



The Federation of Telangana Chambers of Commerce and Industry

ISO 9001:2015

Empowering Industry, Commerce & Trade

Registered under the Companies Act, 1956

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CIN U91110TG1964NPL001030

Suresh Kumar Singhal
President

R.Ravi Kumar
Senior Vice President

K K Maheshwari
Vice President

Comments by
The Federation of Telangana Chambers of Commerce and Industry
On
petitions filed by TGDISCOMs
for Determination of Additional Surcharge (AS) to be levied on
Open Access (OA) Users
H1 of FY 2025-26

January 3, 2025



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Context

The Southern Power Distribution Company of Telangana Limited (TSSPDCL) and the Northern Power Distribution Company of Telangana Limited (TSPNDCL) (together referred to as "Applicants or TSDISCOMs") filed petitions for determination of Additional Surcharge (AS) to be levied on Open Access (OA) consumers for H of FY 2025-26 as per the directions of the Commission in its Order dated 18.09.2020 in O.P.No.23 of 2020 in accordance with the provisions of the Electricity Act, 2003 and Tariff Policy, 2016.

'The Federation of Telangana Chambers of Commerce and Industry (FTCCI)', formerly known as The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTAPCCI), an Association which was started in 1917 as a Chamber of Commerce and currently having its office at the Federation House 11-6-841, Red Hills, FTCCI Marg, Hyderabad 500004, Telangana, India. The main function of the FTCCI is to promote and protect the interests of trade, commerce and industry. FTCCI strongly objects to the proposed levy of Additional Surcharge of INR 1.95/kWh for H1 of FY 2024-25.

Background

The Hon'ble Commission in Order dated 18.09.2020 in O.P.No.23 of 2020 in the matter of "Mechanism for determination of stranded capacity and framing the terms & conditions for levy of Additional Surcharge on Open Access users to meet the fixed cost of the distribution licensee arising out of its obligation of supply", has held that –

"52. TSDISCOMs to submit their filings for determination of AS for the 1st half of the ensuing financial year i.e., for the period from April to September of the ensuing financial year latest by 30th November of the current financial year and for the 2nd half of the ensuing financial year i.e., for the period from October to March of the ensuing financial year latest by 31st May of the ensuing financial year.

a) Mechanism for Demonstration of Stranded Capacity

- i. *The 15-minute time-block data of available capacity and scheduled capacity of all generating stations having long term PPAs with TSDISCOMs, and the scheduled capacity of OA consumers of six months period is to be taken.*
- ii. *In case of hydel generating stations, the scheduled capacity is to be treated as available capacity in that time block.*

- iii. The lower of the surplus capacity (i.e., available capacity less scheduled capacity) and capacity scheduled by OA consumers is to be considered as stranded capacity for the 15-minute time block.
- iv. Accordingly, the average stranded capacity for six-month period due to open access has to be arrived.

b) Approved Methodology for Computation of Additional Surcharge

Table 1-1: Approved Methodology for Computation of Additional Surcharge

Sl. No.	Description	Unit	Value
{A}	Long term available capacity	MW	
{B}	Capacity stranded due to OA	MW	
{C}	Fixed Charges paid	Rs.crore	
$\{D\}=\{C\}+\{A\}$	Fixed Charges per MW	Rs.crore/MW	
$\{E\}=\{D\}\times\{B\}$	Fixed Charges for stranded capacity	Rs.crore	
{F}	Transmission charges paid	Rs.crore	
{G}	Actual Energy scheduled	MU	
$\{H\}=\{F\}+\{G\}$	Transmission charges per unit	Rs./kWh	
{I}	Distribution charges as per Tariff Order	Rs./kWh	
$\{J\}=\{H\}+\{I\}$	Total transmission and distribution charges per unit	Rs./kWh	
{K}	Energy consumed by OA consumers from TSDISCOMs	MU	
$\{L\}=\{K\}\times\{J\}$	Transmission and distribution charges paid by OA consumers	Rs.crore	
{M}	Demand charges recovered by TSDISCOMs from OA consumers	Rs.crore	
$\{N\}=\{M\}-\{L\}$	Demand charges to be adjusted	Rs.crore	
$\{O\}=\{E\}-\{N\}$	Net stranded charges recoverable	Rs.crore	
{P}	OA sales	MU	
$\{Q\}=\{O\}+\{P\}$	Additional Surcharge	Rs./kWh	

c) Terms & Conditions for levy of Additional Surcharge on OA Users

- i. The AS determined by the Commission shall be applicable to the consumers of TSDISCOMs who avail power through OA from any source other than their respective TSDISCOMs.
- ii. The AS shall be levied on the quantum of electricity scheduled by such consumers.
- iii. The AS shall not be levied on such OA consumers for their captive consumption to the extent of OA availed for wheeling of power from their own CPPs.
- iv. Exemption from payment of AS for the eligible OA consumers shall be as per the Government policy in force. TSDISCOMs may take up the issue of making good of the revenue loss due to such exemption with the State Government for proper relief.”

