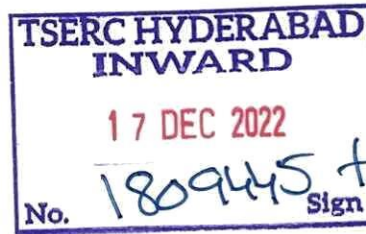


SR NO. 131 of 2022

BEFORE THE HONOURABLE TELANGANA STATE ELECTRICITY REGULATORY  
COMMISSION

Office at 5<sup>th</sup> Floor, Singareni Bhavan, Red Hills, Hyderabad - 500 004



FILING NO. \_\_\_\_\_/2022

CASE NO. 89/2022

In the matter of:

Filing of the Power Purchase True-down application for Retail Supply Business for the FY 2016-17 in accordance with the "Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation 4 of 2005" and its first amendment Regulation 1 of 2014 thereof (adopted by TSERC vide Regulation No. 1 of 2014) by the Northern Power Distribution Company of Telangana Limited ('TSNPDCL' or 'the Company' or 'the Licensee') as the Distribution and Retail Supply Licensee

In the matter of:

**NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED**

... Applicant

The Applicant respectfully submits as under: -

1. Consequent to the formation of Telangana State on 02-06-2014 as per the Andhra Pradesh Reorganisation Act, 2014, a separate Telangana Electricity Regulation Commission was constituted on 03-11-2014. 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, Licences and Practice of Directions) wherein clause 2 states 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in electricity in the State of Telangana including the Commission and shall continue to have effect until duly altered, repealed or amended, any of Regulation by the Commission with effect from the date of notification as per Notification issued by the Government of Telangana in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."*

2. This filing is made by the **NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED (TSNPDCL)** under Section 62(4) of the Electricity Act 2003 for determination of the Power Purchase True-up for the Retail Supply Business for the period **FY 2016-17** in accordance to the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation 4 of 2005" and its first amendment Regulation 1 of 2014 thereof (adopted by TSERC vide Regulation No. 1 of 2014).
3. Accordingly, the Licensee in this filing submits the following Proposal of final Power Purchase True-down for **FY 2016-17** in accordance to APERC Regulation No. 1 of 2014 as adopted by TSERC vide Regulation No. 1 of 2014: -
4. **Power Purchase True-up:**
  - i. As per the directions of the Hon'ble Commission, the Licensee had submitted provisional true up cost for the FY 2016-17 as a part of additional information in the filing of ARR for Retail Supply Business for FY 2017-18. Accordingly, the Hon'ble Commission had approved the final true-up for the FY 2015-16 and provisional true-up for the FY 2016-17 in Retail Supply Tariff Order for the FY 2017-18 (Ref: Page 67-68 of the Tariff Order).
  - ii. It is to further submit that the Licensee in the ARR filing for the FY 2018-19 requested the Hon'ble Commission to allow to file the provisional true-up for the FY 2017-18 & final true-up for the FY 2016-17 separately in view of high degree of uncertainty involved in estimating the trueing up for FY 2017-18 due to 24 hours supply to agricultural consumers w.e.f. 01.01.2018 as well as energization of Lift Irrigation (LI) schemes.

- iii. Further, the Licensee has submitted an application to the Commission for making amendments to the Principal Regulation No. 4 of 2005 on 16.08.2017 wherein the licensee has requested the Hon'ble Commission to amend the regulation on True-up by allowing the actual agricultural sales in arriving Power Purchase cost True-ups so as to allow the DISCOMs to pass on the excess Power purchase cost in the ARR of Retail Supply Business.
- iv. Hence, to avoid any undue burden on the consumers, the licensees requested the Commission for filing of trueing up in the ensuing year i.e., FY 2019-20. (Ref: Pg 44 of RST for the FY 2018-19)
- v. In accordance to the APERC Regulation 1 of 2014 as adopted by TSERC vide Regulation 1 of 2014 dated 10.12.2014, the Licensee herewith submits the final Power Purchase True-up arrived based on the methodology mentioned in the above said regulation for FY 2016-17.

