



TELANGANA STATE ELECTRICITY REGULATORY COMMISSION

5th Floor, Singareni Bhavan, Red Hills, Lakdi-ka-pul,

Hyderabad 500004.

Present

Sri Ismail Ali Khan, Chairman

Sri H. Srinivasulu, Member

Sri L. Manohar Reddy, Member

ORDER

Dated 23rd June, 2016

O.P. No. 06 of 2016

Southern Power Distribution Company of Telangana Limited (TSSPDCL)

O.P. No. 07 of 2016

Northern Power Distribution Company of Telangana Limited (TSNPDCL)

In the matter of determination of cross subsidy surcharge under Sections 39, 40 and 42 of the Electricity Act, 2003 for FY 2016-17

The Northern Power Distribution Company of Telangana Limited (TSNPDCL) and the Southern Power Distribution Company of Telangana Limited (TSSPDCL) filed separate Petitions under Sections 38, 39, 40, subsection 2 and 4 of section 42 of the Electricity Act, 2003, before the Telangana State Electricity Regulatory Commission (TSERC or the Commission) on 8th March, 2016 for determination of Cross Subsidy Surcharge and Additional surcharge for FY 2016-17 along with the filings made for approval of Aggregate Revenue Requirement (ARR) and Tariff proposal for Retail Supply Business for FY 2016-17. The Commission, in exercise of powers conferred on it under Sections 39, 40 and 42 of the Electricity Act, 2003 and all other powers enabling it in that behalf, hereby determines the Cross

Determination of Cross subsidy surcharge for FY 2016-17

Subsidy Surcharge applicable to different categories of consumers availing open access in Transmission and Distribution system at different voltages during FY 2016-17, as indicated hereinafter.

The Commission has passed a separate order dated 23rd June, 2016 filed with the same O.P. numbers, determining the ARR and Retail Supply Tariffs for all consumer categories for FY 2016-17.

CHAPTER-1: INTRODUCTION

Statutory Provisions

- 1.1 Sections 39(2) (d) (ii), 40(c) (ii) and 42(2) of the Electricity Act, 2003 (hereinafter referred to as 'the Act') provide for payment of a surcharge by the consumer (hereinafter also referred to as 'the Cross-subsidy Surcharge') when a consumer avails of power under open access. Further, Section 42(2) of the Act provides that the surcharge shall be determined by the State Commission and such surcharge shall be utilized to meet the requirements of current level of cross subsidy within the area of supply of the distribution licensee.
- 1.2 As per the afore-mentioned provisions, to maintain current level of subsidy, cross subsidy surcharge has to be levied on the consumers who opt for open access.
- 1.3 Cross subsidy surcharge is normally computed as the difference between (i) the tariff applicable to the relevant category of consumers and (ii) the cost of the distribution licensee to supply electricity to the consumers of the applicable class i.e., Cost of Service (CoS) for a particular category of consumers.
- 1.4 This Commission was constituted as per section 82 of the Electricity Act 2003 and read in conjuncture with the AP State Reorganization Act, 2014 and started functioning with effect from 3rd November 2014. This Commission has determined the Cross Subsidy Surcharge for FY 2015-16 based on methodology prescribed in the National Tariff Policy (NTP) dated 6th January, 2006. The Commission intends to follow the methodology prescribed in the NTP date 28th January 2016, notified by the Ministry of Power, Government of India, for arriving at the Cross Subsidy Surcharge for FY 2016-17.
- 1.5 The methodology, for determining the Cross Subsidy Surcharge, prescribed by the NTP is as indicated below.

Tariff Policy - Methodology

- 1.6 As per the National Tariff Policy notified by MoP on 28th January 2016, SERCs may calculate the cost of supply of electricity by the distribution licensee to consumers of the applicable class as aggregate of (a) per unit weighted average cost of power purchase including meeting the Renewable Purchase Obligation; (b) transmission and distribution losses applicable to the relevant voltage level and commercial losses allowed by the SERC; (c) transmission, distribution and wheeling charges up to the relevant voltage level; and (d) per unit cost of carrying regulatory assets, if applicable.
- 1.7 The formula prescribed by National Tariff Policy dated 28th January 2016 for computation of Cross Subsidy Surcharge is as given below:
- 1.8 Surcharge formula:

$$S = T - [C / (1 - L/100) + D + R]$$

Determination of Cross subsidy surcharge for FY 2016-17

Where,

S is the surcharge

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

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

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

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

R is the per unit cost of carrying regulatory assets.

