

**The Federation of Telangana and Andhra Pradesh
Chambers of Commerce and Industry**

(Formerly known as FAPCCI)
Empowering Industry, Commerce & Trade
Registered under the Companies Act, 1956

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CIN U91110TG1964NPL001030

Gowra Srinivas
President

CA Arun Luharuka
Senior Vice President

Karunendra S.Jasti
Vice President

FTAPCCI/Energy/336/2017-18

January 23rd, 2017

The Secretary,

TSERC,

5th Floor, Singareni Bhavan

Red hills, Hyderabad

Sub. Filing of the ARR for the Retail Supply Business for FY 2018- 19 under multi- year tariff principle in accordance with the "TSERC" (Terms and Conditions for determination of Tariff for Wheeling and retails sale of Electricity) Regulation, 2005" by the Southern Power Distribution Company of Telangana Ltd (TSSPDCL) and Northern Power Distribution Company of Telangana Ltd (TSNPDCL or 'the Company' or 'the License') as the Distribution and retail supply license.

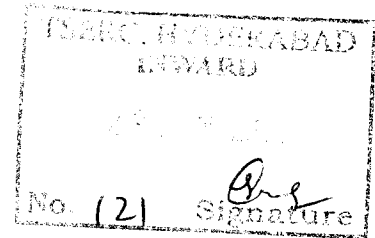
With reference to subject cited and the public notice issued calling for objection/ suggestions on ARR filings we are hereby submitting our preliminary objections for your consideration.

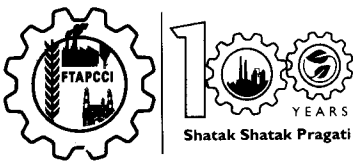
We will submit our detailed objections on the ARR filings in due course of time and request you to accept the same.

We request you to give us time for personal hearing at the time of public hearing.

Yours Sincerely,

T S Appa Rao, I.A.S (Retd)
Secretary General, FTAPCCI





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Gowra Srinivas
President

CA Arun Luharuka
Senior Vice President

Karunendra S.Jasti
Vice President

**BEFORE THE HONOURABLE TELANGANA ELECTRICITY REGULATORY
COMMISSION**

AT ITS OFFICE AT 5th FLOOR, SINGARENI BHAVAN, RED HILLS, HYDERABAD

FILING NO. _____/2018

CASE NO. _____/2018

In the matter of:

Filing of the ARR for the Retail Supply Business for FY 2018-19 under multi-year tariff principles in accordance with the "TSERC" (Terms and Condition for determination of tariff for wheeling and retails sale of electricity) Regulation, 2005 by the Southern Power Distribution Company of Telangana Ltd (TSSPDCL) and Northern Power Distribution Company of Telangana Ltd (TSNPDCL) or the company or the license) as the distribution and retail supply license.

:PETITIONER

AND IN THE MATTER OF:

Southern Power Distribution Company of Telangana Ltd
(TSSPDCL)

6-1-50,

Mint Compound,

HYDERABAD-500 063.

(Telangana, India)

(REPRESENTED BY ITS Managing Director)

:PETITIONER

AND

AND IN THE MATTER OF:

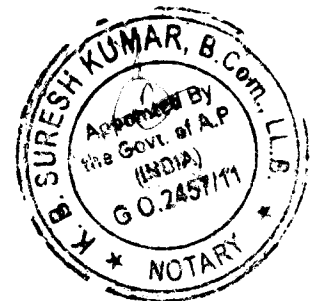
Northern Power Distribution Company of Telangana Ltd
(TSNPDCL)

H.No: 2-5-31/2,

Corporate Office, Vidyut Bhavan,

Nakkalgutta, Hanamkonda,

Warangal-506001



23 JAN 2018

(REPRESENTED BY ITS Managing Director)

:PETITIONER

AND

**THE FEDERATION OF TELANGANA AND ANDHRA PRADESH CHAMBERS OF
COMMERCE AND INDUSTRY**

Registered under the Companies Act, bearing Registration No. 1030 of 1964- 65, having its
office at #11-6-841, Federation House, Red Hills,
Hyderabad- 500004

(Represented by its Secretary I/c)

...OBJECTOR

AFFIDAVIT VERIFYING THE STATEMENT OF OBJECTIONS

I, T.S Appa Rao, S/o Late Lakshmi Narayana, Aged 65 years, working as Secretary General of
The Federation of Telangana and Andhra Pradesh Chamber of Commerce and Industry,
Registration No. 1030 of 1964- 65, having its office at #11-6-841, Federation House, Red Hills,
Hyderabad- 500004