Year	Power Purchase True-up as arrived by TSNPDCL (in Rs. Crs)	
	Considering actual agriculture sales	Considering agriculture sales as per the Regulation
FY 2016-17	715.43	715.43

#### 5. Treatment of True-ups:

- i. It is to submit that as mentioned in the Para supra, the licensee has True-up claim of Rs. **715.43 crores for the FY 2016-17.**
- ii. It is to mention that Government of Telangana has already infused the equity of Rs. 678.79 Cr., in addition to the subsidy, which is improving the cash flows of Discom.

- iii. In addition to the above subsidy, Loss funding amounting to Rs. 75.42 Crores provided by Government of Telangana (vide G.O. Rt. No. 70 dated 16.11.2017) is added up for the FY2016-17.
- iv. Thus, TS Discoms request the Hon'ble Commission to consider the Net Power Purchase True up/ True down after deducting the equity infusion and loss funding provided by the Government of Telangana from the total Power Purchase True up as per the regulation.
- v. **The below tables briefs about the Power Purchase true-up for TSNPDCL calculated in line with the regulatory provisions of Sub clause 12.5 of APERC Regulation 1 of 2014.**

<b>FY 2016-17</b>	<b>Power Purchase True-up as per Regulation (Rs. Crs)</b>
<b>True-up amount</b>	715.43
<b>Additional Support provided by GoTS</b>	678.79
<b>Loss funding provided by GoTS</b>	75.42
<b>Net True-down</b>	<b>(38.78)</b>

- vi. The licensee proposes the Net Power Purchase true down for an amount of Rs. **38.78** crores in the form of additional ARR in the ensuing Tariff Order.
6. Based on the information available, the applicant has made sincere efforts to comply with the Regulation of the Hon'ble Commission and discharge its obligations to the best of its abilities. However, should any further material information become available in the near future, the applicant reserves the right to file such additional information and consequently amend/ revise the application.
  7. In the aforesaid facts and circumstances, the Applicant requests that this Hon'ble Commission may be pleased to:
    - a) Admit the net Power Purchase True Down Petition filed by the Licensee, in accordance with Sub clause 12.5 of APERC Regulation 1 of 2014 for the FY 2016-17
    - b) Approve the net Power Purchase True down cost as submitted in the Petition.

- c) Allow the impact of net Power Purchase True down to be passed on, in the subsequent Tariff Orders to be issued by Hon'ble Commission.
- d) Grant suitable opportunity to TSNPDCL within a reasonable time frame to file additional material information that may be subsequently available.
- e) Consider and approve TSNPDCL's net power purchase True-down application including all requested regulatory treatments in the filing.
- f) Pass such order as the Hon'ble Commission may deem fit and proper in the facts and circumstances of the case.

**NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED**  
**(APPLICANT)**

Through

  
CHIEF GENERAL MANAGER  
IPC&RAC/TSNPDCL

Place : Hanumakonda  
Dated: 16-12-2022

**BEFORE THE HONOURABLE TELANGANA STATE ELECTRICITY REGULATORY  
COMMISSION**

Office at 5<sup>th</sup> Floor, Singareni Bhavan, Red Hills, Hyderabad - 500 004.

FILING NO. \_\_\_\_\_/2022

CASE NO. \_\_\_\_\_/2022

In the matter of:

**Filing of the Power Purchase True-down application for Retail Supply Business for the FY 2016-17 in accordance with the “Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 4 of 2005” and its first amendment Regulation 1 of 2014 thereof (adopted by TSERC vide Regulation No. 1 of 2014) by the Northern Power Distribution Company of Telangana Limited (‘TSNPDCL’ or ‘the Company’ or ‘the Licensee’) as the Distribution and Retail Supply Licensee**

In the matter of:

**NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED**

... Applicant

**AFFIDAVIT OF APPLICANT VERIFYING THE APPLICATION ACCOMPANYING  
FILING AS PER TERMS AND CONDITIONS OF TARIFF FOR WHEELING AND  
RETAIL SALE OF ELECTRICITY**

I, Sri. T. Madhusudhan, son of Sri T. Laxmipathi, aged 57 years working for gain at the Northern Power Distribution Company of Telangana Limited do solemnly affirm and say as follows:

- 1 I am the Chief General Manager/IPC&RAC of TSNPDCL, the Licensee that has Licence No. 14 of 2000, vide the Hon'ble Commission's approval in proceedings No. APERC/Secy/Engg/No.6 dt.31.3.2000, been granted the distribution and retail supply functions that Transco was authorised to conduct or carry out under the Act and the license, with respect to the business of distribution and retail supply of electricity in the Northern

distribution zone in Telangana. On December 27, 2000, the Hon'ble Commission has awarded a Distribution and Retail Supply Licence to TSNPDCL effected from April 1, 2001.

- 2 I am competent and duly authorised by TSNPDCL to affirm, swear, execute and file this affidavit in the present proceedings.
- 3 I submit that I have read and understood the contents of the appended application of TSNPDCL. The facts stated in the application are true to the best of my knowledge, which are derived from the official records made available and certain facts stated are based on information and advice which, I believe to be true and correct.
- 4 I submit that for the reasons, and facts stated in the appended application this Applicant pray that the Hon'ble Commission may be pleased to:
  - Admit the net Power Purchase True Down Petition filed by the Licensee, in accordance with Sub clause 12.5 of APERC Regulation 1 of 2014 for the FY 2016-17
  - Approve the net Power Purchase True down cost as submitted in the Petition.
  - Allow the impact of net Power Purchase True down to be passed on, in the subsequent Tariff Orders to be issued by Hon'ble Commission.
  - Grant suitable opportunity to TSNPDCL within a reasonable time frame to file additional material information that may be subsequently available:
  - Consider and approve TSNPDCL's net power purchase True-down application including all requested regulatory treatments in the filing.
  - Pass such order as the Hon'ble Commission may deem fit and proper in the facts and circumstances of the case.

  
DEPONENT  
**Chief General Manager**  
**IPC & RAC TSNPDCL,**  
**Warangal,**

**VERIFICATION:**

I, the above named Deponent solemnly affirm at Hanumakonda on this 16<sup>th</sup> Day of December 2022 that the contents of the above affidavit are true to my knowledge, no part of it is false and nothing material has been concealed there from.

  
DEPONENT  
**Chief General Manager**  
**IPC & RAC TSNPDCL,**  
**Warangal.**

Solemnly affirmed and signed before me.

  
**General Manager**  
**IPC & RAC, TSNPDCL**  
**Warangal.**



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## 1 Power Purchase True-up

### 1.1 Introduction

#### *Regulatory Provisions:*

Sub clause 12.5 of APERC Regulation 1 of 2014 stipulates as follows:

#### ***"12.5 True-up for Retail Supply Business***

*a. The Distribution Licensee shall include the power purchase cost variation over the previous year Power Purchase cost in the Tariff Order as expense (in the event of incurring excess cost)/rebate (in case of cost saving) in the ARR as special item with relevant details. To arrive the power purchase cost variation, the least of the following power purchase quantity is to be considered:*

*i) Actual power purchase quantity procured by the Discoms for its consumers.*

*ii) Power purchase quantity computed based on actual sales except LT Agriculture sales. LT Agricultural sales will be limited to Tariff Order quantity. These aggregated sales will be grossed up with approved losses for the relevant year in the MYT orders.*

*b. Since the complete information of cost actually incurred relating to previous year will not be available at the time of filing of ARR for a particular tariff year, the Licensee may include provisional cost variation for the previous year in ARR filings which will be subject to final correction by the Commission as and when final accounts for that year become available.*

*c. The Licensees shall also include in the ARR the amounts to be collected on final basis being the difference between the cost incurred based on audited annual accounts report and costs provisionally approved by the Commission in the Tariff Order for the year immediately preceding the previous year."*

As per the Regulation, the Licensee is now filing the Power Purchase True up for the FY 2016-17.

