

To
The Secretary
Telangana State Electricity Regulatory Commission
5th floor, Singareni Bhavan, Red Hills
Hyderabad - 500 004

June 28, 2023

Respected Sir,

With reference to the public notice dated 18.5.2023 and 18.6.2023, inviting suggestions and objections on the business plan and capital investment plan of Telangana State Power Generation Corporation Limited for the fifth control period (from 2024-25 to 2028-29), am submitting the following points for the consideration of the Hon'ble Commission:

1. I thank the Hon'ble Commission for extending time for filing submissions on the subject plans by 13 days against our request for extending the same by one month. However, adequate time is not available to study and analyse the subject plans, in view of our preoccupation with studying and analysing long-term load forecast, procurement plan and investment plans of TSDISCOMS, TSTRANSCO and APTRANSCO and APDISCOMs simultaneously. Nevertheless, we are submitting briefly the following points for the consideration of the Hon'ble Commission.
2. TSGENCO is not a licensee of the Hon'ble Commission. As such, business plan and capital investment plan of GENCO are not within the purview of the Hon'ble Commission. As and when PPAs are entered into with TSGENCO by TSDISCOMs and submitted to the Hon'ble Commission for its consideration, the latter examines the same after holding public hearings and gives its orders. The Hon'ble Commission determines permissible capital cost and tariff for the power plant concerned in the regulatory process, considering applicable regulations and norms. Business plan and capital investment plan of TSGENCO are an internal matter of the utility and the Hon'ble Commission has nothing to do with them. In other ERCs, especially in APERC, there is no such regulation providing for submission of business plan and capital investment plan of APGENCO for the consideration of the Commission. The clause in TSERC Regulation 1 providing for the said arrangement is unwarranted and without jurisdiction for various reasons. Similarly, TSDISCOMs have nothing to do with business plan and capital investment plan of TSGENCO and vice versa in terms of the regulatory process of the Hon'ble Commission. Similar is the case with private power generation companies with whom TSDISCOMs enter into PPAs and the Hon'ble Commission has nothing to do with business plan and capital investment plan of those private power generation companies. As such, the Hon'ble Commission is once again requested to examine the legal position and dispense with the questionable provisions in its regulation concerned which is providing for submission to and consideration of business plan and capital investment plan of TSGENCO by the Hon'ble Commission. As entities of the Government of Telangana state, TSGENCO, TS TRANSCO and TSDISCOMs can have internal arrangement for taking a holistic view and work out plans for development of power sector in the state as per the policies and directions

of GoTS. The Hon'ble Commission is considering long-term load forecast, procurement plan and investment plan of TSDISCOMs and TSTRANCO as its licensees and issuing multi-year tariff order for transmission business and distribution business, after holding public hearings, for the control period concerned. There is no such arrangement in the case of TSGENCO, except considering renewal of its PPAs with TSDISCOMs periodically, considering all relevant factors, as decided by the Hon'ble Commission in its orders.

3. TSGENCO has submitted that the impact of notification dated 31.12.2021 of the Ministry of Environment, Forest and Climate Change is to be studied in detail and that the expenditure involved will be submitted to the Hon'ble Commission separately. Those relate to installation of flue gas desulfurization (FGD) and upgradation of electrostatic precipitators (ESP) for its power plants concerned. As such, GENCO's capital investment plan is confined to other works, including renovation and modernisation, of its proposed plants during the fifth control period.
4. For 16 of its existing and ongoing power plants with a total installed capacity of 10484.26 MW, TSGENCO has projected a capital investment of Rs.14130.37 crore proposed to be incurred from a period ranging from one year to five years in case of different plants during the fifth control period. While the projected cost for BTPS (1080 MW) is Rs.641 crore and for YTPS (4000 MW) is Rs.9571.66 crore.
5. Going by the proposed capital investment plan of TSGENCO, during the 5th control period it will not be taking up any new project. There has been impermissible delay in execution of some of its ongoing projects like BTPS and YTPS, leading to escalation in capital cost, including interest during construction. Prolonged delay in execution of the projects does not contribute to declaration of COD and starting generation and supply of power as originally scheduled, with attendant problems to the DISCOMs and their consumers of power.
6. With TSDISCOMs projecting availability of abnormal quantum of surplus power every year during the fifth control period, and no addition of generating capacity, despite projected growth in demand, delay in execution of power plants of TSGENCO has various implications. In general, procurement of power by the DISCOMs on such an unwarranted scale is unwarranted. Arrangement for procurement of power should have been done in a phased manner gradually to be in consonance with growing and fluctuating demand. Procurement of power should have ensured ideal power mix to meet fluctuating demand to the extent possible, leaving no scope for availability of unwarranted and avoidable surplus power. Going by the capital costs, delay in execution of power plants, likely tariffs, which have been the power plants with which the TSDISCOMs entered into long-term power purchase agreements and whether power plants of TSGENCO also are included in that list need to be examined. Despite delay in implementation of power plants by TSGENCO, that there has been so far and will be during the fifth control period no shortage for power raises a question mark against need for power from some of the plants of GENCO. Backing down power plants of GENCO under merit

order dispatch also confirms the kind of unwarranted imbalance in power mix and unwarranted purchase of renewable power. Being the utility of GoTS, GENCO's plants should have been accommodated in power procurement plan for the state earlier, instead of going in for procuring private power, including unwarranted RE, and implemented in an efficient manner to stand competitive in all respects and justify preference for its plants.

7. When the Hon'ble Commission is expected to apply normative parameters for determination of capital cost and tariff and for giving consent to PPAs of generating plants, the need to "accept" or approve the capital investment plan of TSGENCO in advance based on projections, not on actual performance, is questionable and infructuous. It will be some kind of a fait accompli. Whatever be the decision of the Hon'ble Commission in considering business plan and capital investment plan of TSGENCO, we request the Hon'ble Commission not to make them the basis for determining permissible capital cost of its plants and tariffs based thereon. It is all the more important, because the Hon'ble Commission has not been examining how tenders are being invited and their terms and conditions and how bidders are being selected for purchases of materials and implementation of works concerned. In principle, public sector units should be encouraged. However, giving orders for implementation of power plants and other works to BHEL has not ensured benefits that would have accrued through real competitive bidding. Therefore, realistic normative parameters based on changing market trends and real competitive bidding giving scope for wider participation of bidders all over the country, with required comparative study, should form the basis for evaluation of various factors, including expenditure, performance, renovation and modernization, pollution control measures, etc., of power plants. Renovation and modernisation should be based on cost-benefit analysis. But no such analysis is provided by GENCO.
8. I request the Hon'ble Commission to provide me an opportunity to make further submissions, after receiving and studying responses of TSGENCO to my submissions, during the scheduled public hearing on the subject issues.

Thanking you,

Yours sincerely,

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