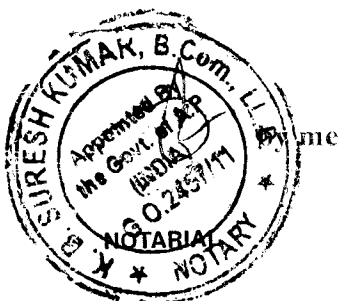
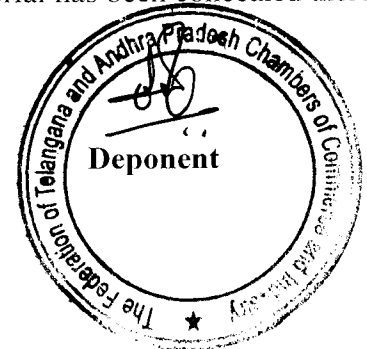
Do hereby solemnly affirm and states as under:

1. I am the Secretary General of the Objector and am conversant with the facts of the case
and am duly authorized by the objector to swear to this affidavit
2. The statement made in paragraphs _____ of the statement of objections here
is now shown to me are true to my knowledge, information and the legal received, which
I believe to be true.

Solemnly affirmed at Hyderabad, on this 23rd day of January 2018 that the contents of the above
affidavit are true to my knowledge, no part of it is false and no material has been concealed there
from.

Place: Hyderabad

Date: 23/1/2018



ATTESTED

S. B. Sathyanagar
NOTARY

*** B. SURESH KUMAR**
B.Com., LL.B
ADVOCATE

PLOT No.23, Road No.3/A, (North)
No.1-5-210/2, Near Satyanagar Kamar
New Maruthinagar Kothapet Hyderabad-500017

23 JAN 2018

**The Federation of Telangana and Andhra Pradesh Chambers of
Commerce and Industry
(FTAPCCI)**

Statement of Objections

On

**Filing of ARR for the Retail Supply Business for
FY 2018-19 under multi- year tariff principles in accordance with
Telangana State Electricity Regulatory Commission (Terms and
Conditions for Determination of Tariff for Wheeling and Retail sale
of electricity) regulation, 2005**

By the

**Southern Power Distribution Company of Telangana Ltd
(TSSPDCL)**

&

**Northern Power Distribution Company of Telangana Ltd
(TSNPDCL)**

As the Retail Supply Licensee

January, 2018

The Statement of Objections by the Objector

The Distribution Licensee namely Southern Power Distribution Company of Telangana Ltd (TSSPDCL) and Northern Power Distribution Company of Telangana Ltd (TSNPDCL) have filed the Aggregate Revenue Requirement (ARR) petitions for the Retail Supply Business for FY 2018-19 under section 64 of the Electricity Act 2003.

The statement of objections is herein being filed on behalf of '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 around 3000 members having its office at Federation House, 11-6-841, Red Hills, FAPCCI Marg, Hyderabad 500004, Telangana, represented by its Secretary General (herein after called the 'Objector'). The main function of FTAPCCI is to promote and protect the interests of trade, commerce and industry.

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

- They are the subsidizing 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 utilization and low cost of service for the Utilities in comparison to LT consumer categories.

The objector strongly objects to the Filing of ARR for the Retail Supply Business for FY 2018-19 and prays that the same may be rejected *in limine*, in the interest of justice and equity.

The objector also prays that it may be permitted to make additional submissions specific to these petitions, in the Public Hearings.

As per the Regulation No 4 of 2005, the Licensee is required to file the Aggregate Revenue Requirement (ARR) for Retail Supply Business and Tariff proposal for the entire third control period FY 2014-15 to 2018-19.

1. NON ADHERENCE TO MYT REGULATIONS:

The Hon'ble Commission has granted permission to the Distribution Licensee for filing the ARR and Tariff determination on an annual basis till 2017-18 and 2018-19 is the last year of the Third Control Period.

The petitioner has not filed True-Up for the past years stating that:

‘the Licensee is currently in the process of estimating revenues and provisional true-up for 2017-18. It stated that due to the policy decision of Govt of Telangana, three phase power needs to be supplied to all agricultural consumers for 24 hrs /day from January 1 2018, will have significant impact on the agricultural sales. In addition, there is high volume of sales estimated from Lift Irrigation Schemes (LI). ‘

The petitioner prays that the Hon’ble Commission may allow the Licensee to file provisional true-up for 2017-18 separately along with final true-up of 2016-17.

It may be true that the Hon’ble Commission may have powers to relax any provision of the Tariff Regulations. However, by not filing any claims towards trueing up for previous years and thus not furnishing the actual audited data to substantiate the instant projections, the petitioner appears to have a conspicuous interest in deferring the costs and proposing it in the form of tariff hikes in future.

In view of this, the instant petitions are opposed to the Tariff Regulations, the principal guidelines of Tariff Policy and therefore liable to be rejected, *in limine*

2. REVENUE GAP:

For the year 2018-19, TSSPDCL has shown aggregate revenue requirement of Rs.23,518.88 crore and total revenue at current tariffs, including non-tariff income, of Rs.19,296.50 crore, with a revenue deficit of Rs.4222.38 crore, while TSNPDCL has shown aggregate revenue requirement of Rs.12255.40 crore and total revenue at current tariffs, including NTI, of Rs.6706.00 crore, with a revenue deficit of Rs.5548.60 crore. Both the DISCOMs have not proposed any tariff hike, except making some modifications in tariff for lift irrigation schemes and introducing a new category for electrical vehicles, and requested the Hon’ble Commission to permit them to collect tariffs determined by it for the year 2017-18 for the year 2018-19 also.

