TS TMA

TELANGANA SPINNING & TEXTILE MILLS ASSOCIATION

(CIN : U74900TG2015NPL098595)

Date: 30.03.2016

To,

The Commission Secretary,
Telangana State Electricity Regulatory Commission,
#11-4-660, 5th Floor, Singareni Bhawan,
Red Hills, Lakdi-ka-pul, Hyderabad – 500 004,

TELANGANA SPINNING & TEXTILE MILLS ASSOCIATION (TSTMA)

Statement of Objections

On

The matter of

Determination of the Aggregate Revenue Requirement (ARR) for Retail Supply Business and Tariff for Retail Sale of Electricity for the financial year 2016-17

by the

Southern Power Distribution Company of Telangana Limited (TSSPDCL)

&

Northern Power Distribution Company of Telangana Limited (TSSPDCL)

March, 2015

Copies to :

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1 STATEMENT OF OBJECTIONS

With the enactment of Andhra Pradesh Reorganization Act, 2014, the Telangana State has been carved out from the undivided Andhra Pradesh State as the 29th State of the Republic of India on 02.06.2014. On the event of State bifurcation, the name of Northern Power Distribution Company of Andhra Pradesh Limited has been changed to Northern Power Distribution Company of Telangana Limited (hereinafter referred to as the '**TSNPDCL**' or '**Petitioner**' or '**Distribution Licensee**' or '**Licensee**').

The erstwhile Regulatory Commission of the undivided state of Andhra Pradesh has issued Regulation No. 3 of 2014 (Reorganisation) Regulation, 2014 on 26.05.2014 consequent to the framing of Andhra Pradesh Reorganisation Act,2014 notified by Government of India on 01.03.2014, Wherein Clause 3 of the regulation says that,

> *"All the notified regulations as well as their supplementary regulations/amendments, rules, orders, proceedings, guidelines, memos, notifications, other instruments issued immediately before 2nd June 2014 by the APERC for conduct of business and other matters shall fully & completely apply to the whole of the states of Telangana and Andhra Pradesh and shall similarly apply in relation to all matters falling within the jurisdiction of the Commission until they are altered, repealed or amended by the respective State Electricity Regulatory Commissions."*

In accordance with the above regulation, all the regulations framed by erstwhile APERC will continue to apply for the state of Telangana. Subsequently, the Hon'ble Telangana State Electricity Regulatory Commission (hereinafter referred to as "**Hon'ble Commission**" or "**State Commission**" or "**Hon'ble TSERC**") vide Telangana Official Gazette has issued its first regulation, Regulation No. 1 of 2014 on 10.12.2014 (Adoption of Previously Subsisting Regulations, Decisions, Directions or Orders, Licenses and Practice of Directions) wherein clause 2 says that

> *"All regulations, decisions, directions or orders, all the licences and practice directions issued by the erstwhile Andhra Pradesh Electricity Regulatory Commission (Regulatory Commission*

for States of Andhra Pradesh and Telangana) as in existence as on the date of the constitution of the Telangana State Electricity Regulatory Commission and in force, shall mutatis-mutandis apply in relation to the stakeholders in electricity in the State of Telangana including the Commission and shall continue to have effect until duly altered, repealed or amended, any of Regulation by the Commission with effect from the date of notification as per Notification issued by the Government of Telangana in G.O.Ms.No.3 Energy (Budget) Department, dt.26-07-2014 constituting the Commission."

The TSNPDCL has filed the ARR and Tariff Petitions for the Retail Supply Business for the financial year 2016-17 in accordance with the erstwhile Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation No. 4 of 2005 and its First Amendment notified in 2014 namely Regulation No. 1 of 2014 (hereinafter collectively referred to as '**Tariff Regulations**').

The Statement of Objections is herein being filed on behalf of **'TELANGANA SPINNING & TEXTILE MILLS ASSOCAITION** (hereinafter referred to as **'TSTMA'**), an Association ' which was started in 2014 and currently has around 35 member mills, having its office at 105, Surya Towers, 1st Floor, Sardar Patel Road, Secunderabad - 500003, T.S. India; represented by its Chairman (hereinafter called the 'Objector'). The main function of the TSTMA is to promote and protect the interests of Spinning & Textile industry in Telangana State.

Industrial consumers account for about 35% of the total energy sales of the Telangana Distribution Utilities. They contribute about 56% to the total revenue from tariffs.

The special characteristics of the Industrial consumers that benefit the Utilities are:

- They are the subsidising category of consumers for the utilities. Hence they are the revenue earners ensuring better returns for the utilities.
- The Load curve and consumption pattern enable better capacity utilisation and low Cost of Service for the Utilities in comparison to LT consumer categories.

Historically, Telangana (erstwhile Andhra Pradesh) had lowest industrial tariffs and was benefited by advantageous fuel mix of hydro, coal and gas power plants. However, the tariff hikes in the previous 4-5 years and the proposed industrial tariffs by the Petitioner will now make Telangana as a State with one of the highest industrial tariffs in India.

Hence, the Objector strongly objects to the Petition for Determination of ARR & Tariff for the Retail Supply Business for FY 2016-17 (hereinafter referred to as the '**Tariff Petition**' or '**Petition**') and prays that the Tariff Proposal may be rejected in limine, in the interest of justice and equity.

The Objectors also prays that it may be permitted to make additional submissions specific to the particular Petitioner, in the Public Hearings to be held in the month of April 2016, as per the Public Hearing schedule announced by this Hon'ble Commission.

The brief facts, propositions, analysis, grounds for the above prayer of the Objector are narrated herein below:

2 ARR OF TSNPDCL FOR FY 2016-17

The TSNPDCL has projected an Annual Revenue Requirement of Rs. 8830.33crore for FY 2016-17. The ARR along with its treatment proposed by the TSNPDCL is provided in the table below:

(Figures in Rs. Crore)

S. No.	Revenue Requirement Item	FY 2016-17
1	Power Purchase / Procurement Cost	6552.78
2	Transmission Cost	432.89
3	PGCIL & ULDC Charges	372.68
4	SLDC Cost	12.05
5	Distribution Cost	1390.17
6	Interest on Consumer Security Deposits	55.80
7	Supply Margin in Retail Supply Business	10.71
8	Other Costs, if any	3.26
9	**Aggregate Revenue Requirement**	**8830.33**
10	Revenue from current tariffs	4180.71
11	NTI	29.34
12	**Revenue Deficit (-) / Surplus (+) at Current Tariffs (Rs. Crs.)**	**-4620.28**

The Objections in respect of the ARR projected by the Petitioner for FY 2016-17 are summarised below:

2.1 TSGENCO NORMS OF OPERATIONS APPLICABLE TO GENERATING STATIONS ARE INFERIOR TO CERC BENCHMARKS

The erstwhile APERC had framed the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Supply of Electricity by a Generating Company to a Distribution Licensee and Purchase of Electricity by Distribution Licensees) Regulation, 2008 vide Regulation No. 1 of 2008 on September 1, 2008 (hereinafter referred to as the "**Generation Tariff Regulations, 2008**"). The said regulations are applicable for determination of tariff of APGENCO stations. The Hon'ble TSERC has adopted the regulations and owing to same are applicable for determination of generating tariff of TSGENCO stations.

The Hon'ble Central Electricity Regulatory Commission (hereinafter referred to as "**Hon'ble CERC**" or "**Hon'ble Central Commission**") reviews its tariff norms after the end of every control period and frames tariff norms for the next control period based on the developments in the power sector in the previous control period, current and perceived challenges in the Power sector and duly recognizing the need for sustainable market development. The Hon'ble CERC frames the tariff norms after a due stakeholder consultation process and after taking advice from Central Electricity Authority on the technical aspects and norms of operations of generating stations. The Hon'ble CERC has periodically reviewed its tariff norms and the following tariff regulations were framed by it in respect of determination of generating tariff:

- Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 dated 26.03.2004 and applicable for the control period 2004-09.
- Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 dated 19.01.2009 and applicable for the control period 2009-14.
- Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 dated 21.02.2014 and applicable for the control period 2014-19.

As per Section 61 of the Electricity Act, 2003, the State Commissions are to frame its own tariff regulations and in doing so, are to be guided by the regulations framed by the Central Commission. The Clause 10 of Regulations 1 of 2008 namely the Generation Tariff Regulations, 2008 also state that:

> *"Tariffs under this Part shall be determined in accordance with the norms specified herein, guided by the principles and methodologies specified in CERC (Terms and Conditions of Tariff)*

Regulations, 2004 as originally issued and amended by CERC (Terms and Conditions of Tariff) (First Amendment) Regulations 2006, issued on 1st June 2006 vide L-7/25/(5)/2003 - CERC; any further amendments thereto shall be applicable on their adoption by the Commission, by means of a general or special order, with or without any modifications:"

Thus, it is evident that the tariff norms framed by Hon'ble CERC are to be considered as benchmark norms and are to be generally adopted by State Commissions. It is pointed out that the tariff norms prescribed by the Generation Tariff Regulations, 2008 and applicable to TSGENCO and APGENCO stations are significantly lenient, compared to CERC benchmarks which thereby promote inefficiency and are burdensome on the consumers.

The following table provides a comparison of the applicable norms of operations for thermal generating stations of TSGENCO and APGENCO as compared to CERC benchmark norms applicable for 2014-19 tariff block:

Norms of Operation	Unit	For 200/210/250 MW Units		For 500 MW Units	
		Norms applicable to TSGENCO and APGENCO	CERC Norms	Norms applicable to TSGENCO and APGENCO	CERC Norms
Target Availability for Recovery of Fixed Charges	%	80%	85%	80%	85%
Target Plant Load Factor for Incentive	%	80%	85%	80%	85%
Auxiliary Energy Consumption	%	9.00%	8.50%	7.50%	5.25%
Gross Station Heat Rate	kCal/kWh	2500	2450	2450	2375
Secondary Fuel Oil Consumption	ml/kWh	2.00	0.50	2.00	0.50
Transit Losses	%	Pit-head: 0.30% Non pit-head: 0.80%	Pit-head: 0.20% Non pit-head: 0.80%	Pit-head: 0.30% Non pit-head: 0.80%	Pit-head: 0.20% Non pit-head: 0.80%

From the above table, it is evident that all the norms of operation such as plant availability factor, plant load factor, station heat rate, auxiliary consumption, secondary oil consumption and transit losses have been tightened by the Hon'ble CERC for the 2014-19 tariff block, but a corresponding revision has not been undertaken by the Hon'ble State Commission.

This is tantamount to promoting inefficiency and is violative of the Electricity Act, 2003. It is pointed out that for a typical 210 MW unit, the energy charges of a APGENCO/TSGENCO plant would always be higher by 5.33% owing to relaxed norms. Similarly, for a typical 500 MW unit, the energy charges of a APGENCO/TSGENCO plant would always be higher by 8.12% owing to relaxed norms as against CERC benchmark norms. This entails an additional burden of around Rs. 700 crores on the consumers of the State of Telangana. In view thereof, it is utmost vital, that the Hon'ble Commission undertakes a review of the Generation Tariff Regulations, 2008 and approve tariff norms which are comparable and at par with CERC benchmarks.

The workings in respect of aforementioned calculations towards energy charges are presented in the table below:

Description	Unit	Typical 210 MW Unit		Typical 500 MW Unit	
		TSERC Norms	CERC Norms	TSERC Norms	CERC Norms
Capacity	MW	210	210	500	500
PLF	%	80%	85%	80%	85%
Gross Station Heat Rate	Kcal/kWh	2500	2450	2450	2375
Auxiliary Energy Consumption	%	9.00%	8.50%	7.50%	5.25%
Energy Generation - Gross	MU	1471.68	1563.66	3504.00	3723.00
Auxiliary Energy Consumption	MU	132.45	132.91	262.80	195.46
Ex-bus Energy Sent Out	MU	1339.23	1430.75	3241.20	3527.54
Specific Oil Consumption	ml/kWh	2.00	0.50	2.00	0.50
Wt. Avg. GCV of Oil	KCal/Lt	9800	9800	9800	9800
Price of Oil	Rs./KL	35000	35000	35000	35000
Wt. Avg. GCV of Coal	kCal/kg	4000	4000	4000	4000
Price of Coal	Rs./MT	2400	2400	2400	2400
Heat Contribution from SFO	Kcal/kWh	20	5	20	5
Oil Consumption	KL	2943	782	7008	1862
Heat Contribution from Coal	Kcal/kWh	2480	2445	2430	2370
Specific Coal Consumption	kg/kWh	0.6201	0.6113	0.6076	0.5925
Normative Transit Loss (Pit-head)	%	0.30%	0.20%	0.30%	0.20%
Coal Consumption	MMT	0.92	0.96	2.14	2.21
Total Cost of Oil	Rs Cr	10.30	2.74	24.53	6.52
Total Cost of Coal	Rs Cr	219.68	229.86	512.50	530.49
Total Fuel Cost	Rs Cr	229.98	232.59	537.03	537.01
Rate of Energy Charge from Secondary Fuel Oil ex-bus	Paise/kWh	7.69	1.91	7.57	1.85
Rate of Energy Charge from Coal ex-bus	Paise/kWh	164.03	160.66	158.12	150.39
Rate of Energy Charge ex-bus per kWh	Paise/kWh	171.73	162.57	165.69	152.23