Submissions:

1. ISTS & STU Charges should not be considered for computation of Additional Surcharge

TSNPDCL/TSSPDCL for the computation of per unit transmission charges have considered both the inter-state & intra-state transmission charges. It is submitted that the inclusion of STU and ISTS charges while computing Additional Surcharge will lead to higher levy of ASC on the consumers.

We submit here that the Hon'ble CERC in clause 11 (3) of the CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020 clarify that any consumer availing open access to the ISTS system also pays its ISTS cost for the power procured through open access, the benefit of which accrues to the State/ Discom in reduction of their ISTS charges. Relevant clause of the Regulation is provided below:

"11. Transmission charges for Short Term Open Access (3) Transmission charges for Short Term Open Access paid by an embedded intra-State entity during a month shall be reimbursed in the following billing month to the State in which such entity is located."

Similarly, the embedded open access consumers are also paying STU charges as part of the fixed charges and additionally STU charges on all open access transactions.

It is in view of the above that inclusion of ISTS & STU charges again for computation of Additional Surcharge as claimed by the Petitioner, will lead to double levy of the same charge on open access consumers. Thus, we request the Hon'ble Commission to re-consider its view on allowing inclusion of ISTS & STU charges in the ASC.

In addition to the above, the Hon'ble Commission is requested to conduct the required prudence of the fixed costs claimed for H1- FY 25-26 while finalizing the Additional Surcharge to be levied on open access consumers.

The proposal to levy an additional surcharge as high as Rs. 1.95/kWh is exorbitant and unjust. FTCCI strongly objects to the claim of Additional Surcharge from the Open Access consumers during H1 of FY 2024-25 and prays that the same may be rejected in line, with the interest of justice and equity.

2. Additional Surcharge Proposed for H1 of FY 2025-26 is non-reasonable:

It is humbly submitted that the proposed Additional Surcharge Rate of Rs1.69/unit in the instant petitions is highly uncompetitive as compared to other states.

Furthermore, it is observed from the past submissions that Telangana Discoms are consistently claiming higher number pertaining to Additional Surcharge. Despite of the fact that Hon'ble TSERC in line with the prudent principles has consistently approved a lower value pertaining to Additional Surcharge.

Additional Surcharge for TSDISCOMs

	Unit	AS H1 2022-23	AS H2 2022-23	AS H1 2023-24	AS H2 2023-24	As H1 2024-25	As H2 2024-25	As H1 2025-26
Open access Sales	MU	645.90	370.34	213.29	132.30	354.75	66.06	181.80
Claimed by TSDISCOMs	Rs/kWh	4.06	6.81	9.86	3.43	1.95	1.60	1.69
Computed by Commission	Rs/kWh	3.48	1.38	0.39	1.98	1.40	1.09	
Approved by Commission	Rs/kWh	1.15 (33%)	1.38	0.39	1.98	1.40	1.09	

It can be observed in the above table, that there is a decreasing trend in Open Access Sales and an increasing trend in Additional surcharge, which means it's a deterrent to OpenAccess.

Another trend that can be seen is that each H1, the TSDISCOMs Claim an exorbitant high value of additional surcharge, which can be attributed to many factors such as, wrong computations, wrong numbers, intent etc. Each year, the Hon`ble Commission has reduced the claimed figures of Additional surcharge. This shows that TSDISCOMS are not following the methodology prescribed by the Hon`ble Commission.

FTCCI urges the Hon`ble Commission that the data shown by TSDISCOMs needs to be verified rigorously, to avoid any loading of the inefficiency of Discom on state Consumers in the form of Additional Surcharge.

FTCCI further submits that as Hon`ble Commission, in Order dated 22.3.2022 during the approval of H1 of FY 2022-23, decided as under:

Quote

“The preamble of the Electricity Act, 2003 emphasises, amongst others, “for taking measures conducive to development of electricity industry, promoting competition therein, protecting interest of consumers and rationalisation of electricity tariffs”. The Commission has to do a balancing act in fulfilment of the mandate of the Electricity Act, 2003.

