To
The Secretary
Telangana State Electricity Regulatory Commission
11-4-660, 5th floor
Singareni Bhavan, Red Hills
Hyderabad - 500 004 **March 5, 2024**

Respected Sir,

Sub : Submission of objections and suggestions on filings of Singareni Collieries Company Limited in OP No.04 of 2024 on MYT for the 5th control period (2024-25 to 2029-29) and true-up for FY 2022-23 for its STPP (2x800 MW)

With reference to the public notice dated 14.2.2024, am submitting the following points on the subject issues for the consideration of the Hon'ble Commission:

1. **Against a capital cost of Rs.7745.32 crore approved by the Hon'ble Commission at the end of 2021-22, SCCL has projected a closing capital of Rs.7826.39 crore. It has claimed true-up on Rs.7762.28 crore against the capital cost of Rs.7745.32 crore approved by the Commission. For the year 2023-24, against the capital cost of Rs.7745.32 crore approved by the Commission, SCCL has estimated it to increase to Rs.7805.62 crore. Based on the projections, SCCL has claimed return on equity at higher level and sought true-up accordingly. For the year 2022-23, it has claimed RoE of Rs.481.81 crore against Rs.436.41 crore approved by the Commission. Similarly for the year 2023-24, it has claimed RoE of Rs.483.69 crore against Rs.436.40 crore approved by the Commission. For the 5th control period, for the first year of 2024-25, SCCL has projected RoE of Rs.485.68 crore and for the next four years Rs.486.3 crore per year. When rate of return on equity is constant and without increase in equity, SCCL has not explained as to how it has claimed higher return on equity. The claims of SCCL for the subject project are subject to the terms and conditions in the PPA approved by the Commission. They provide for claiming permissible variations in the monthly bills being issued for supply of power to the TSDISCOMs. As such, claims for increased capital costs and true-up claims should not be allowed. If SCCL incurs additional capital costs, they can be covered in the O&M costs approved by the Commission, unless they are approved by the Commission as per terms of the PPA. Claiming and allowing additions of capital costs during the entire period of 25 years of the PPA is an unhealthy practice much to the detriment of larger consumer interest, though SCCL is claiming that it is making these claims as per the latest regulation No.2 of 2023.**

2. **The submission of SCCL not to apply the components of varied figures of normative/operational parameters in the present regulation shows that it wants whatever is favourable to it in the said regulation should be permitted and whatever is not to its advantage, as it seems, should not be enforced. This approach is untenable and self-contradictory. Commercial operation dates of the subject two units were declared in the year 2016. As such, there is no justification in providing**

additional benefits to old plants and imposing additional burdens on the consumers by applying the latest regulation. Expenditures and claims of SCCL are subject to terms of the PPA approved by the Commission, and are not dependant on the latest regulation. SCCL has shown a revenue gap of Rs.187.55 crore for the year 2022-23 and sought a net entitlement of Rs.144.77 crore, which includes Rs.125.27 crore towards fixed charges additionally.

3. **SCCL has computed energy chares based on the average actual charges for September to November, 2023 and submitted that actual charges would be claimed. Since actual charges are being claimed for variable cost, they cannot be projected for the 5th control period based on presumptions. Actual charges are known only when they materialise. SCCL itself has submitted that energy charges are subject to adjustment. Therefore, the projection of energy charges of Rs.3.876 per kwh during the 5th control period should not be allowed. SCCL has claimed that it is working on swapping of coal from Naini coal mines. When it materialises, energy charges should come down considerably with cost of transportation becoming nominal. Similarly, transit and handling loss of coal for non-pit head stations of 0.8% also should come down considerably after swapping. SCCL has not given the actual transit loss so far.**

4. **Against target availability of 85% PLF, SCCL exceeded it - 89.7% during 2022-23 and marginal variation during 2023-24. For the 5th control period SCCL has claimed that it would achieve higher PLF of around 91.40 percent per annum. Based on that, it has projected incentive @ Re.0.50 per kwh for generation and supply of power above the threshold level of PLF - ranging from Rs.18.66 crore to Rs.31.84 crore per annum during the 5th control period. If only SCCL can generate additional power exceeding the threshold level of PLF and if only the DISCOMs agree to take that power, incentive has to be paid. It should not be projected and approved in advance. Moreover, the principle of merit order dispatch also comes into play and higher variable cost may even lead to backing down of its declared capacity. In view of the fact that SCCL has been claiming achievement of higher PLF exceeding its threshold level and earned a profit of Rs.1731.81 crore for the year 2021-22, incentive of Rs.0.50 per kwh for additional power needs to be reviewed and reduced. At threshold level of PLF as determined in the PPA, SCCL is recovering the entire capital cost. As such, incentive for additional power should be nominal as a percentage of fixed charges.**

5. **SCCL has claimed true-up based on fixed charges of Rs.4483.76 crore against RS.4277.21 crore approved by the Commission for 2022-23 and on Rs.4749.77 crore against Rs.4492.79crore approved by the Commission for the year 2023-24. For the 5th control period, SCCL has projected higher annual fixed charges - Rs.4983.07 crore for 2024-25, Rs.5081.80 crore for 2025-26, Rs.5065.59 crore for 2026-27, Rs.5060.59 crore for 2027-28 and Rs.5036.85 crore for 2028-29. With payment of depreciation charges, fixed charges should come down. SCCL has submitted that it would submit cost of proposed FGD and tariff components later. In other words, capital cost and tariffs would be claimed at still higher level later.**

6. **We request the Hon'ble Commission to subject the claims of SCCL to prudence check in terms of the PPA and disallow what is impermissible in its claims.**

7. **We request the Hon'ble Commission to take the above submissions, among others, into consideration and take appropriate decisions.**

8. **I request the Hon'ble Commission to provide me an opportunity to make further submissions, after receiving and studying responses of SCCL and during the public hearing scheduled on 22.3.2024.**

Thanking you,

Yours sincerely,

M. Venugopala Rao
Senior Journalist & Convener, Centre for Power Studies
H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony,
Serilingampally Mandal , Hyderabad - 500 032

Copy to :
Chief (E&M), Power Projects, SCCL, 11-4-660, 3rd floor, Singareni Bhavan, Red Hills, Hyderabad – 500 004