Description	Unit	Typical 210 MW Unit		Typical 500 MW Unit	
		TSERC Norms	CERC Norms	TSERC Norms	CERC Norms
TSERC Norms are inferior to CERC Benchmarking by	%		5.33%		8.12%

2.2 POWER PURCHASE QUANTUM

The Objections in respect of the power purchase quantum claimed by the Petitioner are listed below:

2.2.1 POWER AVAILABILITY PROJECTION FROM HYDEL STATIONS

It was the consistent approach of the Petitioner to project the power generation from hydel stations based on the average of the preceding 10 years' actual generation from hydel stations. However, in a marked departure, the Petitioner has allegedly projected the hydel generation based on the average of the preceding 5 years' actual generation. It is a settled principle that unless there are cogent reasons, which have to be recorded in writing, there has to be consistency in approach. In view thereof, the Objector believes that the generation from hydel stations has to be projected based on the average of the preceding 10 years' actual generation as depicted in the table below:

Year	Actual Hydro Energy availability for Telangana (MU)
2002-03	3337.00
2003-04	2959.00
2004-05	5267.00
2005-06	7873.00
2006-07	9328.00
2007-08	9566.00
2008-09	7729.00
2009-10	5499.00
2010-11	6751.00
2011-12	6221.00
2012-13	3171.00
2013-14	7102.00
2014-15	3681.00
Average availability during last 10 years	**6692.10**
Telangana's share =53.89%)	**3606.37**

Additionally, the Petitioner has stated that new hydel power units/stations are expected to be commissioned in April 2016 namely Lower Jurala U#3, 4, 5 and 6 and Pulichintal HEP (4 units) and the Petitioner has projected net share of around 237.90 MU from Lower Jurala and 150.16 MU from Pulichintal HEP n the power procurement plan for 2016-17 (both Discoms put together). Thus, the prudent estimate of hydel generation as per Objector's Assessment for Telangana Discoms is to the tune of 3994.43 MU [3606.37 MU + 237.90 MU + 150.16 MU] as against 3420.59 MU claimed by the Petitioner.

It is specifically pointed out that the Petitioner has projected net availability of only 388.06 MUs from its share of around 253 MW of the capacity from new stations namely Lower Jurala and Pulichintal HEP, which is terribly lower for any hydro power plant and devoid of prudency. It is prayed that the projection from Lower Jurala and Pulichintal ought to be based on the design energy of such stations and the Petitioner may be directed to furnish such data to the Hon'ble Commission as part of the current proceedings.

2.2.2 POWER AVAILABILITY PROJECTION FROM APGENCO/TSGENCO THERMAL POWER PLANTS

The Petitioner has submitted power availability projections from the APGENCO and TSGENCO thermal stations as below:

Generating Station	Plant Capacity (MW)	DISCOM 's share (%)	DISCOM's share (MW)	Availability and Dispatch (MU)	
				Net Availability	Dispatch
APGENCO – Thermal					
VTPS I	420	38.02	159.68	1021.15	950.64
VTPS II	420	38.02	159.68	1021.15	1021.15
VTPS III	420	38.02	159.68	1021.15	951.61
VTPS IV	500	38.02	190.10	1232.3	1232.3
RTPP I	420	38.02	159.68	1018.35	845.97
RTPP Stage-II	420	38.02	159.68	1018.35	625.1
RTPP Stage-III	210	38.02	79.84	509.17	219.66
TSGENCO - Thermal					
KTPS A	240	38.02	91.25	577.44	577.44
KTPS B	240	38.02	91.25	563.94	563.94
KTPS C	240	38.02	91.25	577.44	577.44
KTPS D	500	38.02	190.10	1212.32	1212.32
KTPS Stage VI	500	38.02	190.10	1232.3	1232.3
RTS B	62.5	38.02	23.76	151.54	151.54
NTS	0	0	0.00	0	0
Kakatiya TPP Stage I	500	38.02	190.10	1232.3	1232.3
Kakatiya TPP Stage II	600	70.55	423.30	2744.04	2744.04

Generating Station	Plant Capacity	DISCOM 's share	DISCOM's share	Availability and Dispatch (MU)	
	(MW)	(%)	(MW)	Net Availability	Dispatch
TOTAL THERMAL	**5692.5**		**2359.47**	**15132.94**	**14137.75**

It is pointed out that the while projecting the availability from the thermal stations, the Petitioner has considered a plant load factor of 80%. The CERC (Terms and Conditions of Tariff) Regulations 2014 provide for a target plant load factor of 85% as the same reflects the efficient operation of thermal power plants in the present milieu. The Objector requests the Hon'ble Commission to consider the benchmark plant load factor of 85% for projecting the energy generation from APGENCO and TSGENCO stations in 2016-17.

2.3 POWER PURCHASE COST

The Objections in respect of the power purchase costs claimed by the Petitioner are listed below:

2.3.1 ORDER ON GENERATION TARIFFS IS STILL PENDING

The Petitioner has submitted that the power procurement costs from TSGENCO and APGENCO stations for FY 2016-17 have been considered as per the projections by respective GENCOs. It is pointed out that the petition for determination of Generation tariffs for FY 2014-19, based on the Generation Tariff Regulations has been filed on 31.12.2015 by APGENCO. Further, there is no information available publicly to gauge the status of filings of TSGENCO stations. It is urged that till the time the generation tariffs are not finalised for GENCOs, no escalation in fixed and variable costs should be allowed in the power purchase cost from these stations.

2.3.2 GENERATION TARIFF ORDER FOR FY 2009-14 PERIOD NOT GIVEN EFFECT TO

The Hon'ble APERC had approved the tariff of APGENCO stations for the period 01.04.2009 to 31.03.2014 (undivided Andhra Pradesh State) vide its Order dated 31.05.2014. The tariff approved for the APGENCO stations in the said Order was less than the provisional tariff allowed in the Retail Tariff Orders by Rs. 2081.81 crore.

As the APGENCO had already billed the Discoms based on the provisional tariff approved in the Retail Tariff Orders; the Hon'ble Commission had held that APGENCO should reimburse the Discoms towards the excess recovery to the tune of Rs. 2,081.81 crore. In view of the above, the Hon'ble Commission had directed the APGENCO to adjust the difference between the tariff already collected from the Discoms and the tariff approved in the said Order dated 31.05.2014 within a period of six months i.e., before 31.12.2014. Thus, due adjustment towards the refund was to be made in FY 2014-15 but pertained to the period FY 2009-14.

The relevant extract of the said Order is reproduced below:

> *"**The tariff approved now is less than that provisional tariff allowed in the Retail Tariff Orders by Rs.2081.81 Crs.** APGENCO has already been billing the DISCOMs based on the provisional tariff approved in the Retail Tariff Orders. APGENCO should reimburse DISCOMs to this extent. The Commission recognizes that the bills already raised by APGENCO on DISCOMs may be less than the tariff provisionally approved in the respective Retail Tariff Orders due to network factors like delay in Commissioning of the new power plants. **Therefore, the Commission directs APGENCO to adjust the difference between the Tariff already collected from DISCOMs and the Tariff approved now as per clause 8.3 of Regulation 1 of 2008 within a period of six months i.e. before 31.12.2014." (Emphasis supplied)***

Thus, the consumers are entitled for a refund of Rs. 2,081.81 crore towards the excess power purchase cost claimed by the Discoms over the 2nd Control Period (FY 2009-14).

It is humbly stated that both the Distribution Licensees of the State, have not provided for such refund for FY 2009-14. The Hon'ble Commission is urged to allow the refund of the excess power purchase cost amounting to Rs.2081.81 crore as it pertains to the 2nd Control Period and pass the necessary adjustment in the ARR for FY 2016-17.

2.3.3 COST OF HYDEL POWER PLANTS

The Petitioner has submitted the total cost in respect of new hydel power stations Lower Jurala and Pulichintal to the tune of Rs. 236.73 crore and Rs. 62.07 crore which translates to an average power procurement rate of Rs. 14.10 per unit and Rs. 5.86 per unit respectively. Needless to mention, that these are exorbitantly high rates of power purchase and must be out rightly rejected by the Hon'ble Commission.

The average power procurement cost from hydel stations has been projected at around Rs. 3.32 per unit which is a steep increase from the hydel generation cost of Rs. 1.85 per unit approved by this Hon'ble Commission in the tariff order for FY 2015-16.

In the table below, the Objector has computed the potential disallowance in the power purchase cost from hydel stations:

Particulars	Unit	Tariff Order for 2015-16	Tariff Petition for 2016-17	Objector's Assessment for 2016-17
Power Purchase Cost from Existing Hydel Stations	Rs. Crore	745.74	712.44	712.44
Add: Power Purchase Cost for New Stations namely Lower Jurala and Pulichintal @Rs. 4.00/kWh (Objector's assumption)	Rs. Crore	-	423.53	155.22
Total Power Purchase Cost from Hydel Stations	**Rs. Crore**	**745.74**	**1135.97**	**867.66**
Power availability assessed by the Objector	MU	4037.64	3420.59	3994.43
Per unit cost as per Objector's Assessment	**Rs/kWh**	**1.85**	**3.32**	**2.17**
Potential Disallowance in Power Purchase Cost for both the Discoms	Rs. Crore			268.31
Potential Disallowance in TSSPDCL	Rs. Crore			189.30
Potential Disallowance in TSNPDCL	Rs. Crore			79.20

Thus, it can be seen from the table above, the potential disallowance in TSSPDCL is to the tune of Rs. 189.30 crore and in case of TSNPDCL is to the tune of Rs. 79.20 crore. Further, the increased availability of hydel power is to the tune of around 574 MUs for the entire State of Telangana.

2.3.4 RECENT TRENDS IN FUEL PRICES

The Petitioner has projected the average power purchase prices from APGENCO & TSGENCO thermal stations, Central Generating Stations and IPPs in 2016-17 which, prima facie, do not correspond to the recent trends in fuel prices. The recent trends in the average auction price of the domestic coal during last two years, along with the international price of imported steam coal and international market price of crude oil indicate a downward progression of the prices for all the fuels mentioned. This calls for a thorough prudence check of all the power procurement costs proposed, after the visible lows of fuel prices.

Figure 1: Coal Auction Average Price trend for G12 Grade (3700-4000 Kcal/Kg)

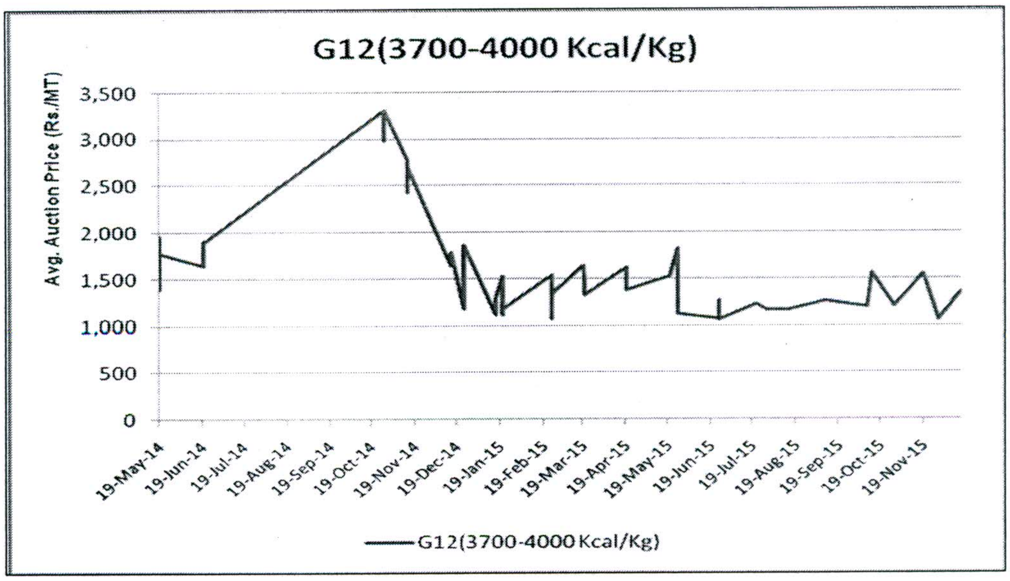


Figure 2: Coal Auction Average Price trend for G11 Grade (4001-4300 Kcal/Kg)