As per the directions of the Hon'ble Commission, the Licensee had submitted provisional true up cost of Rs. 435.38Cr. for the FY 2016-17 as a part of additional information in the filing of ARR for Retail Supply Business for FY 2017-18. Accordingly, the Hon'ble Commission had **approved the final true-up of Rs.211.06 Cr. for the FY 2015-16 and provisional true-up of Rs.129.09Cr. for the FY 2016-17 in Retail Supply Tariff Order for the FY 2017-18**(Ref: Page 67-68 of the Tariff Order).

It is to further submit that the Licensees in the ARR filing for the FY 2018-19 requested the Hon'ble Commission to allow to file the provisional true-up for the FY 2017-18 & final true-up for the FY 2016-17 separately in view of high degree of uncertainty involved in estimating the trueing up for FY 2017-18 due to 24 hours supply to agricultural consumers w.e.f. 01.01.2018 as well as energization of Lift Irrigation (LI) schemes.

Further, the Licensee has submitted an application to the Commission for making amendments to the Principal Regulation No. 4 of 2005 on 16.08.2017 wherein the licensee has requested the Hon'ble Commission to amend the regulation on True-up by allowing the actual agricultural sales in arriving Power Purchase cost True-ups so as to allow the DISCOMs to pass on the excess Power purchase cost in the ARR of Retail Supply Business. The matter was still under consideration by the Hon'ble Commission at that juncture.

Hence, to avoid any undue burden on the consumers, the licensees requested the Commission for filing of trueing up in the ensuing year (Ref: Pg 44 of RST for the FY 2018-19).

Eventually, the licensee has submitted the petition for ARR for Retail Supply Business for FY2019-20, FY2020-21 and FY2021-22 before the Hon'ble Commission dated 31.03.2021 with a request to condone the delay in filing the aforementioned petition within the stipulated timeline due to certain unavoidable situations that are beyond the control limit of the licensee viz., enforcement of Model Code of Conduct in view of elections to the Parliament, State Legislature, local bodies; non-operational of the Hon'ble commission for a certain period and further imposition of lockdown in the country in view of outbreak of pandemic COVID-19.

It is pertinent to mention that, the licensee has once again filed the petition for Amendment of Regulation No. 4 of 2005 on 30.09.2019 requesting the Hon'ble Commission proposing certain additions to the uncontrollable items in the ARR and modifications to the existing uncontrollable items viz., considering actual Agriculture Sales, actual T&D losses etc., for passing through the gains or losses of the licensees to cope up with the present day situations.

In view of the aforementioned proposals, the licensee could not file the power purchase true-ups for FY2016-17 to FY2020-21 along with the filings of ARR for Retail Supply Business of the licensee for FY2019-20 to FY2021-22 dated 31.03.2021.

Eventually, the Hon'ble Commission dismissed the petition vide order in O.P.(S.R.) No.33 of 2019 dated 02.06.2021 stating that the regulation which is termed as subordinate or delegated legislation, cannot be amended or varied by invoking power either through the adjudicatory proceedings or inherent rule making power at the instance of any of the stakeholders and further opined that the submissions of the TSDISCOMs would be treated as suggestion/input as and when the Commission initiates the process of adding to or amending or varying regulation.

The licensee could not file the power purchase true-ups in the ARR filings for FY22-23 to avoid undue burden on the consumers in view of proposed tariff hike. Hence, the licensee proposed to file the power purchase true-ups separately to pass-on the burden in the ensuing tariff order.

Due to the aforementioned reasons, the licensee could not file the power purchase true-ups in the stipulated timeline. Hence, the licensee humbly requests the Hon'ble Commission to condone the delay in filing the present petition. The licensee is also herewith submitting the petition for condonation of delay along with the present petition.

The Licensee, TSNPDCL, hereby submits the Power Purchase true up for FY 2016-17 in the table below:

Year	Net Power Purchase True-up as arrived by TSNPDCL (in Rs. Crs)	
	Considering actual agriculture sales	Considering agriculture sales as approved by the Hon'ble Commission
FY 2016-17	715.43	715.43

The Licensees in the state of Telangana purchase power from TSGENCO generating thermal and hydro stations, Central generating stations and other sources such as, Solar and other RE sources, IPPs, viz. Singareni, Thermal Power Tech and CSPDCL, and short-term sources to meet the energy requirement of the State.

