 Return on Equity: Regulations allow 15.5% ROI for GENCOS whereas most capital-intensive sector does have more than 12% ROI. We propose that THERMAL GENCOS ROI be pegged at 12% as even the GOI policy is to decarbonizes in favor of RE.

6.4 Clause 33.3 Distribution: As of today, the wire and Retail supply business are one entity, even though TSERC has been asking DISCOM to separate accounting. This is YET TO HAPPEN; therefore, any need of working capital is irrelevant. However as and the wire and retail business become independent as separate entities this regulation may be required.

6.5 Clause 33.4 Retail supply of Electricity: under clause 33.4(iii) The regulation is proposing 60 days of aggregate revenue required. WE OBJECT TO THIS as it will only add to consumer cost. Collection of dues from Government and subsidies has to be efficient and cannot further be supported by additional working Capital. It is unfortunate but true that Government themselves are the biggest offender for delaying in payment of dues.

6.6 Clause 70& 80 Capital Investment plan: We have stated that Investment plan proposal require far greater rigor than present Regulation provides for. We therefore suggest that the old, February 2006 "GUIDELINES FOR INVESTMENT APPROVAL "be added as annexure to the Regulation with changes as deemed fit.

6.7 Clause 87 Sales Forecast:

We regret that the current provision is too inadequate. We have stated earlier that the foundation for a commercial principle adopting (u/s 61 (b) of the ACT) a far more rigorous and advanced forecasting which enables an accuracy of +/- 0.5% has

to be achieved and not foist on consumers revenue true ups. A Rs 30000/- Revenue earning DISCOMs should have a better and modern forecasting tools including AI. Such tools are available for Power generators and Retail Sales.If the Regulator advises, we are prepared to give details.

OUR PRAYERS

- Request that our objections be taken on record and be given an opportunity to present our case.
- To exclude from UNCONTROLLABLE COSTS, Variation in sales and variation in sales revenue for reasons given in this submission.
- The mechanism for pass through of FCA requires greater transparency as explained.
- ROI for GENCOS BE REDUCED TO 12% for reasons cited.
- Sales forecasting of DISCOMs should be more rigorous for a Rs 30000/- revenue earning DISCOMs.
- We pray the guidelines of 2006 on invest approval and load forecast be retained as part of the draft regulations.
- We pray that TSERC holds a public hearing for this major Draft regulation.

**For The Federation of Telangana Chambers of Commerce and Industry
(FTCCI),**

**Place: Hyderabad
Date: 11.12.2023**


T. Sujatha
Dy. CEO, FTCCI