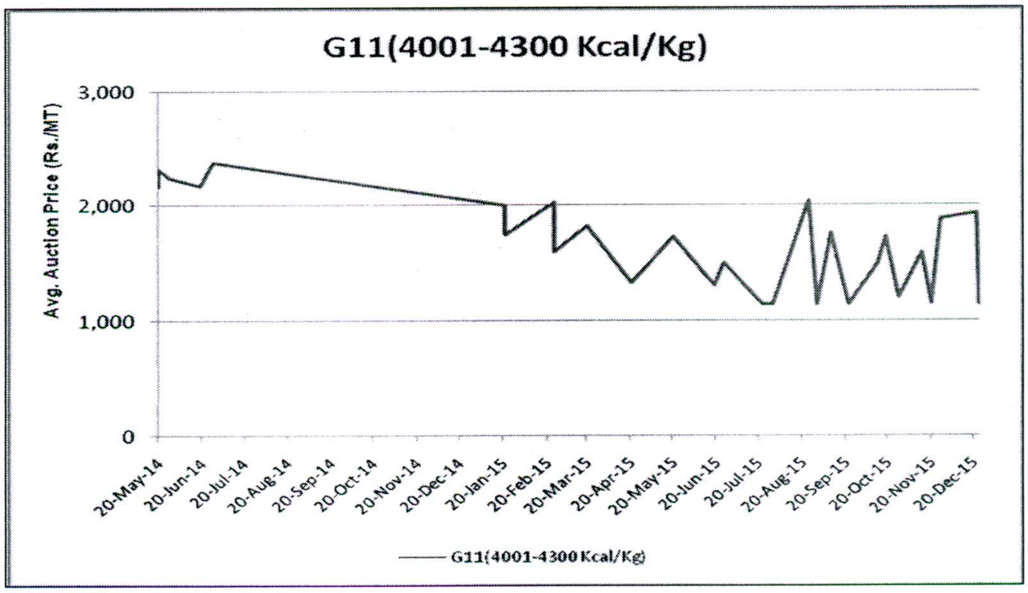


Figure 3: Indonesian Steam Coal Price Trend – 3800 Kcal/Kg

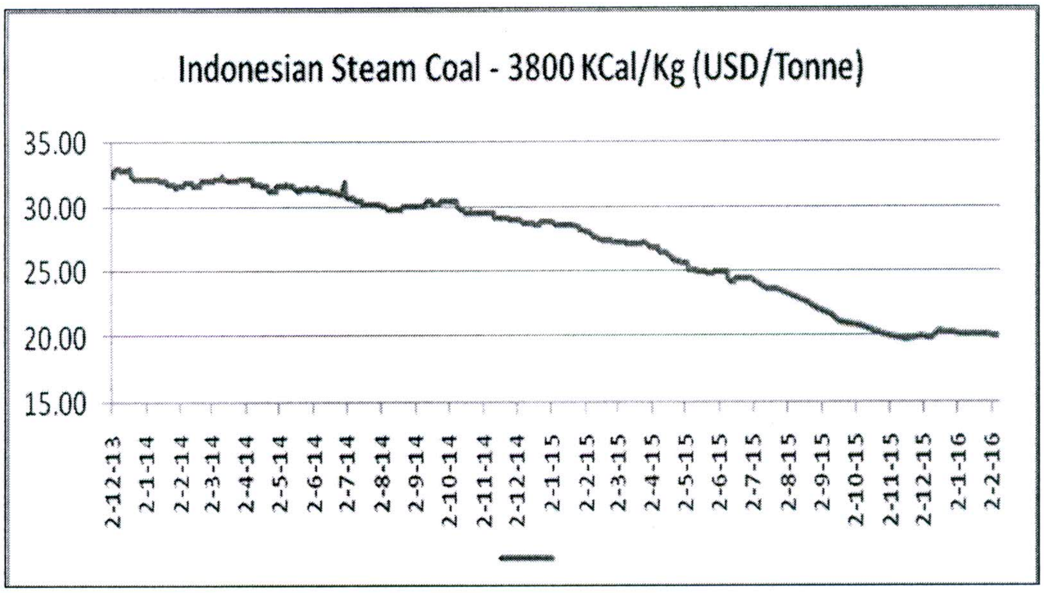
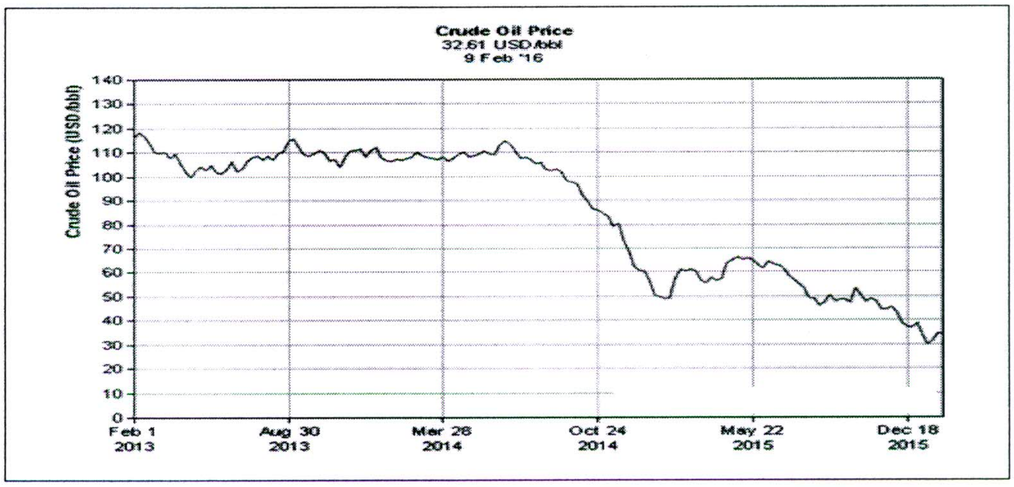


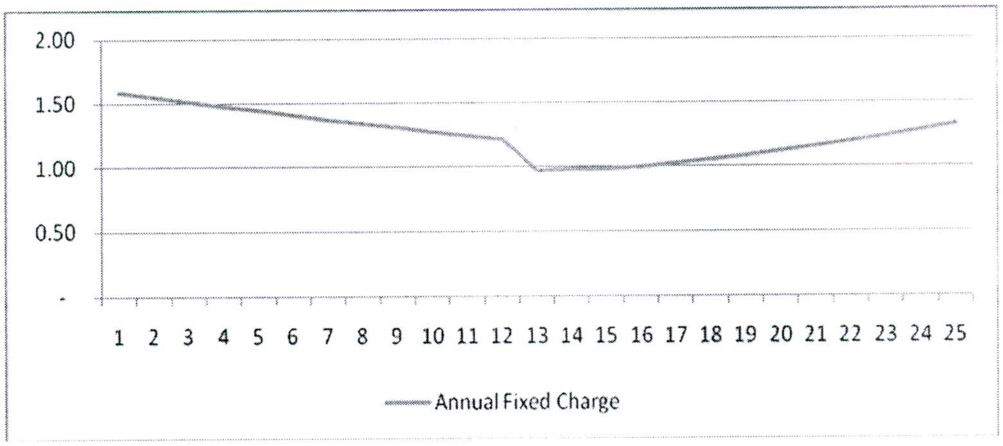
Figure 4: Crude Oil Price Trend (USD/bbl)



In view of the above trends, it becomes imperative upon the Petitioner to furnish the justification for considering the increase in power purchase cost for the ensuing year 2016-17.

Further, the Petitioner has considered a linear increase in the power purchase cost without considering the distinct nature of fixed (capacity) charges and variable (energy) charges. The fixed costs for a power station in typical cost plus tariff regime typically fall year on year in the initial years. This is because the return on capital employed (interest on long term loan) would fall year on year as long term loan gets repaid. After the loan is fully repaid, there is a marked drop in the fixed charges as the interest liability becomes nil and depreciation expense also falls. The depreciation rate is higher in the initial years to match the cash outflow required for loan repayments. After the loan is fully repaid, the depreciation rate falls such that balance depreciation is amortised over the balance useful life of the asset. Subsequently, the tariff remains flat and there is a slight increase only on account of the increase in the O&M expenses due to escalation index. The typical fixed charges over the power project life cycle are depicted in the graph below:

Graph: Typical Annual Fixed Charges in a Cost Plus Model



Thus, the fixed charges ought to have decreased on a year to year basis. In view of the same, the Petitioner's submission for increase in capacity charges ought to be rejected.

2.3.5 UNREASONABLY HIGH FIXED COST AND VARIABLE COST PER UNIT

The Petitioner has made contrary submissions with regard to the approach for computation of energy charges for FY 2016-17. On page 25 at para 3.4.1, the TSNPDCL has stated that *"the average variable cost for Q2 of 2015-16 is considered for H2 of 2015-16 & FY 2016-17"*. However, at page xii, the TSNPDCL has stated that *"2% escalation over variable costs during H2 of 2015-16 has been assumed for TSGenco & APGenco thermal stations and CGS"*.

In respect of the fixed costs of the APGENCO and TSGENCO generating stations, the Petitioner has submitted that the same have been considered based on the projections of the respective stations. The total fixed cost considered for the APGENCO and TSGENCO stations during 2016-17 is Rs. 4,545.50 crore. The table below shows the per unit fixed cost and variable cost considered by the petitioner:

Generating Station	Unit Cost (Rs./kWh)					
	Fixed	**Incentives**	**Income Tax**	**Others**	**Variable**	**Total**
APGENCO - Thermal						
VTPS I	0.80	0.00	0.00	0.00	3.32	4.12
VTPS II	0.74	0.00	0.00	0.00	3.32	4.06
VTPS III	0.79	0.00	0.00	0.00	3.32	4.12
VTPS IV	1.98	0.00	0.00	0.00	3.17	5.15
RTPP I	1.35	0.00	0.00	0.00	3.88	5.23
RTPP Stage-II	3.69	0.00	0.00	0.00	3.88	7.57
RTPP Stage-III	6.89	0.00	0.00	0.00	3.88	10.77
TSGENCO - Thermal						
KTPS A	1.11	0.00	0.03	0.17	2.48	3.79
KTPS B	1.13	0.00	0.03	0.18	2.48	3.82
KTPS C	1.11	0.00	0.03	0.17	2.48	3.79
KTPS D	0.84	0.00	0.02	0.13	2.15	3.14
KTPS Stage VI	1.72	0.00	0.05	0.27	3.16	5.19
RTS B	1.59	0.00	0.04	0.25	3.05	4.93
Kakatiya Thermal Power Plant Stage I	1.77	0.00	0.05	0.28	2.70	4.80
Kakatiya Thermal Power Plant Stage II	2.52	0.00	0.07	0.40	2.65	5.63
TOTAL THERMAL	**1.70**	**0.00**	**0.03**	**0.16**	**2.97**	**4.86**

It is observed from the above table, that the average power purchase cost from APGENCO stations has been projected in the range of Rs. 4.06 per unit to Rs. 10.77 per unit. Similarly, the average power purchase cost from TSGENCO stations has been projected in the range of Rs. 3.14 per unit to Rs. 5.19 per unit. It is pointed out that the highest fixed cost has been claimed in respect of RTPP Stage-III at around Rs. 6.89 per unit and the highest variable cost has been claimed at Rs. 3.88 per unit in respect of RTPP I, RTPP Stage-II and RTPP Stage-III.

It may be pointed out, that at a variable cost as high as Rs. 3.88 per unit considered by the Petitioner, the coal cost for a typical 210 MW generating station based on the normative parameters specified by the TSERC Generation Tariff Regulations, comes out to be around Rs. 5700/ MT. Similarly, the fixed cost of Rs. 6.89 per unit translates to a capital cost of around Rs. 22 crore /MW for a typical thermal generating station. The Objector vehemently opposes these unrealistic projections and requests the Hon'ble Commission to conduct a thorough prudence check on the entire approach, methodology and computations of the Petitioner towards power procurement quantum and cost.

Additionally, it is pointed out that the AP Discoms (APSPDCL and APEPDCL) in their retail tariff filings for FY 2016-17 have considered an average power procurement rate of Rs. 3.74 per unit from TSGENCO stations. In contrast to this, the Petitioner has arbitrarily considered the power procurement rate of Rs. 4.69 per unit from TSGENCO which is higher by Rs. 0.95 per unit (20%). Such higher projection has put an additional burden of Rs. 785 crore [8291.32 MUs x (Rs. 4.69/unit - Rs. 3.74/unit) / 10] on the ARR being claimed by both the Telangana Discoms.

The Objector submits that the unreasonably high power procurement price from the TSGENCO stations is devoid of any justification and ought to be rejected by the Hon'ble Commission.

Further, the Petitioner has attributed the projected increase in the energy charges on account of the increase in usage of imported coal to bridge fuel shortfall. In this regard, the Petitioner has made 2 (two) submissions on page nos. (iii) and 25 of the instant Petition, stating the following:

> *"Increase observed in the variable cost of Genco thermal plants due to the increased consumption of imported coal because of domestic coal shortage."*
>
> *"It has been observed over the past few years that usage of imported coal has become necessary and increasing dependence to bridge fuel shortfall."*

It is pointed out that the Petitioner has contradicted its own claim of increase in the usage of imported coal, wherein, it has, in response to "compliance of directives of the Commission", stated that:

> *"As per TS Genco's letter dated 30.06.2015,TS Genco is not procuring any imported coal for utilization of its thermal power stations. The short fall is being met through additional quantity of coal supplied by M/s. SCCL over and above the linkage quantity."*

Thus, it is evidently clear, that TSGENCO has not consumed a single tonne of imported coal and the Petitioner's case for claiming higher energy charges under the garb of imported coal falls flat.