## 1.2 Power Purchase True up for the FY 2016-17 at the State level

The Licensees submit that, based on annual audited accounts and approved distribution losses, the actual power purchase cost (including transmission charges) stands at Rs.17,270.81 Cr for TSSPDCL and Rs.7,045.90 Cr for TSNPDCL, aggregating to Rs. 24,316.72 Cr for the state of Telangana for the FY 2016-17, as shown in the table below:

PP cost variation for the State of Telangana for the FY 17											
Category	Energy Dispatched		Fixed cost		Variable cost		Other Cost		Total INR Cr. Impact		
	Appr.	Act.	Appr.	Act.	Appr.	Act.	Appr.	Act.	Appr.	Act.	Diff
Genco - Thermal	16,117	19,424	3,102	2,925	4,516	5,627	-	-	7,618	8,552	934
Genco Hydel	3,841	1,239	1,051	922	-	-	-	7	1,051	928	(122)
CGS	15,218	12,813	1,322	1,345	3,494	3,353	17	(199)	4,834	4,498	(335)
APGPCL	79	60	3	4	21	15	-	-	25	19	(6)
IPPs gas	2,075	-	12	89	950	4	-	-	963	94	(869)
NCE	2,400	1,814	-	3	1,327	1,043	-	-	1,327	1,045	(281)
IPPs Others	12,042	9,966	2,296	1,894	2,253	2,038	-	-	4,549	3,932	(618)
Market	291	1,849	-	-	125	864	-	-	125	864	739
Sale of surplus energy	-	(150)	-	-	(220)	(30)	-	-	(220)	(30)	190
Interest on Pension Bonds	-	-	322	1,858	-	-	-	-	322	1,858	1,536
Transmission cost	-	-	-	-	-	-	-	-	2,259	2,556	297
<b>Total</b>	<b>52,063</b>	<b>47,015</b>	<b>8,109</b>	<b>9,040</b>	<b>12,466</b>	<b>12,913</b>	<b>17</b>	<b>(192)</b>	<b>22,851</b>	<b>24,317</b>	<b>1,465</b>

\*other cost pertains to income tax adjustments that are passed in the relevant year

### 1.2.1 Reasons for deviations in Power Purchase Quantum and Cost for the State:

The actual energy dispatched by the State is 9.7% less than the energy dispatch approved by the Hon'ble Commission. However, the actual cost incurred by the

Licensees for the FY 2016-17 is 6.4% more than the costs approved by the Hon'ble Commission. The detailed explanations for such variations have been discussed below:

**i) Deviations in Energy Dispatch:**

- **Hydel Power:** The State of Telangana has witnessed significantly lower rainfall levels across the state during the FY 2016-17. As the recorded rainfall is low, a quantum amounting to only 1239 MUs was generated from hydel power stations during the year.
- The actual hydel generation, thus achieved in the FY 2016-17, is 68% lesser than the energy dispatch as approved by the Hon'ble Commission which stands at 3841 MUs.
- **Central Generating Stations (CGS):** There was a delay in the commissioning of the 2 units of NTPC Kudigi in the FY 2016-17. Further, there was lower energy dispatch from NTPC, NLCTN & NTECL as compared to approved dispatch. This led to the decrease in energy received from CGS stations by 2,405 MUs (16% decrease) from the energy dispatch approved by the Hon'ble Commission.
- **Gas based IPPs:** There was a shortfall in gas allocation to the IPPs in the state of Telangana due to which the power stations were unable to produce any power in during the FY 2016-17. This led to a shortfall of 2,075 MU (100%) in energy dispatch from the approved energy.
- **Non-Conventional Energy Sources (NCES):** Delay in commissioning of few Solar based power plants lowered the energy dispatch (24% decrease) from the NCES in the FY 2016-17.
- **Other IPPs:** There was no dispatch from KSK Mahanadi power station during the FY 2016-17. Also, there was lower dispatch recorded from Singareni TPS and TPCIL from the approved energy dispatch. This had led to an overall decrease by 17% from other IPPs during the year.