*TGDISCOMs are entitled to the Additional Surcharge computed as **above but at the same time such Additional Surcharge, being significantly higher than the present level of Additional Surcharge, could hinder the promotion of competition that the Electricity Act, 2003 advocates.** Therefore, in the interest of all the stakeholders, the Commission decides to allow Additional Surcharge of Rs.1.15/kWh (i.e., ~ 33% of Rs.3.48/kWh).”*

Unquote

FTCCI submits that in line with the Hon`ble Commission`s view above, and in line with the Electricity Rules 2022, wherein Section 13 defines 20% capping as follows: *“The surcharge, determined by the State Commission under clause (a) of sub-section (1) of*

section 86 of the Electricity Act, 2003 shall not exceed twenty percent of the average cost of Supply”, there must be a capping on Additional Surcharge to promote open access and protect the interest of all the stakeholders involved.

3. FTCCI further submits that as per the **Electricity (Amendment) Rules, 2024, dated 10th January, 2024**, wherein the Central Government further amended the Electricity Rules, 2005. The following clauses have been made with respect to Additional Surcharge.

“(3) Additional Surcharge.–

The additional surcharge levied on any Open Access Consumer shall not be more than the per unit fixed cost of power purchase of the distribution licensee concerned:

Provided that for a person availing General Network Access or Open Access, the additional surcharge shall be linearly reduced from the value in the year in which General Network Access or Open Access was granted so that, if it is continued to be availed by this person, the additional surcharge shall get eliminated within four years from the date of grant of General Network Access or Open Access:

Provided further that the additional surcharge shall not be applicable for Open Access Consumer to the extent of contract demand being maintained with the distribution licensees:

“

Hence, FTCCI, on behalf of all the industries requests the Hon`ble Commission, that in line with the Electricity Amendment Rules, the Hon`ble Commission should cap the additional surcharge to per unit fixed cost.

Further, in view of the Rules, the Ministry of Power recently issued Electricity (Amendment) Rules, 2024 on 10.01.2024, it clarified that the additional surcharge shall not be applicable on the Open Access Consumer to the extent of contract demand being maintained with the distribution licensees and that the additional surcharge levied on any Open Access Consumer shall not be more than the per unit fixed cost of power purchase of the distribution licensee concerned.

Hence, The Hon`ble Commission is requested to kindly consider the same while finalising the current petition.

Comments on Calculation of Additional Surcharge for H1 of FY 2025-26:

- A. The Hon`ble Commission had given directives to the DISCOMs in the previous order as under:

TGDISCOMs are directed in their future Additional Surcharge filings -

- a) to reflect the stranded capacity after netting of short-term purchases, if any, in the corresponding time-block; and*
- b) to reflect the distribution charges for HT network (other than LT network) i.e., 11 kV and 33 kV;*
- c) to exclude demand charge recovery portion of LT network from total demand charges recovered from OA consumers while computing the additional surcharge.*
- d) henceforth the petitions should be accompanied with the quarterly balance sheets and the computations should be reconciled with the audited accounts*

- B. The TSDISCOMs has not provided the audited values for balance sheets, and that too each DISCOMs separately. When the computation is done based on both the DISCOMs combined expenditures, the TGDISCOMs have not provided any reconciliation of the computations with the Balance Sheets.
- C. FTCCI would like to Comment on each component of computation done by the TGDISCOMS. Due to paucity of time, FTCCI request additional time for submission of comments of the Computations, which shall be submitted before the public hearing and presented during the hearing.

At the outset, FTCCI submits that given the rising costs of electricity and green imperatives for the industries under ESG by SEBI as well, Open Access should be facilitated for the industries, which in turn will help the grid as well, because the Industrial consumers have a flatter and mostly a fixed load curve and consumption pattern, which enables better capacity utilization and comparatively low Cost of Service for the Utilities. They also subsidize a lot of consumers for the utilities.

It is pertinent to mention here that all consumers availing open access through a captive generating plant are exempted from any surcharge in terms Clause 39(2)(d)(ii) of the Act.


However, the levy of an Additional surcharge further deters industrial consumers from availing Open access.

PRAYERS : FTCCI most respectfully prays that the Hon'ble Commission:

- A. Consider the above Objection Statement filed by FTCCI;
- B. May Conduct a Prudence check over the Fixed Charges Paid and Demand Charges recoveries from Open Access Consumers;
- C. May direct the DISCOMs to provide a reconciliation with the audited accounts and the Fixed cost component of power purchase and the Transmission Charges may be accordingly allowed subject to prudence check;
- D. May disallow the claim of Additional surcharge due to absence of reconciliation statement with audited accounts for the claim proposed by the Petitioners;
- E. Allow FTCCI to make additional submissions before the public hearing.
- F. Pass necessary orders as may be deemed appropriate in the facts and circumstances of the case in the interest of competition, as has been enshrined in the Electricity Act;

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

Place: Hyderabad
Date: 03.01.2025


T Sujatha
Sr. Director, FTCCI