The Objector wishes to point out that there has been a significant reduction in the coal imports during last 8-10 months and the trend is expected to continue in the wake of increased production of the domestic coal companies. The YoY increase in the domestic coal production at the end of first three quarters of FY 2015-16 is around 7% for Coal India Limited and 27% for Singareni Collieries Company Limited. The latest status of coal imports can be referred from the published sources as depicted below:

Piyush Goyal Retweeted
All India Radio News @airnewsalerts · Feb 6
Not a single thermal power plant in the country is now facing shortage of coal: Power Minister @PiyushGoyal

Piyush Goyal @PiyushGoyal
Follow
India to save Rs 30,000 crore in FY16 by cutting down coal imports
m.economictimes.com/articleshow/51...
India to save Rs 30,000 crore in FY16 by cutting down co...
India will save Rs 30,000 crore in 2015-16 by cutting down on coal imports as domestic production has picked up, coal secretary Anil Swarup said.
economictimes.indiatimes.com

India's coal imports fall for 7th straight month in January
By Reuters | 5 Feb, 2016, 04.25 PM IST

NEW DELHI: India's coal imports fell for a seven straight month in January, a government official said, as the world's third-biggest buyer of the fuel expands domestic mines to improve output and boost power generation.

India shipped in 16.11 million tonnes of coal last month, a 28.6 percent decline from the same month a year ago.

"Increased production by Coal India results in decrease in import of coal," Coal Secretary Anil Swarup said on Twitter on Friday, referring to the state-owned company.

Anil Swarup @swarup58 · Feb 5
India's coal imports fall for 7th straight month in January - The Economic Times on Mobile m.economictimes.com/articleshow/50...

Anil Swarup @swarup58 · Feb 5
Increased production by Coal India results in decrease in import of coal. Country saves Rs 22,207 Cr.

Anil Swarup @swarup58 · Feb 5
In value terms, coal imports come down from Rs 89075 Cr to Rs 66,778 Cr. during April-Jan. Down by 25%

Anil Swarup @swarup58 · Feb 5
Coal import comes down to 148.66 MT from 177.90 MT during April-Jan. Down by 16.35%

Anil Swarup @swarup58 · Feb 16
Increase in domestic coal production saved Rs 22,000 crores in foreign exchange: Anil Swarup, coal secretar...
m.economictimes.com/articleshow/51...
View summary

Source: The Economic Times, 5th Feb., 2016, Tweets by Shri Piyush Goyal, Hon'ble Minister of State (Independent Charge) for Power, Coal, New and Renewable Energy, GoI and Shri Anil Swarup, Coal Secretary, GoI

Thus, the approach of the Petitioner to consider higher proportion of imported coal in the ensuing year and thereby higher variable / energy charges is erroneous and not reflective of the current fuel supply scenario in the country.

2.4 INCOME TAX & OTHER COSTS

It is pointed out that the Petitioner has claimed Rs. 15.89 crore towards 'Income Tax' and Rs. 94.22 crore towards item titled 'Others' in respect of power procurement from TSGENCO stations. The taxes on incomes are payable based on actuals as automatic pass-through and hence such costs cannot be claimed on presumptive basis. Further, in respect of item claimed under the nomenclature 'Others', it is pointed out, that the Petitioner has not furnished any justifications towards such expenses, etc. In view thereof, the claims towards 'Income Tax' and 'Others' ought to be disallowed by the Hon'ble Commission.

2.5 UNREASONABLY HIGHER POWER PURCHASE RATE FROM APGENCO AND TSGENCO STATIONS

The APGENCO takes pride in publishing on its website that it is the best performing state owned generating company in the country followed by TSGENCO. However, the operational efficiency should also translate in cost effective power for the consumers of the State of Telangana. It is pointed out that the projected power purchase price from APGENCO stations in 2016-17 is the highest from all sources. The projected power purchase price is higher even than the weighted average power purchase price from NCE sources and the long term power from APGENCO is almost equal to the procurement price from short term sources (market sources).

It is pointed out that the average power purchase cost (**"APPC"**) for FY 2014-15 at the national level was Rs. 3.40/kWh. This has been computed and notified by the Hon'ble CERC by its order dated 03.12.2015 in Petition No. 15/SM/2015. The total cost of power purchase considered for computation of APPC excludes cost of generation or procurement from renewable energy sources and transmission charges. In contrast to the national level APPC of Rs. 3.40/kWh, the cost of power purchase from APGENCO has been considered at Rs. 5.11 /kWh and from TSGENCO at Rs.4.69 /kWh in FY 2016-17. A copy of the Hon'ble CERC Order dated 03.12.2015 is enclosed herewith and marked as "**Annexure-1**".

There is hardly any detailing in terms of the projections of power procurement from APGENCO and TSGENCO stations in the instant petition. Also, the Objector could not undertake any secondary research as the APGENCO has not published its audited accounts on its website after 2011-12. In the case of TSGENCO, no financial records were published on its website.

In view of the very little information available in the instant petition as well as in the public domain, the Objector feels that the Commission would not be able to undertake a strict prudence check so as to approve a prudent and cost reflective power purchase price from APGENCO and TSGENCO stations.

2.6 UNREASONABLY HIGHER POWER PURCHASE RATE FROM BILATERAL AND MARKET PURCHASES

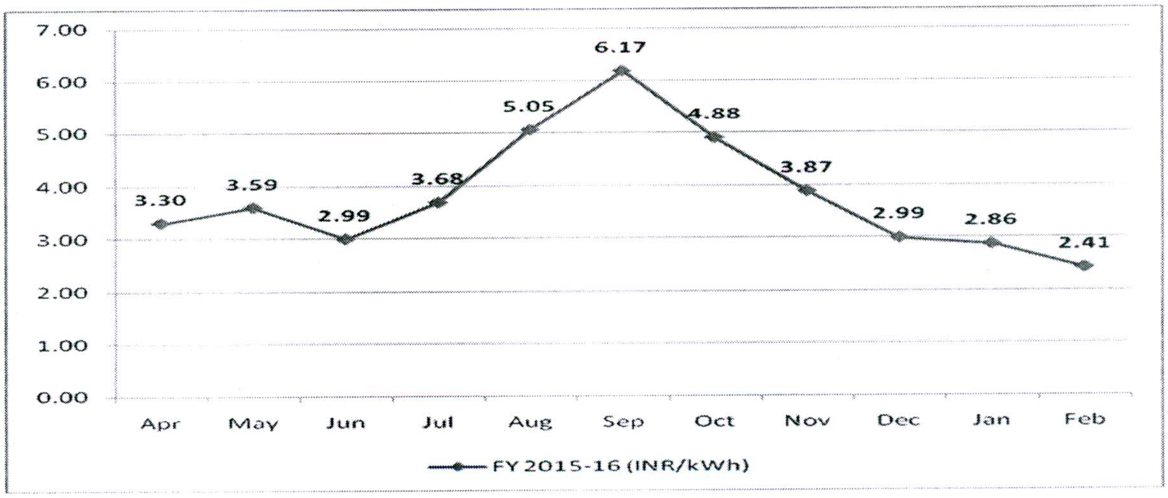
The Petitioner has projected the month-wise shortfall based on the system availability and requirement. A part of this deficit has been projected to be met from external sources such as power traders and power exchanges. The TSNPDCL has projected an average procurement price of Rs. 5.22 per unit in FY 2016-17 for such bilateral and market purchases.

The Objector has depicted in the earlier paragraphs duly supported by facts and reasoning, that the availability would increase by almost 575 MUs (for both TSSPDCL and TSNPDCL) due to higher availability from the hydel stations, thus eliminating any requirement of market purchase by the Petitioner. It is pointed out, that the retail tariff order for FY 2015-16 did not allow any market purchase in view of reduced sales and increase hydro generation projections. Additionally, if CERC benchmarks of 85% plant availability and plant load factor are considered for APGENCO and TSGENCO stations, it would also result in increased availability for FY 2016-17; thereby resulting in no requirement of power purchases from bilateral and market purchases.

Notwithstanding the above, the Objector submits that the proposed price for bilateral and market purchases seems to be unreasonably high considering the recent trends in the price of power traded in open market and exchanges.

The Objector submits that the rates in the power exchanges were considerably lower in FY 2015-16 than previous years. This was primarily due to fact that the southern grid was integrated with the central grid with the commissioning of the Raichur - Solapur 765 KV double circuit transmission line, thereby reducing the congestion as power flowed in the southern region from the overcapacity regions. While, we appreciate that southern connectivity needs to be strengthened even more, there is no denying the fact that the prices on the exchanges would remain lower than the historical prices. The prices prevailing on the IEX power exchange (which has a market share of around 97%) is one of the best indicators of the prices prevailing on the short term market. The graph below depicts that the power prices have ranged between Rs. 2.41 per unit to Rs. 4.88 per unit, with the 11 month average (Apr to Feb 2016) at around Rs. 3.80 per unit.

Graph: Average Prices Prevailing on IEX in FY 2015-16 (Apr'15 – Feb'16)



Source: IEX; S1 region - Andhra Pradesh, Telangana, Karnataka, Pondicherry (Yanam), South Goa

Considering the above, it is humbly prayed that although there doesn't appear to be any requirement of market purchase, the Commission may fix the maximum ceiling at or around Rs. 3.80 per unit as against Rs. 5.22 per unit projected by the TSNPDCL.

Thus, there is a potential disallowance of Rs. 80.17 crore proposed towards market and bilateral purchases in FY 2016-17 in respect of TSNPDCL.

2.7 PGCIL AND ULDC CHARGES

The Petitioner has claimed exorbitantly higher inter-state transmission charges under PGCIL and ULDC charges. The Hon'ble Commission in the tariff order for FY 2015-16 had approved PGCIL and ULDC charges amounting to Rs. 274.06 crore for TSSPDCL and Rs. 111.53 crore for TSNPDCL. As against this, the claim for FY 2016-17 is to the tune of Rs. 892.78 crore and Rs. 372.67 crore which are higher by around 225% and 234% respectively for TSSPDCL and TSNPDCL over FY 2015-16 approved charges as depicted in the table below:

Table: PGCIL and ULDC Charges claimed for FY 2016-17

(Figures in Rs Crore)

Particulars	2014-15	2015-16			2016-17
	Actuals as submitted by the Petitioner	Tariff Petition	Tariff Order	Revised Estimate submitted by the Petitioner	Claimed by the Petitioner
PGCIL Charges	397.28	257.62	257.62	652.95	886.64
ULDC Charges	6.14	16.44	16.44	6.14	6.14
Total TSSPDCL	**403.42**	**274.06**	**274.06**	**659.09**	**892.78**
PGCIL Charges	-	104.84	104.84	272.56	370.11
ULDC Charges	-	6.69	6.69	2.56	2.56
Total TSNPDCL	-	**111.53**	**111.53**	**275.12**	**372.67**
Total State level		**385.59**	**385.59**	**934.21**	**1265.45**

No justifications have been furnished by the Petitioner for claiming such higher PGCIL and ULDC charges. In any case, such increase in PGCIL and ULDC charges is not fathomable and merits disallowance by this Hon'ble Commission.

In order to demonstrate the abnormality of the expenses claimed under PGCIL and ULDC charges, let us for a moment assume that all of the PGCIL and ULDC charges are towards Long Term Access (LTA) charges. As per the slab rates for PoC charges for the period January- March 2016, notified by the Central Electricity Regulatory Commission, vide order dated 12.3.2016, the total PoC charges are to the tune of Rs. 283869 lakh/MW/Month (including reliability and HVDC charges) for LTA/MTOA billing. The Objector submits that the projected expenditure of Rs. 1265.45 crore translates to an inter-state transmission flow capacity of 44578 MW which obviously is not reflective of the prevailing inter-state power flow scenario in the State. Similarly, let us now assume that all of the PGCIL and ULDC charges are towards Short Term Open Access (STOA) charges. As per the aforesaid CERC order dated 12.3.2016, the STOA charges for Telangana are to the tune of 20.68 paisa/kWh. The projected PGCIL and ULDC charges of Rs. 1265.45 crore translates to inter-state energy transfer of around 61192 MU attributable to the Petitioner which again is significantly higher.

While the Objector appreciates that the above hypothesis / approach cannot be directly adopted, but is surely provides a perspective on the Petitioner's excessive claims towards PGCIL and ULDC charges.

This calls for a thorough prudence check based on sound justifications and rationale by the Hon'ble Commission before allowing the claims towards PGCIL and ULDC charges.

2.8 INTEREST ON CONSUMER SECURITY DEPOSITS

The interest on security deposit is to be computed in accordance with the Andhra Pradesh Electricity Regulatory Commission (Security Deposit) Regulation 2004. The relevant clause of the aforesaid Regulations is extracted below:

> *"7. Interest on Security Deposit payable by the Licensee:*
> *(1) The licensee shall pay interest on security deposit of a consumer, at the Bank Rate notified by Reserve Bank of India provided that the Commission may specify a higher rate of interest from time to time by notification in Official Gazette."*

The Petitioner has claimed the interest on security deposits during 2016-17 at a rate of 9.00%, which is not in consonance with the clause 7.1 of the aforesaid Regulations which provides for considering the bank rate notified by the Reserve Bank of India from time to time. The Objector submits that the current Bank Rate as on date of filing the objection statement is 7.75% which has been published by the Reserve Bank of India on its website.

The Hon'ble Commission is urged to consider 7.75% bank rate as against 9.00% claimed by the Petitioner for the purposes of allowing the interest on consumer security deposits for 2016-17. Accordingly, the Objector's Assessment of the allowable interest on security deposits is Rs. 48.05 crore as against Rs. 55.80 crore claimed by the Petitioner as computed in the table below:

(in Rs. Cr.)