The Licensees, having committed to supply continuous and reliable supply in the state, had managed to procure the shortfall in energy dispatch from various other sources as detailed below:

- **GENCO Thermal:** The Licensees had managed to procure additional energy to the tune of ~3306 MUs, totaling to 19,424 MUs from GENCO Thermal stations against the approved energy dispatch of 16,117 MUs, during the FY 2016-17. The additional energy has been procured to meet the power demand and supply continuous power in the state of Telangana.
- **Short Term Power:** The Licensees had to procure the balance 1,849 MUs from the energy market during the FY 2016-17, as against 291 MUs approved by the Hon'ble Commission, to meet the power demand.

The Licensees humbly submit that the variations from the approved value, in the dispatch of power are due to factors beyond the control of the Licensees. Despite the variations from the various generating sources, the Licensees had managed to procure power from alternate sources to ensure continuous and reliable supply in the state.

In this context, the Licensees humbly request the Hon'ble Commission to consider the prayers of the Licensees and pass through the variations in energy dispatch.

ii) **Deviations in Power Purchase Cost:** The deviations in power purchase cost are further classified into two categories (fixed cost and variable cost) and are discussed below in detail:

- **Variations in Fixed cost (FC):** There was an overall decrease in the fixed costs from the approved Rs. 7,787 Cr. to an actual of Rs. 7,181 Cr. (8% decrease from approved value) incurred by the Licensees during the FY 2016-17. This is mostly attributable to delay in commissioning of few CGS Thermal power units.

**Variations in Variable cost (VC):** A slight increase to the tune of Rs. 447 Cr, from the approved costs, is observed in the overall variable cost incurred by the Licensees. The reasons for such increase are explained below:

- **TSGENCO-Thermal:** The variable cost of GENCO Thermal power plants have increased by 3% to Rs. 2.90/kWh from the approved value of Rs. 2.80/kWh. An increase in quantum of purchase from these stations have led to an overall increase of Rs. 1,111 Cr from the approved costs.
- **CGS:** The Commission had considered a variable cost of Rs.2.30 /kWh from CGS sources, while the actual variable cost increased by 14% to Rs.

2.62/kWh. However, as discussed, due to decrease in the energy dispatch, the overall variable cost from CGS had come down by Rs. 184 Cr.

- **Gas based IPPs:** There was NO energy dispatch from these stations for the FY 2016-17. This resulted in a net decrease of variable cost from these stations to the tune of Rs. 946 Cr from the approved costs.
- **Other IPPs:** Lower dispatch from these stations led to a decrease in costs to the tune of Rs. 215 Cr.
- **Non-Conventional Energy Sources (NCES):** There was a lower dispatch of energy from these plants, which resulted in lower variable costs for the FY 2016-17. There was a deviation of Rs. 284 Cr from the observed value.
- **Purchase from Market:** The Power purchase from market is approved at Rs 4.29 /kWh, while the actual average market rate was at Rs. 4.68/kWh. This led to an increase in the costs to the tune of Rs. 739 Cr.

**iii) Deviations in other costs:**

- **Pension Liabilities:** The Licensees had paid an additional amount of Rs. 1,536.37 Cr. (Total amount paid is Rs. 1,858 Cr) over the approved value of 322 Cr. towards adjustment of pension liabilities to TSGENCO, outstanding for the past three years.
- **Network charges:** PGCIL announces quarterly transmission charges as basis for estimation. At the time of issuance of order, total cost approved for PGCIL charges was Rs. 739.76 Cr. However, the actual costs, based on notified charges was Rs. 1042.90 Cr, amounting to an upward revision of Rs. 303.14 Cr.

### 1.2.2 Power Purchase True-up for TSNPDCL for the FY 2016-17

Basis the above power purchase cost incurred at the State level for the FY 2016-17, TSNPDCL is allocated its share of the Power Purchase cost in the approved ratio of 29.45% and for any additional energy required to meet demand higher than the allocation ratio through D to D sales will also be included.