	Revenue Requirement Item	2016-17	
		Petitioner's Submission	Objector's Assessment
A	Opening Balance	588.57	588.57
B	Additions during the Year	62.87	62.87
C	Closing Balance	651.44	651.44
D	Average Balance	559.99	620.01
E	Interest @ % p.a.	9.00	7.75
F	**Interest on Security Deposit**	**55.80**	**48.05**

2.9 SALES PROJECTIONS FOR 2016-17

It is pointed out that the Petitioner has proposed to increase the hours of supply of agricultural consumers from the current level of 6-7 hours to 9 hours. However, it is evident from the Petitioner's own admission, that it has not projected any additional sales on account of the increase in the hours of supply. In this regard, the relevant extracts of the Petitioner's submissions are provided below:

> *"The Key aspects of the 24x7 PFA proposal includes 9Hrs power supply to agriculture as per the policy of Govt. of Telangana State. Accordingly, the licensee has ensured to provide 9Hrs power supply to agriculture consumers from 01.04.2016. However the licensee has not projected any additional sales due to increase in number of hours of supply due to the decreased water levels in the bore wells because of poor rain fall during the current year."*

The Objector submits that the rationale and contentions of the Petitioner towards projection of agricultural sales defies logic and the sales projections ought to be re-worked by this Hon'ble Commission. Correct and prudent estimation of the agricultural consumption is vital as subsidy support from State Government hinges on this aspect.

2.10 GOVT. OF TELANGANA IS NOT PROVIDING COMMENSURATE SUBSIDY

It is evident from the retail tariff order for FY 2015-16 that the Government of Telangana (**'GoTS'**) had approved subsidy of Rs. 4,257.25 crore [Rs. 723.79 in case of TSSPDCL and Rs. 3533.44 crore in case of TSNPDCL] towards supply of subsidised power to LT-I, LT-V and LT & HT Poultry Industries.

Further, some relevant paragraphs of the said Order towards administration of subsidy are reproduced below:

> *"6.4.1 The payment of subsidy amounts indicated in the above section must be made by Government to the Licensees in monthly installments, in advance.*
>
> *6.4.2 The above determined rates for LT–I Domestic, LT-III Industries- Poultry farms, LT-V Agriculture and HT-I(A) Industry- Poultry farms are contingent upon payment of subsidy as*

agreed by the GoTS., failing which, the rates contained in the full cost recovery tariff schedule will become operative."

Thus, the Hon'ble Commission provided that subsidy ought to be provided in advance by GoTS and failing the advance payment, the rates contained in the full cost recovery tariff schedule shall become effective.

The Objector submits that the State Government has failed to keep its subsidy commitment in FY 2015-16. As against the subsidy commitment of Rs. 4,257.25 crore, the actual subsidy provided by the State Government is only to the tune of Rs. 3,192.93 crore, thereby entailing a shortfall of Rs. 1,064.32 crore. This is evident from the Budget approved by the GoTS in and around 14th March 2016. The extracts of the Telangana State Budget for FY 2016-17, wherein Revised Estimates for FY 2015-16 towards subsidy commitments amounting to Rs. 3,192.93 crore have been provided, are enclosed herewith and marked as **'Annexure-2'**.

The shortfall in subsidy commitment by GoTS is contrasted by the increase in the consumption of subsidised categories as per revised estimates for FY 2015-16. It is pointed out that the revised estimated consumption of LT-V category is to the tune of 6931.23 MU as against 6318 MU approved in the tariff order for TSSPDCL. Similarly, in the case of TSNPDCL, the revised estimated consumption of LT-V category is to the tune of 4731.34 MU as against 4340.01 MU approved in the tariff order for FY 2015-16. This called for truing up of subsidy and the State Government was required to fulfill this additional subsidy gap. However, the GoTS has miserably failed to keep up with its earlier commitment of providing subsidy to the tune of Rs. 4,257.25 crore. It is estimated that the additional subsidy requirement on account of increased agricultural consumption is to the tune of Rs. 575.22 crore as per the table below:

Particulars	Derivation	TSSPDCL	TSNPDCL
Approved LT-V consumption as per tariff order (MU)	A	6,318.00	4,340.01
Revised Estimated LT-V consumption (MU)	B	6,931.23	4,731.34
Approved COS as per 2015-16 tariff order (Rs./kWh)	C	5.43	6.19
Additional Subsidy Requirement (Rs Crore)	**(A-B)*C/10**	**332.98**	**242.23**

In view of the above, the Objector prays:

i. That the GoTS may be directed to pay full subsidy as committed by it to the tune of Rs. 4,257.25 crore applicable for FY 2015-16.

ii. That the GoTS may be directed to pay additional subsidy amounting to Rs. 575.22 crore (Rs. 332.98 crore for TSSPDCL and Rs. 242.23 crore for TSNPDCL) based on the revised estimated consumption of LT-V category; similarly true-up the subsidy requirement on account of LT-I and LT & HT Poultry Industries.

2.11 COMMENSURATE SUBSIDY FOR FY 2016-17 AND ITS TRUING UP BASED ON ACTUAL CONSUMPTION

The Revised Tariff Policy dated 28.01.2016 provides as under:

"8.3 Tariff design: Linkage of tariffs to cost of service

It has been widely recognised that rational and economic pricing of electricity can be one of the major tools for energy conservation and sustainable use of ground water resources.

In terms of the Section 61 (g) of the Act, the Appropriate Commission shall be guided by the objective that the tariff progressively reflects the efficient and prudent cost of supply of electricity.

Accordingly, the following principles would be adopted:

1. *Consumers below poverty line who consume below a specified level, as prescribed in the National Electricity Policy may receive a special support through cross subsidy. Tariffs for such designated group of consumers will be at least 50% of the average cost of supply.*

2. *For achieving the objective that the tariff progressively reflects the cost of supply of electricity, the Appropriate Commission would notify a roadmap such that tariffs are brought within ±20% of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy."*

Thus, the Revised Tariff Policy envisages that the tariff should progressively reflect the efficient and prudent cost of supply of electricity and the tariffs for all categories of consumers except the consumers below poverty line should be within ±20% of the average cost of supply. More importantly even for BPL categories for consumption up to a prescribed level (i.e., 30 units per month) the prescribed tariff ought to be at least 50% of the average cost of supply. However, in the state of Telangana, the domestic consumption is subsidised up to around 100 units. Further, power is being supplied to the agriculture consumers at 90% subsidy of the total cost of supply as per the decision of the State Government.

The Objector submits that the State Government is free to provide subsidised or free power to any class of consumers. However, it should provide full and commensurate subsidy in such cases and there is no occasion to subsidise the cost of supplying free power / subsidised power by imposing the burden on the industrial consumers through cross subsidy. The Objector submits that if the provisions of the tariff policy is not complied by the distribution licensees and the State Government, then 100% subsidy is ought to be provided by the State Government.

It is pointed out, that in the case of both TSSPDCL and TSNPDCL, the cost coverage of LT-IA and LT-IB are below 50% which is violative of the Tariff Policy. The cost coverage of LT-IC is barely 57% in TSSPDCL and 54% in TSNPDCL as depicted in the table below:

Category	No. of Consumers	Energy Sales (MU)	Revenue Assessment at proposed tariff (Rs Crore)	Average Tariff (Rs./kWh)	Cost Coverage (%)
TSSPDCL					
LT I(A)	21,45,490	608.00	88.10	1.45	22.8%
LT I(B)	12,24,637	1,300.29	253.68	1.95	30.7%
LT I(C)	13,56,223	2,631.53	948.04	3.60	56.7%
TSNPDCL					
LT I(A)	16,22,431	719.43	114.85	1.60	23.97%
LT I(B)	1,01,36,22	1025.83	189.39	1.85	27.72%
LT I(C)	49,14,46	956.62	343.11	3.59	53.85%

Further, the subsidy requirement for FY 2016-17 has been worked out considering the projected sales for FY 2016-17, projected revenue realisation and cost to serve computed by the Telangana Discoms and the same is tabulated below:

Consumer Categories	Energy Sales	Projected CoS	Cost to Serve	Projected Revenue Assessment	Subsidy Requirement
	MU	Rs./kWh	Rs. Crore	Rs. Crore	Rs. Crore
	A	B	C = A x B / 10	D	E = C – D
TPSPDCL					
LT- I(A),I(B) Domestic	1908.29	6.64	1267.05	447.87	819.18
LT- V- Agriculture	7185.25	7.74	5564.83	42.30	5522.53
Total	**9093.54**		**6831.88**	**490.17**	**6341.71**
TSNPDCL					
LT- I(A),I(B) Domestic	1745.26	6.73	1174.56	387.88	786.68
LT- V- Agriculture	4904.72	7.82	3835.49	54.63	3780.86
Total	**6649.98**		**5010.05**	**442.51**	**4567.54**

Thus the subsidy requirement from the State Govt. for TSSPDCL and TSNPDCL works out to be Rs. 7393.97 crore [Rs. 3268.26 crore + Rs. 4125.72 crore], as depicted below:

(in Rs. Cr.)

Particulars	FY 2016-17	
	TSSPDCL	**TSNPDCL**
Subsidy Requirement of LT-I	819.18	786.68
Subsidy Requirement of LT-V	5522.53	3780.86
Total Subsidy Requirement	**6341.71**	**4567.54**
Less: Cross Subsidy from HT & LT categories	3073.45	441.83
Net Subsidy Requirement from State Government	**3268.26**	**4125.72**
Total Subsidy Requirement from State Government	**7393.97**	

However, against the total subsidy requirement of Rs. 7393.97 crore, the subsidy commitment in the State Budget for FY 2016-17 has only been to the tune of Rs. 4470.10 crore.

The issue of providing commensurate subsidy and re-adjustment of subsidy based on actual consumption levels has been fairly settled by several State Commissions such as Andhra Pradesh Electricity Regulatory Commission, Karnataka Electricity Regulatory Commission, Uttar Pradesh Electricity Regulatory Commission and such an approach has also been settled by the Hon'ble Appellate Tribunal for Electricity. The following paragraphs demonstrate the findings and approach of the various

State Commissions / Hon'ble APTEL in dealing with the issue of subsidy re-adjustment based on actual consumption.

The Hon'ble APERC in the true up order for 2009-14 tariff period dated 05.12.2015 had approved the truing up of subsidy based on the actual consumption of subsidised categories. The relevant extracts of the order dated 05.12.2015 are reproduced below:

> *"90. Therefore, the Commission has, while reckoning the additional supplies to agriculture in the context of assured subsidies and readiness to pay the cost in this regard by GoAP, decided to compute the cost of additional agricultural purchases and supplies, and issue directions to pay such cost as subsidy for the control period u/s 65 of the Electricity Act 2003 and all other powers enabling the Commission in this behalf. The excess agricultural supplies during the control period have been valued at Rs. 1017 cr for SPDCL and Rs. 356 cr for EPDCL for the control period. The GoAP is liable to pay these amounts in confirmation of the statements made by them with regard to power supplies to agriculture. The relevant calculations in this regard are given in the table below:*

Table 23: Cost of Additional Sale to Agriculture (₹ cr)

SPDCL	**Unit**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**Total**
Agricultural Sales	**mu**						
T.O.	**mu**	3,455.55	3,735.07	4,074.52	4,478.35	4,478.35	20,221.84
Actual	**mu**	4,167.82	3,664.49	4,366.34	4,587.91	5,513.46	22,300.02
Difference	**mu**	712.27	(70.58)	291.81	109.56	1,035.11	2,078.17
Total Sales	**mu**	**13,697.28**	**14,441.24**	**16,388.21**	**16,444.85**	**18,024.46**	**78,996.05**
ARR/UNIT	**₹/unit**	3.97	4.30	4.57	5.55	5.21	4.77
Additional Cost	**₹cr.**	**282.75**	-	**133.48**	**60.81**	**539.63**	**1,016.68**
EPDCL	Unit	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**Total**
Agricultural Sales	**mu**						
T.O.	**mu**	1,323.00	1,429.54	1,558.81	1,714.80	1,714.20	7,740.35
Actual	**mu**	1,868.31	1,451.90	1,820.65	1,534.08	1,752.45	8,427.39
Difference	**mu**	545.31	22.36	261.84	(180.72)	38.25	687.04
Total Sales	**mu**	9,868.55	10,366.38	11,725.73	11,402.04	12,119.04	55,481.74
ARR/UNIT	**₹/unit**	3.87	4.08	4.43	5.44	5.20	4.64
Additional Cost	**₹cr.**	**211.11**	**9.13**	**116.00**	-	**19.90**	**356.13**

"

Similar principle has been adopted by the Hon'ble Karnataka Electricity Regulatory Commission (KERC) in its Order dated 12th May 2014 while truing up the ARR for FY 2012-13 in respect of the Bangalore Electricity Supply Company Limited (BESCOM), a distribution licensee in the State of Karnataka and also by the Hon'ble Uttar Pradesh Electricity Regulatory Commission (UPERC) in its

Order dated 21st May, 2013 in Petition No. 809 of 2012 while truing up the ARR for FY 2007-08 in respect of the distribution licensees of Uttar Pradesh namely Dakshinanchal Vidyut Vitran Nigam Limited, Madhyanchal Vidyut Vitran Nigam Limited, Paschimanchal Vidyut Vitran Nigam Limited and Purvanchal Vidyut Vitran Nigam Limited.

In the aforementioned order, the Hon'ble KERC had computed the additional subsidy requirement payable by the Govt. of Karnataka considering the actual sales to BJ/KJ & IP Sets in FY 2013-13. The Hon'ble KERC had computed the additional subsidy requirement at Rs. 524.53 crore based on actual consumption of the subsidised categories. This additional subsidy requirement of Rs. 524.53 crore was applied as a reduction from the ARR being trued up, thus, insulating the other subsiding consumers. The distribution licensee was directed to realise such sum from the State Government which is understood to have started paying the shortfall to the Discom based on the decision of the Hon'ble KERC.

The relevant extracts of the aforementioned orders are reproduced below:

Extract from the KERC order dated 12.5.2014:

"xvii) Gap in Revenue for FY13:

As against an approved ARR of Rs.13025.30 Crores, the Commission after the Annual Performance Review of BESCOM decides to allow an ARR of Rs.11935.27 Crores for FY13. Considering the revenue of Rs.10783.62 Crores, a deficit of Rs.1151.65 Crores is determined for the year FY13.

The ARR of Rs.11935.27 Crores for FY13 in relation to the total sales of 22796 MU during the year, results in the average cost of supply per unit sold of Rs.5.24 per unit. As against this, the revenue realized from all categories of sales at Rs.10783.62 Crores, including subsidy paid by Government, works out to an average revenue realization of Rs.4.73 per unit. Thus, there is a deficit of 1151.65 Crores which also includes the cost of providing supply of 1002 MU in excess of the quantity included in the ARR to IP Sets and BJ/KJ consumers during the year beyond the quantum approved in the ARR for FY13, for which no subsidy had been determined by the Commission from the Government of Karnataka. Also, due to the sales to other than BJ/KJ & IP category of consumers being lower than factored in the approved ARR of the year, there is no additional cross subsidy available to cover the cost of this excess supply to the IP Sets and BJ/KJ consumers. Therefore, the entire cost of supply of this additional quantity of power supplied to IP Sets and BJ/KJ Consumers has to be recovered from the State Government at the average cost of supply of Rs.5.24 per unit as additional subsidy. This amounts to Rs.524.53

Crores. With this additional subsidy from the Government of Karnataka, the unfilled gap for FY13 will be reduced from Rs.1151.65 Crores to Rs.627.13 Crores.

Government of Karnataka has in their letter No. EN 10PSR 2014 dated 22nd March 2014, addressed to the Managing Directors of the ESCOMs (copy obtained by the Commission), have also accepted this position by agreeing to pay for any additional supplies made to the IP Sets and BJ/KJ consumers over and above the quantum approved in the ARR of FY13 at the cost determined by the Commission.

As per the above discussion, the additional subsidy payable by Government of Karnataka for FY13 is as follows:

Additional subsidy for FY13

Sl.No	Particulars	FY13
1	*Actual sales to BJ/KJ & IP Sets in MU*	5788
2	*Approved sales to BJ/KJ & IP Sets in MU*	4786
3	*Increase in sales in MU (2-1)*	1002
4	*Average cost of supply as per APR- Rs/Unit*	5.24
5	*Additional cost for increased sales at ACS as per APR- Rs.Crs (3*4)*	524.53
6	***Additional Subsidy to be paid by GoK for FY13- Rs.Crs***	**524.53**

The Commission decides to carry forward the balance deficit of Rs.627.13 Crores of FY13 to the proposed ARR for FY15 as discussed in the subsequent Chapter of this Order."

Similarly, the Hon'ble UPERC had computed the actual subsidy requirement considering the actual sales of the subsidised categories namely LMV-1 (a): Consumer getting supply as per "Rural Schedule" and LMV-5: Private Tube wells (PTW) in FY 2007-08. The Hon'ble UPERC had computed the revised subsidy requirement at Rs. 2,940.83 crores based on actual consumption of subsidised categories. Out of the above, the revenue subsidy provided by Govt. of Uttar Pradesh was only Rs. 1,854.72 crores. Thus the balance subsidy of Rs. 1,086.11 crores was applied as a reduction from the ARR being trued up, thus, insulating the other subsiding consumers. The distribution licensees were directed to realise such sums from the State Government which is understood to have started paying the shortfall to the Discoms based on the decision of the Hon'ble UPERC.

Extract from the UPERC order dated 21.5.2013:

"9.21 ADDITIONAL SUBSIDY REQUIREMENT FROM GOUP

The Distribution Tariff Regulations are effective from FY 2007-08. Para 6.10 of the Distribution Tariff Regulations provide:

*"**6.10 Provision of Subsidy***

1. The Commission, while determining the tariff, shall see that the tariff progressively reflects the cost of supply of electricity and the cross subsidy is reduced or eliminated.

2. If the State Government decides to subsidize any consumer or class of consumers, the State Government shall pay the amount to compensate the affected licensee by grant of such subsidy in advance.

Provided that no such direction of the State Government to grant subsidy shall be operative if the payment is not made in accordance with the relevant provisions contained in these Regulations and the Act. In such a case, the tariff of the applicable categories may be revised excluding the subsidy.

3. The Government shall, by notification, declare the consumers or class of consumers to be subsidized.

4. Tariff of the subsidized category shall be designed taking into account the subsidy allocated to that category.

5. The Distribution Licensee shall furnish details of power consumed by the subsidized category to the State Government and the Commission.** The Distribution Licensee shall provide meters on all rural distribution transformers and shall also furnish the power consumption details in respect of agricultural and rural domestic consumption based on readings from such meters and normative distribution losses on a monthly basis." **(Emphasis supplied)

The Commission in its Letter No. UPERC/D(T)/2013-176 dated 06th May, 2013 had directed the Petitioner to furnish the details in respect of energy sold and thru rate of subsidised categories. The Petitioner filed the response to the Deficiency Note on 15th May, 2013 vide Letter No. 1045/RAU/ARR FY 2013-14. The Petitioner has failed to provide the desired data and has stated that the sub-category wise energy sales data in respect of rural domestic and private tube wells categories were not maintained by the licensees. However it has submitted the broad category wise details.

In the absence of sub-category wise data, the Commission has adopted the sales figures for FY 2007-08 as provided in the Tariff Order for FY 2009-10. The Commission has computed the actual subsidy requirement considering the actual sales of the subsidised categories namely LMV-1 (a): Consumer getting supply as per "Rural Schedule" and LMV-5: Private Tube wells (PTW) in FY 2007-08. As per the table provided below, the actual subsidy requirement has been worked out to be Rs. 2,940.83 crores. Out of the above, the revenue subsidy available from GoUP is only Rs. 1,854.72 crores. Thus the balance subsidy of Rs. 1,086.11 crores has been applied as a reduction from the ARR being trued up. The distribution licensees need to realise such sums from the State Government.

Table 2.11-1: COMPUTATION OF SUBSIDY REQUIREMENT FOR FY 2007-08

(Rs Crores)

Particulars	**Sales (MU)**	**Cost of Service (Rs/kWh)**	**Thru Rate (Rs/kWh)**	**Loss (Rs kWh)**	**Loss (Rs Crore)**
LMV-1: (a) Consumer getting supply as per "Rural Schedule"	*6132.00*	*3.87*	*1.03*	*2.84*	*1744.07*
LMV-5: PTW	*4317.00*	*3.87*	*1.10*	*2.77*	*1196.76*
Total Loss					***2940.83***
Subsidy Available					*1854.72*
Balance Subsidy to be made available by GoUP					***1086.11***

The additional subsidy requirement has been allocated among Discoms in the ratio of their sales in FY 2007-08 as the Discom wise sales to rural domestic and private tube wells categories has not been provided by the Discoms.

Table 2.11-2: ALLOCATION OF ADDITIONAL SUBSIDY REQUIREMENT AMONG DISCOMS (Rs Crores)

Particulars	*DVVNL*	*MVVNL*	*PVVNL*	*PuVVNL*	*Total*
Total Sales in FY 2007-08 (MU)	*8087.13*	*6548.45*	*11966.01*	*8195.26*	***34796.85***
Allocation of Balance Subsidy among Discoms (Rs Crores)	*252.42*	*204.40*	*373.49*	*255.80*	***1086.11***

The approach adopted by the Hon'ble UPERC has been upheld by Hon'ble APTEL vide judgement dated 23.11.2015 in Appeal No. 128 of 2014. The relevant extract from the aforementioned judgement is reproduced below:

> *"8.8) Hence, we hold that the State Commission is legally justified in directing the appellants to recover the subsidy/additional subsidy from Government of Uttar Pradesh instead of giving the same as a pass through in the appellants aggregate revenue requirement. If proper data and details in true sense were not available with the appellants, then for that lapse or failure of the appellants, the consumers cannot be allowed to suffer. Hence, this issue is decided against the appellants."*

It is the consistent practice of the Hon'ble Commission to approve additional subsidy requirement based on actual consumption of subsidised categories. Similar treatment was provided by the Hon'ble UPERC in the truing up orders of state owned licensees for FY 2008-09 to 2011-12 in its order dated 1st October, 2014.

Attention is furthermore invited to Hon'ble APERC Tariff Order for 2004-05, which stated that the Commission approved the revenue and sales to agricultural consumers and then approves the subsidy and does not allow for any further increased sales to this category of consumers.

APERC subsidy administration mechanism for agricultural consumers: 2004-05 Tariff order

> *'The GOAP obligation towards subsidy payments to DISCOMs is limited to the quantities mentioned in this order.* ***If the DISCOMs exceed tariff order quantities and thus the subsidy requirement, the Commission will not entertain any request for additional quantities of energy to subsidized categories unless the permission of the GoAP is taken for additional subsidy if the excess consumption relates to agriculture.*** *In other categories, if there is excess consumption, no additional subsidy will be recommended by the Commission to GoAP."*

The Full Cost Recovery Tariffs do not mean that the tariffs from subsidising categories be fixed first and then subsidy be juxtaposed thereon. Rather, the tariffs be fixed for all consumer categories at cost of service levels or at ±20% of CoS levels. Thereupon the subsidised tariffs should be worked upon after considering the available subsidy levels from the State Government.

In view of the above submissions, figures and the relevant observations of the Appellate Tribunal and other Regulatory Commissions, it is very clear that for any additional sale to the subsidised consumers the government has to release additional subsidy. The Objector humbly prays that:

- The Hon'ble Commission may approve full and commensurate subsidy for FY 2016-17 towards LT–I Domestic, LT-III Industries- Poultry farms, LT-V Agriculture and HT-I(A) Industry-Poultry farms and any other applicable category. In view thereof, the Hon'ble Commission may consider the Objector's Assessment of the subsidy requirement of Rs. 3268.26 crore for TSSPDCL and Rs. 4125.72 crore for TSNPDCL in FY 2016-17.

- The Hon'ble Commission may expressly stipulate that the subsidy would be trued up based on the variation in the actual consumption of subsidised consumers.

3 TIME OF DAY (TOD) TARIFFS

At the outset, we welcome the proposal of the Petitioner to introduce lean period rebate of Rs. 0.55 per unit during the time slot of 10:00 pm to 06:00 am. The Objector had been relentlessly seeking the indulgence of this Hon'ble Commission, for introducing lean period rebate under TOD tariffs as being done by several other States in the country and thereby restore equity in the TOD tariffs. However, the incentive proposed by the Petitioner of Rs. 0.55 per unit is too low, when compared with the TOD tariff scheme applicable in other States. The lean period rebate applicable in other States is generally 15-20% of the applicable Energy Charges. Thus, the rebate should be pari-passu with peak period surcharge and ought to be around Rs. 1.00 per unit, to encourage the consumers to shift their demand to off-peak periods.

Further, the Petitioner has also proposed to introduce another peak period time slot between 06:00 am to 10:00 am, wherein surcharge to the tune of Rs. 1.00 per unit would be charged by the Petitioner. The Objector strongly objects to this proposal of the Petitioner. Firstly, the proposal of the Petitioner for introducing another time slot for peak period surcharge has not been supported by any technical study, load curve analysis, applicable power purchase rates on exchanges at the indicated time slot, etc. In view of the same, there is no material on record to establish that there is power shortage at the indicated time slot. Secondly, the Objector submits, that as per the general trend, no significant morning peaks are witnessed in any major State in the country. The Objector has analysed and studied the applicable TOD tariff schemes in several other States and the study reveals that the morning time slot of 06:00 am to 10:00 am has been categorised as *'normal hours'* by most of the States.