The Power Purchase True-up for TSNPDCL for the FY 2016-17 is tabulated below:



Category	Energy Dispatched		Total INR Cr. Impact		
	Approved	Actual	Approved	Actual	Difference
Genco Thermal	4747	5720	2244	2519	275
Genco Hydel	1131	365	309	273	(36)
CGS	4,482	3,774	1,424	1,325	(99)
APGPCL	23	18	7	6	(2)
IPPS gas	611	0	284	28	(256)
NCE	781	349	367	192	(174)
IPPS Others	3546	2935	1340	1158	(182)
Market	0	544	0	255	255
Sale of surplus energy	0	(44)	(65)	(9)	56
D-D purchases	(943)	0	(468)	0	468
Interest on Pension Bonds			95	547	452
Transmission cost			665	753	87
<b>Total</b>	<b>14378</b>	<b>13661</b>	<b>6201</b>	<b>7046</b>	<b>845</b>

- The Licensee, based on the above analysis, requests the Hon'ble Commission for a power purchase true up cost of Rs. 844.52 Cr for the FY 2016-17 for TSNPDCL.
- At this juncture, it is pertinent to mention that the Hon'ble Commission in its earlier order for the Provisional True up for the FY 2016-17 (Ref: Retail Supply Tariff Order of FY 2017-18) had approved a **provisional true-up of Rs.129.09Cr.**
- The Licensee now requests the Hon'ble Commission to approve the difference amount of Rs. **715.43Cr.** for the FY 2016-17 as tabulated below:

Particulars	Amount in INR Cr.
Actual True-up Cost for FY 2016-17 - (A)	844.52
Provisional True-up cost approved in TO 17-18 - (B)	129.09
<b>Net Power purchase True-up cost now filed by the Licensee - (A-B)</b>	<b>715.43</b>

- The details of station wise Power purchase cost for the FY 2016-17 is attached as **Annexure-A** to this Petition.

#### Additional Support received from GoTS:

It is to mention that Government of Telangana has already infused the equity of INR 2,263 Cr., for FY2016-17 in addition to the subsidy, which is improving the cash flows of Discoms. The details of the equity infused in mentioned in the below table:

Additional Support Provided by GoTS (Equity Infusion) (Rs. Cr)			
Financial year	TSSPDCL	TSNPDCL	Total
2016-17	1583.83	678.79	2262.62

#### Loss takeover by GoTS as per UDAY MoU:

As per the Clause 8.1 of UDAY guidelines communicated by Ministry of Power vide letter dated 20.11.2015, States shall take over the future losses of DISCOMs in a graded manner and shall fund the loss. The previous year's actual losses will be used for calculation for each year instead of using current year's estimated losses. In line with the above, the GoTS in Jan, 2018 has sanctioned and released Rs. 75.42 Crore towards takeover of 5% of losses for FY 2016-17.

Thus TS Discoms requests the Hon'ble Commission to consider the Net Power Purchase True up after deducting the equity infusion and loss funding provided by the Government of Telangana from the total Power Purchase True up as per the regulation.

#### 1.3 Amendment of Regulation 4 of 2005

The Licensee humbly submits that the present-day power sector depicts different set of conditions from the earlier days owing to the latest developments relating to the significant inclusion of clean energy sources, enlarging the energy market, supplying 24\*7 power to all the consumers etc. All these developments have a significant impact on the cost implications of the distribution licensees.

However, Regulation No. 4 of 2005 viz., Terms and Conditions for Determination of Tariff for wheeling and Retail Sale of Electricity that was notified by the Hon'ble Commission suiting the earlier situations does not adapt to the present-day scenario (like incorporating certain provisions relating to banked energy, purchase from solar roof top, considering the actual sales, automatic fuel surcharge adjustment etc) impacting the financials of the licensees.

Further, the licensee submits that, the National Tariff Policy (NTP),2016 mentions that the solvency of distribution sector is key to the success of power sector reforms and hence mandates the Regulatory Commissions to strike the right balance between the requirements of the commercial viability of Distribution Licensees and the Consumer interest and the same is presented below:

*"8.0..... Making the **distribution segment of the industry efficient and solvent is the key to success of power sector reforms** and provision of services of specified standards. Therefore, **the Regulatory Commissions need to strike the right balance between the requirements of the commercial viability of distribution licensees and consumer interest.....**"*

Hence, timely revaluation of the Regulations or acts is highly essential in the interests of the stakeholders for the sustainability of the sector.