The following table provides the exhaustive list of states wherein ToD tariffs are applicable:

Table: Summary of the Time of Day (ToD) Tariff Scheme in Various States

S.No	Name of Utility & Time Period	Effective dates	Consumer Category & TOD Charges applicable			
1	**Andhra Pradesh**	Existing Provision	**HT Consumer (HT -I (A), HT -II & HT -III)**			
	1800 Hrs -2200 Hrs		Voltage Supply -11kv, 33kv, 132kv & above			
			105 Paise/kVAh In addition to the normal energy charges at respective voltages			
2	**Assam**	w.e.f. 24.07.2015	**HT-I (Ind)**	**HT-II (Ind)**	**HT-VI Tea, Coffee & Rubber**	**HT-VII Oil & Coal**
	0600 Hrs -1700 Hrs (normal)		625 Paise/KWh	685 Paise/KWh	675 Paise/KWh	735 Paise/KWh
	1700 Hrs-2200 Hrs (peak)		850 Paise/KWh	830 Paise/KWh	855 Paise/KWh	910 Paise/KWh
	2200 Hrs - 0600 Hrs (night)		560 Paise/KWh	635 Paise/KWh	650 Paise/KWh	710 Paise/KWh
3	**Bihar**	w.e.f. 01.04.2013	**All HT Consumers**			
	Normal period (0500 Hrs - 1700 Hrs)		Normal rate of energy charges			
	Evening Peak load period (1700 Hrs -2300 Hrs)		120% of normal rate of energy charges			
	Off-peak load period (2300 Hrs -0500 Hrs)		85% of Normal rate of energy charges			
4	**Chandigarh**	w.e.f. 01.04.2013	**HT/EHT Consumers (Optional)**			
	Normal period (0600 Hrs - 1800 Hrs)		Normal rate of energy charges			
	Evening Peak load period (1800 Hrs -2200 Hrs)		120% of normal rate of energy charges			
	Off-peak load period (2200 Hrs -0600 Hrs)		90% of Normal rate of energy charges			
5	**Chhattisgarh**	w.e.f. 01.08.2013	**For Consumer EHV-2, EHV-3, EHV-4, HV-1, HV-2, HV-3 and HV-10**			
	Normal period (0500 Hrs - 1800 Hrs)		Normal rate of energy charges			
	Evening Peak load period (1800 Hrs -2300 Hrs)		130% of normal rate of energy charges			
	Off-peak load period (2300 Hrs -0500 Hrs)		85% of Normal rate of energy charges			
6	**Delhi (BYPL,BRPL,NDPL-TPDDL & NDMC)**	w.e. f. 01. 09. 201	**All consumers (Other than domestic) sanctioned load is 100 KW/108 KVA & Above**			

S.No	Name of Utility & Time Period	Effective dates	Consumer Category & TOD Charges applicable	
	May-September (peak hours) 1300 Hrs - 1700 Hrs and 2100-2400 Hrs		20% surcharge on energy charges	
	May-September (Off-peak hours) 0300 Hrs -0900 Hrs		20% Rebate on energy charges	
7	**Goa**	w.e.f. 01.04.2013	**HT/EHT Consumers (Optional)**	
	Normal period (0600 Hrs - 1800 Hrs)		Normal rate of energy charges	
	Evening Peak load period (1800 Hrs -2200 Hrs)		120% of normal rate of energy charges	
	Off-peak load period (2200 Hrs -0600 Hrs)		90% of Normal rate of energy charges	
8	**Jharkhand**	w.e.f. 01.08.2012	**All HT Consumers**	
	Morning peak hours (0600 Hrs - 1000 Hrs)		120% of normal rate of energy charges	
	Evening peak hours (1800 Hrs - 2200 Hrs)		120% of normal rate of energy charges	
	Off-peak period (2200 Hrs - 0600 Hrs)		85% of normal rate of energy charges	
9	**Karnataka**	w.e.f. 01.05.2013	**LT-5(a) & (b) Industrial heating & motive power (optional)**	**HT-1 and HT-2 (a), (b), (c)**
	2200 Hrs - 0600 Hrs		(-) 125 Paise /KWh	(-) 125 Paise /KWh
	0600 Hrs -1800 Hrs		NIL	NIL
	1800 Hrs -2200 Hrs		(+) 100 Paise/KWh	(+) 100 Paise/KWh
10	**Kerala**	w.e.f. 01.05.2013	**EHT, HT and LT Industrial Consumer (Load above 20 KW)**	**LT-I(.500 Units/months)**
	Normal period (0600 Hrs - 1800 Hrs)		100% Ruling rate of energy charges	100% Ruling rate of energy charges
	Evening peak (1800 Hrs -2200 Hrs)		150% Ruling rate of energy charges	120% Ruling rate of energy charges
	Off-peak period (2200 Hrs - 0600 Hrs)		75% Ruling rate of energy charges	90% Ruling rate of energy charges
11	**Madhya Pradesh**	w.e.f. 17.04.2015	**For Coal Mines, Industrial , Seasonal, Irrigation, PWW consumers**	
	Normal period (0600 Hrs - 1800 Hrs)		Normal rate of energy charges	
	Evening Peak load period (1800 Hrs -2200 Hrs)		5% of normal rate of energy charge as surcharge	
	Off-peak load period (2200 Hrs -0600 Hrs)		15% of normal rate of energy charge as surcharge	
12	**Maharashtra (MSEDCL)**	w.e.f. 26.06.2015	**LT-V(B), LTX(B) & ©, LT-V(A) & LT-x(A) optional, HT-I, HT-II, HT IV, HT-IX & HT-X (above base tariff)**	
	0600 Hrs -0900 Hrs & 1200 Hrs - 1800 Hrs		NIL	
	0900 Hrs - 1200 Hrs		(+) 80 Paise/KWh	
	1800 Hrs -2200 Hrs		(+) 110 Paise/KWh	
	2200 Hrs -0600 Hrs		(-) 150 Paise/KWh	
13	**Maharashtra -Mumbai (TATA Power Co.)**	w.e.f. 26.06.2015	LT & HT Industrial, Commercial, Public Services (Over & above base tariff	
	0600 Hrs -0900 Hrs		NIL	
	0900 Hrs - 1200 Hrs		(+) 50 Paise /KWh	
	1200 Hrs -1800 Hrs		Nil	

S.No	Name of Utility & Time Period	Effective dates	Consumer Category & TOD Charges applicable		
	1800 Hrs -2200 Hrs		(+) 100 Paise /KWh		
	2200 Hrs -0600 Hrs		(-) 75 Paise/KWh		
14	**Puducherry**	w.e.f. 01.04.2013	**HT/EHT Consumers (Optional)**		
	Normal period (0600 Hrs - 1800 Hrs)		Normal rate of energy charges		
	Evening peak load period (1800 Hrs - 2200 Hrs)		120% of normal rate of energy charge		
	Off-peak load period (2200 Hrs -0600 Hrs)		90% of normal rate of energy charge		
15	**Tripura**	w.e.f. 01.04.2013	**Industrial. Tea/Coffee/Rubber, Bulk supply , Water Works & Irrigatio consumers**		
	Normal period (0500 Hrs - 1700 Hrs)		Normal rate of energy charges		
	Evening Peak load period (1700 Hrs -2300 Hrs)		140% of normal rate of energy charge		
	Off-peak load period (2300 Hrs -0500 Hrs)		60% of normal rate of energy charge		
16	**Uttarakhand**	w.e.f. 11.04.2015	**LT & HT Industrial**		
	Season Time of day		***Normal Hrs***	***Peak Hrs***	***Off Peak Hrs***
	Winters 1st October - 31st March		09:30-17:30 Hrs	06:00-09:30 & 17:30 - 22:00 Hrs	22:00-06:00 Hrs
	Summers 1st April - 30th September		07:00-18:00Hrs	18:00 -23:00 Hrs	23:00-07:00 Hrs
	For LT Industry - Energy Charges		360 Paise/KVAh	540 Paise/KVAh	324 Paise/KVAh
	For HT Industry - Energy Charges				
	Load Factor up to 40%		340 Paise/kVAh	563 Paise/kVAh	306 Paise/kVAh
	Load Factor above 40%		375 Paise/kVAH	563 Paise/kVAh	338 Paise/kVAH
17	**Uttar Pradesh**	w.e.f. 10.05.2007	**Small & Medium Power and Large & Heavy Power**		
	2200 Hrs - 0600 Hrs		92.5% of Normal rate of energy charge		
	0600 Hrs 1700- Hrs		Normal rate of energy charges		
	1700 Hrs - 2200 Hrs		115% of Normal rate of energy charge		
18	**West Bengal**	Applicable Tariff Scheme w.e.f 19.08.2015	**Low and medium Voltage Consumers**		
	Season Time of day		**06:00-17:00 Hrs**	**17:00 Hrs-23:00 Hrs**	**23:00 Hrs -06:00 Hrs**
	i) Irrigation pumping for agriculture (Metered		393 Paise/kWh	735 Paise/kWh	279 Paise/kWh
			High & Extra High Voltage Consumers (Summer Season)		
	i) Industries (33kV KV)		653 Paise/kWh	934 Paise/kWh	440 Paise/kWh
	ii) Industries (132 KV)		645 Paise/kWh	921 Paise/kWh	434 Paise/kWh
	iii) Community Irrigation		637 Paise/kWh	963 Paise/kWh	356 Paise/kWh
	iv) Commercial Plantation		697 Paise/kWh	979 Paise/kWh	462 Paise/kWh

S.No	Name of Utility & Time Period	Effective dates	Consumer Category & TOD Charges applicable		
19	**West Bengal - Durgapur Projects Ltd.**	**Applicable Tariff Scheme w.e.f 04.03.2015**	**Low and medium Voltage Consumers**		
	Season Time of day		**06:00-17:00 Hrs**	**17:00 Hrs-23:00 Hrs**	**23:00 Hrs -06:00 Hrs**
	Irrigation pumping for agriculture (Metered)		313 Paise/kWh	626 Paise/kWh	172 Paise/kWh
	i) Industries (33KV)		**High & Extra High Voltage Consumers**		
	Summer		480 Paise/kWh	564 Paise/kWh	408 Paise/kWh
	Monsoon		478 Paise/kWh	562 Paise/kWh	406 Paise/kWh
	Winter		476 Paise/kWh	559 Paise/kWh	405 Paise/kWh
	ii) Industries (132KV)				
	Summer		471 Paise/kWh	553 Paise/kWh	400 Paise/kWh
	Monsoon		469 Paise/kWh	551 Paise/kWh	399 Paise/kWh
	Winter		467 Paise/kWh	549 Paise/kWh	397 Paise/kWh
	iii) Community Irrigation /Irrigation				
	Summer		444 Paise/kWh	799 Paise/kWh	293 Paise/kWh
	Monsoon		442 Paise/kWh	796 Paise/kWh	292 Paise/kWh
	Winter		440 Paise/kWh	792 Paise/kWh	290 Paise/kWh
20	**West Bengal -DPSC Ltd.**	**Applicable Tariff Scheme w.e.f 26.12.2013**	**Low and medium Voltage Consumers**		
	Season Time of day		**06:00-17:00 Hrs**	**17:00 Hrs-23:00 Hrs**	**23:00 Hrs -06:00 Hrs**
	Irrigation		269 Paise/kWh	649 Paise/kWh	178 Paise/kWh
	i) Industries (33KV & above)		**High & Extra High Voltage Consumers**		
	Summer		495 Paise/kWh	692 Paise/kWh	326 Paise/kWh
	Monsoon		491 Paise/kWh	688 Paise/kWh	324 Paise/kWh
	Winter		487 Paise/kWh	683 Paise/kWh	321 Paise/kWh
	ii) Community Irrigation /Irrigation				
	Summer		365 Paise/kWh	729 Paise/kWh	219 Paise/kWh
	Monsoon		361 Paise/kWh	721 Paise/kWh	217 Paise/kWh
	Winter		357 Paise/kWh	713 Paise/kWh	215 Paise/kWh

4 CROSS SUBSIDY

The term 'cross subsidy' has not been defined anywhere in the Tariff Policy, National Electricity Policy or in the Electricity Act, 2003. Section 61(g) of the Electricity Act, 2003 provides that the tariff should progressively reflect the cost of supply of electricity and cross subsidies should be reduced in the manner specified by State Commission. This shows that there is a mandate that tariff should progressively reflect actual cost of supply for each consumer category and not average cost of supply.

Clause 8.3 of the Revised Tariff Policy dated 28.1.2016 provides:

> *"8.3 Tariff design: Linkage of tariffs to cost of service*
>
> *It has been widely recognised that rational and economic pricing of electricity can be one of the major tools for energy conservation and sustainable use of ground water resources.*
>
> *In terms of the Section 61 (g) of the Act, the Appropriate Commission shall be guided by the objective that the tariff progressively reflects the efficient and prudent cost of supply of electricity.*
>
> --
>
> *Accordingly, the following principles would be adopted:*
>
> 1. *Consumers below poverty line who consume below a specified level, as prescribed in the National Electricity Policy may receive a special support through cross subsidy. Tariffs for such designated group of consumers will be at least 50% of the average cost of supply.*
>
> 2. *For achieving the objective that the tariff progressively reflects the cost of supply of electricity, the Appropriate Commission would notify a roadmap such that tariffs are brought within ±20% of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy."*

Thus, the Revised Tariff Policy envisages that the tariff should progressively reflect the efficient and prudent cost of supply of electricity and the tariffs for all categories of consumers except the consumers below poverty line should be within ±20% of the average cost of supply. More importantly even for BPL categories for consumption up to a prescribed level (i.e., 30 units per month) the prescribed tariff ought to be at least 50% of the average cost of supply.

Section 61 (g) of the Electricity Act, 2003 mandates the Commission to ensure, that the tariff progressively reflects the cost of supply and also reduces the cross subsidies. Thus, the Tariff Policy read with Section 61(g) of the Act, clearly provides that the State Commission is required to ensure that the cross subsidies are to be progressively reduced and to ensure that tariff for each category is within ±20% of the overall average cost of supply.