Recently, the Central Government in exercise of the powers conferred in Section 176 of the Electricity Act, notified "Electricity (Timely Recovery of Costs due to change in Law) Rules,2021" on 22.10.2021. In this connection a letter was received from the Joint Secretary to the Government of India on 09.11.2021 for taking necessary action.

The Central Government after detailed consultation with all the stakeholders made the above Rules for an automatic pass through of impact in cost due to change in law automatically by a formula. These rules shall apply to a generating company and transmission licensee to recover costs due to change in Law from the Distribution companies on monthly basis.

However, it is to submit that there is no such automatic pass-through mechanism of power purchase true-up applicable to the DISCOMs in the erstwhile APERC Regulation No. 4 of 2005 read with its 1<sup>st</sup> amendment in Regulation No.1 of 2014 as adopted by Hon'ble TSERC vide its Regulation No.1 of 2014. The implementation of the above said Rules by the Generating Company or transmission licensee on monthly basis without provision for the Distribution licensee to recover the same on monthly basis from the consumers shall have adverse impact on the financials of the DISCOM leading to huge working capital costs and also affect the entire value chain of the power sector

Hence, in a similar way, **the licensees humbly request the Hon'ble Commission to amend the Regulation No. 4 of 2005 adapting the present-day situations and in accordance to the Central Government Rules on "Electricity (Timely Recovery of Costs due to change in Law) Rules,2021"** thereby safeguarding the interests of the distribution licensees.

## 2 Treatment of True-up

### 2.1 The Context

- Cost true ups are warranted as tariff filings and tariff orders are issued based on futuristic projections of various revenue and cost elements. The variations in projections and actuals should ideally be due to unforeseen changes such as new regulations (increase in Taxes /Coal CESS), natural disasters leading to higher capital investments / operating expenses and other force majeure conditions.
- Efforts should be made by all the stakeholders involved to reduce such true ups of costs in business-as-usual scenarios. Higher true up costs will have an adverse effect on both the performance of utility (as the gap has to be funded through short term sources) and customers (tariff increases to recover such gaps with carrying costs).
- This leads to reduced financial capacity of the utility to raise long term finances at competitive rates. Current true ups and the carrying costs have to be borne by customers for future energy procurement.

### 2.2 Power Purchase True-up

- The below table briefs about the Power Purchase true-up for TSNPDCL calculated in line with the regulatory provisions of Sub clause 12.5 of APERC Regulation 1 of 2014.

FY 2016-17	Power Purchase True up as per Regulation (Rs. Crs)
True-up amount	715.43
Additional Support provided by GoTS	678.79
Loss funding provided by GoTS	75.42
Net True-down	(38.78)

### 3 Prayer

The Licensee requests the Hon'ble Regulatory Commission:

- To admit the net Power Purchase True down Petition filed by the Licensee, in accordance with Sub clause 12.5 of APERC Regulation 1 of 2014
- To approve the net Power Purchase True down cost as follows for the FY 2016-17

<b>FY 2016-17</b>	<b>Power Purchase True up/True-down as per Regulation (Rs. Crs)</b>
True-up amount	715.43
Additional Support provided by GoTS	678.79
Loss funding provided by GoTS	75.42
<b>Net True-down</b>	<b>(38.78)</b>

- To approve the deviation from the approved values for Power Purchase quantum and cost for as approved in the earlier Tariff Orders and to allow pass through of the same
- To allow the impact of net Power Purchase True down to be passed on, in the subsequent Tariff Order to be issued by Hon'ble Commission
- To pass any other order as the Hon'ble Commission may deem fit and appropriate under the circumstances of the case and in the interest of justice.
- To condone any errors/omissions and to give opportunity to rectify the same
- To permit the Licensees to make further submissions, addition and alteration to this True-down as may be necessary from time to time.
- To Amend the Regulation 4 of 2005 adapting the present-day situations and in accordance to the Central Government Rules on "Electricity (Timely Recovery of Costs due to change in Law) Rules,2021".