Thus, the Tariff Policy recognises the fact that one of the objectives is that the tariff should reflect the cost of supply and for achieving that objective, the State Commission should notify roadmap to ensure that the tariffs are within ± 20% of average cost of supply (overall average cost of supply). However, nowhere, the Tariff Policy suggests that the cross subsidy has to be calculated based on average cost of supply. On the other hand, it provides that the tariff progressively should reflect cost of supply.

In fact, the full Bench of the Hon'ble APTEL in the case of SIEL Limited vs. Punjab State Electricity Regulatory Commission in 2007 ELR (APTEL) 931 has settled the position related to the average cost of supply and cost to supply of a particular category of consumers. The relevant portion of the APTEL judgment is reproduced below:

> ***109. According to Section 61(g) of the Act 2003, the Commission is required to specify the period within which cross subsidy would be reduced and eliminated so that the tariff progressively reflects the cost of supply of electricity. Under Section 28(2) of the Act of 1998, the Commission while prescribing the terms and conditions of tariff was required to safeguard the interests of the consumers and at the same time, it was to ensure that the consumers paid for the use of the electricity in a manner based on average cost of supply. The word "Average" preceding the words "cost of supply" is absent in Section 61(g) of the Act of 2003. The omission of the word "Average" is significant. It indicates that the cost of supply means the actual cost of supply, but it is not the intent of the legislation that the Commission should determine the tariff based on cost of supply from the date of the enforcement of the Act 2003. Section 61(g) of the Act of 2003 envisages a gradual transition from the tariff loaded with cross subsidies to a tariff reflective of cost of supply to various class and categories of consumers. Till the Commission progressively reaches that stage, in the interregnum, the roadmap for achieving the objective must be notified by the Commission within six months from January 6, 2006, when the tariff Policy was issued by the Government of India i.e. by July 6, 2006. In consonance with the tariff policy, by the end of the year 2010-11, tariffs are required to be fixed within plus minus 20% of the average cost of supply (pooled cost of supply of energy received from different sources). But the policy has reached only up to average cost of supply. As per the Act, tariff must be gradually fine tuned to the cost of supply of electricity and the Commission should be able to reach the target***

within a reasonable period of time to be specified by it. Therefore, for the present, the approach adopted by the Commission in determining the average cost of supply cannot be faulted. We, however, hasten to add that we disapprove the view of the Commission that the words "Cost of Supply" means "Average Cost of Supply". The Commission shall gradually move from the principle of average cost of supply towards cost of supply.

110. Keeping in view the provisions of Section 61 (g), which requires tariff to ultimately reflect the cost of supply of electricity and the National Tariff Policy, which requires tariff to be within plus minus 20% of the average cost of supply, it seems to us that the Commission must determine the cost of supply, as that is the goal set by the Act. It should also determine the average cost of supply. Once the figures are known, they must be juxtaposed, with the actual tariff fixed by the Commission. This will transparently show the extent of cross subsidy added to the tariff, which will be the difference between the tariff per unit and the actual cost of supply.

111. In a given case, where an appropriate Commission comes to the conclusion that time has come when Tariff is to be fixed without providing for cross subsidies between various consumer categories, it can fix the Tariff accordingly as there is nothing in the Act which compels a regulatory Commission to formulate Tariff providing for cross subsidies between the consumer categories for all times to come. ***(Emphasis supplied)***

The above principles have been reiterated in the following judgments:

(a) APTEL's Judgment dated 2.6.2006 in Appeal Nos. 124, 125 and 177 of 2005 and Appeal No. 18 of 2006 titled Kashi Vishwanath Steel Ltd., Vs. Uttaranchal ERC & Ors.

(b) Tata Steel India vs. OERC and NEESCO: 2011 ELR (APTEL) 1022.

(c) APTEL's judgment dated 12.9.2011 in Appeal Nos. 96 of 2011 titled East Cost Railways vs. OERC & Ors

(d) APTEL's judgment dated 23.09.2013 in Appeal No. Appeal No. 52, 67, 68 and 69 of 2012 in Ferro Alloys Corporation Ltd & Ors Vs OERC & Ors

The Objector would like to bring to the notice of the Hon'ble Commission that though the Petitioner has calculated the category-wise CoS for all classes of consumers, it has not used the same to determine tariffs. This renders the exercise of calculating the category-wise CoS futile and misleading. Further the

Petitioner has not been able to adhere even to the mandate by the Tariff Policy of designing tariff at ± 20 % of the average cost of supply.

The following tables depict the average realisation as a % of category cost to serve and as a % of average cost of service for TSNPDCL:

Table: Category wise % over / under recovery w.r.t Cost to Serve for TSNPDCL - FY 2016-17

Category & Sub-category	Average Realisation at proposed tariffs (Rs. / kWh)	Category-Wise COS (Rs./kWh)	Average COS (Rs./kWh)	Average Realisation as % of Category COS	Average Realisation as % of ACOS
LT Category	**2.30**	**7.31**	**6.66**	**31.52%**	**35%**
Category I (A&B) -Domestic	3.34	6.73	6.66	49.54%	50%
Category II (A & B) -Non-domestic/Commercial	9.92	6.85	6.66	144.93%	149%
Category III (A & B) -Industrial	8.02	6.36	6.66	126.05%	120%
Category IV (A,B &C) -Cottage Industries & Dhobighats	4.01	6.78	6.66	59.19%	60%
Category V (A,B & C) -Irrigation and Agriculture	0.09	7.82	6.66	1.11%	1%
Category VI (A & B) -Local Bodies, St. Lighting & PWS	5.98	6.88	6.66	86.87%	90%
Category VII (A & B) -General Purpose	8.06	7.11	6.66	113.28%	121%
HT Category at 11 KV	**5.16**	**6.22**	**6.66**	**82.96%**	**77%**
HT-I Industry Segregated	8.68	6.10	6.66	142.21%	130%
HT-II -Others	10.51	6.75	6.66	155.52%	158%
HT-IVA Lift Irrigation & Agriculture	6.56	24.10	6.66	27.21%	98%
HT-VI Townships and Residential Colonies	6.79	5.83	6.66	116.50%	102%
RESCOs	0.99	6.19	6.66	15.99%	15%
HT Category at 33 KV	**5.90**	**4.39**	**6.66**	**134.35%**	**89%**
HT-I Industry Segregated	7.17	6.18	6.66	116.13%	108%
HT-II -Others	9.31	6.13	6.66	151.72%	140%
HT-IVA Lift Irrigation & Agriculture	6.45	22.59	6.66	28.54%	97%
HT-VI Townships and Residential Colonies	7.06	5.34	6.66	132.19%	106%
HT Category at 132 KV	**6.79**	**4.60**	**6.66**	**147.69%**	**102%**
HT-I Industry Segregated	6.69	4.64	6.66	144.10%	100%
HT-II -Others	52.00	5.60	6.66	928.57%	781%
HT-IVA Lift Irrigation & Agriculture	6.44	4.42	6.66	145.63%	97%
HT-V Railway Traction	7.48	5.03	6.66	148.82%	112%
Total	**3.44**	**6.35**	**6.66**	**54.24%**	**52%**

It can be seen from the above tables, that the Petitioner has markedly deviated from the claim of trying to design tariff within the ± 20% range of the average cost of supply. The non domestic (commercial) and HT tariffs are significantly over 120% of the average cost of supply. As per the provisions of the Electricity Act and Tariff Policy, the subsidising consumers such as industrial consumers cannot be penalised, for making good the cost, to be recovered from the subsidised category beyond the permissible ± 20% of the average cost of supply. Any benefit which the Licensee wants to confer to the subsidised category beyond the maximum of ±20% can and should be recovered through Government subsidy and cannot in any way be loaded to the subsidising consumers.

In a catena of judgments (discussed in foregoing paragraphs), the Hon'ble APTEL has held that eventually, the State Commission shall gradually move from the principle of average cost of supply towards cost of supply for each consumer category. It is pointed out that the incidence of cross subsidy is even higher when category wise cost of service is considered.

In view of the above, the Objector states that the tariff hike for industrial consumers is invalid in law and fails the mandate of the Electricity Act and Tariff Policy.

4.1 UDAY SCHEME AND ITS IMPLICATIONS ON THE ARR

The Petitioner has made the following submissions in respect of the past year's truing up and the UDAY scheme formulated by the Government of India.

> *"As Government of Telangana (GoTS) has conveyed its intention of joining the UDAY scheme, the licensee is not claiming the true-up amount for 1st and 2nd control period and revenue gap for FY2014-15 and FY2015-16 in the current filing.*
>
> ***Hence the licensee prays the Hon'ble Commission not to pass on to the consumers, the aggregate losses of the Discoms of the 1st and 2nd control periods (FY2006-07 to FY2013-14) and revenue gap of the 2014-15 and 2015-16 in the ARR of FY2016-17, in view of participation in UDAY scheme.***
>
> *However, a clear picture on the reduction in losses to the licensee by virtue of takeover of loans by GoTS would emerge once the UDAY scheme details are finalized. Hence the licensee would file for the true-up for 2015-16 in the next year filing (FY2017-18) based on the actual audited accounts finalized after considering the takeover of loans by GoTS.*

The licensee prays that the Hon'ble Commission may consider the final true-ups of FY2015-16 based on the actual accounts finalized by the licensee considering the loans taken over by GoTS under UDAY scheme.

Further the licensee also prays that the reduction in ARR of licensee due to reduction in interest cost and depreciation may be passed on to GoTS in the form of reduction in subsidy as the loans of the licensee are proposed to be taken over by the GoTS." (Emphasis supplied)

The Objector craves liberty to file objections on the true-up petitions for FY 2014-15 and 2015-16 as and when the same would be filed by the Petitioner. Since, in the instant petition, no amounts have been claimed for the truing up for FY 2014-15 and 2015-16, the Objector has not filed any specific objections.

Further, it is pointed out that the Petitioner has made an outrageous submission which goes against the very preamble of the UDAY scheme when it states that the savings from the UDAY scheme may not be passed on to the consumers but passed on to the GoTS in the form of reduction in subsidy. The Objector wishes to place on record the extracts of the press release made by the Government of India upon launching the UDAY scheme:

> *"UDAY assures the rise of vibrant and efficient DISCOMs through a permanent resolution of past as well as potential future issues of the sector. It empowers DISCOMs with the opportunity to break even in the next 2-3 years. This is through four initiatives (i) Improving operational efficiencies of DISCOMs; (ii) Reduction of cost of power; (iii) Reduction in interest cost of DISCOMs; (iv) Enforcing financial discipline on DISCOMs through alignment with State finances."*

The Objector submits that there would be substantial savings to the Petitioner on account of interest, depreciation, etc upon implementation of UDAY scheme and the same needs to be passed on to the consumers.

4.2 PRAYERS

Wherefore, the Objector most respectfully prays that this Hon'ble Commission may be pleased to:

A. Consider the above Objection Statement filed by the Objector;

B. Declare that the Petition filed by the Petitioner is opposed to and ultra vires the Tariff Regulations;

C. Approve the ARR for FY 2016-17 as prayed and assessed by the Objector in the detailed Objections Statement;

D. Approve the power purchase cost from APGENCO and TSGENCO stations considering norms of operations at parity with CERC benchmarks;

E. Approve the hydel generation at design energy levels or at the average of actual generation of preceding 10 years;

F. Disallow the power purchase cost in cases where the purchase has been projected at exorbitantly high price not relatable to the incumbent market situations;

G. Disallow the escalation in fixed and variable costs, until finalisation of generation tariffs for GENCOs;

H. Pass on the refund attributable to the consumers of Telangana state out of the refund of Rs. 2,081.81 crore approved upon truing of APGENCO tariff for 2009-14 tariff period;

I. Disallow the claims towards 'Income Tax' and 'Others' embedded in the power purchase cost from TSGENCO stations;

J. Disallow the market purchases and bilateral purchases as prayed in this Objections Statement;

K. Disallow the excessive PGCIL and ULDC charges as prayed in this Objections Statement;

L. Approve the sales projections after strict prudence check and after duly taking into account the proposed increase in the hours of supply for agricultural consumers;

M. Direct the Govt. of Telangana to pay full subsidy as committed by it to the tune of Rs. 4,257.25 crore attributable for FY 2015-16;

N. Direct the Govt. of Telangana to pay additional subsidy amounting to Rs. 575.22 crore (Rs. 332.98 crore for TSSPDCL and Rs. 242.23 crore for TSNPDCL) based on the revised estimated consumption of LT-V category; similarly true-up the subsidy requirement on account of LT-I and LT & HT Poultry Industries;

O. Direct the Govt. of Telangana to pay full and commensurate subsidy for FY 2016-17;

P. Allow lean period incentive and disallow the Petitioner's proposal for introducing another peak period time slot as prayed in this Objections statement;

Q. Adjust the savings on account of implementation of UDAY scheme from the ARR being claimed in the instant petition;

R. Disallow the excessive addition in consumer security deposits projected by the Petitioner;

S. Pass necessary orders as may be deemed appropriate in the facts and circumstances of the case in the interest of justice

T. Permit the Objector to participate and make additional submission and produce additional details and documentations during the course of the Public Hearings at Hyderabad and Karimnagar, in the interest of justice and equity.

Date: 30 March 2016

Place: Hyderabad

Thanking You

For Telangana Spinning & Textile Mills Association

R.K. Agarwal

Chairman