The DISCOMs have not explained how they propose to bridge the projected revenue gap of Rs.9970.98 crore and to what extent the Government of Telangana State would provide subsidy to bridge the projected revenue gap.

There is a substantial revision of net revenue gap of Rs.5031.17 crore shown by TSSPDCL and of Rs.1793.42 crore by TSNPDCL for the year 2017-18. The substantial revised revenue gap of Rs.6824.59 crore for the year 2017-18 has to be seen in the light of no revision of tariffs for the same year.

The proposal of the DISCOMs not to hike tariffs for the year 2018-19 and their failure to explain how they propose to bridge the projected revenue gaps for the same year and for various other factors not taken into consideration by them for the year 2018-19, it can be asserted that they will come up with true-up claims for 2016-17, 2017-18 and the year 2018-19 also at a latter period.

This also indicates that the petitioner appears to have a conspicuous interest in deferring the costs and proposing it in the form of tariff hikes in future.

Since the DISCOMs have not made it clear as to how they would propose to bridge the projected revenue gaps for the year 2018-19, we request the Hon'ble Commission to make it clear *that no true up claim would be permitted later for the revenue gap, if any, that is going to be determined by it after taking into account the subsidy amount the GoTS is willing to provide.*

3. ENERGY REQUIREMENT:

Both the DISCOMs have shown an energy requirement of 64,291 MU - 42193 MU for SPDCL and 22098 MU for NPDCL - against the projected availability of 67,573 MU for the year 2018-19. They have shown a surplus of 3282 MU. Projections made by Telangana DISCOMs on availability and requirement of energy in MU year-wise are given below (in brackets, quantum approved by TSERC):

Year	Availability	Requirement	Purchases approved for true-up
2015-16	60,250(54,576.66)	52,100(48,550.97)	45,586.94
2016-17	64,669 (56,109.09)	54,884 (52,063)	46,843.05
2017-18	66,077.03 (58,357.73)	54,756 (52,245.39)	■

In the tariff order for 2015-16, TSERC observed that “based on the month wise energy requirement and energy availability, there is no requirement of energy from bilateral/short term purchases.” However, true-up approved for 2015-16 shows that the Commission has approved true-up of 10,503.58 MU against 12,429.12 MU claimed to have been purchased in the market by the DISCOMs.

Similarly, availability of 56,109.09 MU for the year 2016-17 approved by TSERC excluded market purchases. However, true-up approved for 2016-17 shows that the

Commission has approved true-up of 2497.60 MU against 2837.43 MU claimed to have been purchased in the market by the DISCOMs.

The DISCOMs have not submitted their true-up claims for 2015-16 and 2016-17, along with ARR and tariff proposals for the year 2017-18, and relevant details of true up claims are not filed before the Hon'ble Commission. However, the Commission has considered the true-up/true-down claims of the DISCOMs provisionally in the tariff order for 2017-18.

In the interests of the consumers we appeal to the Hon'ble Commission all information relating to true-up claims of the DISCOMs be made public and a public hearing be held on the same.

The table shows that the availability and requirement of power have been inflated and actual purchases are even lesser. Going by this trend, the projected requirement of 64,291 MU for the year 2018-19 seems inflated, notwithstanding the claims of the DISCOMs for additional requirement of power for agriculture; lift irrigation schemes, metro rail project, etc., thereby showing availability of surplus at a much reduced level. When the DISCOMs had projected availability of 66,077.03 MU for the year 2017-18, how is it that they have projected 67,573 MU only for the year 2018-19 - an increase of just 1496 MU - despite projection of substantial addition of installed capacity of new projects during 2018-19?

4. **ADDITIONAL SURCHARGE:**

The Licensees have submitted that the total stranded fixed cost obligation to the generating stations will be around Rs 492.29 crore corresponding to a backed down /open access sales of 2159.45 MU and have proposed to impose '**additional surcharge**' of **Rs. 2.06 per kWh**.

The petitioners have not furnished the requisite data viz. reasons for backing down during different intervals due to MoD, due to other variabilities in system, Open Access etc. and have simply attributed the back down to open access sales.

The objector opposes the proposal of additional surcharge mainly on account of incorrect estimation of fixed charges liability. When seen from perspective of eligible power purchase sources, the DISCOMs may not be having any stranded capacity.

5. ENERGY SALES:

In TSSPDCL, the metered sales reduced by 7.65% on actual basis in 2016-17 and agriculture sales increased by 6.06 %

For 2017-18 also, the approved sales for agriculture sector is 6824.00 MU where as the projected sales in the ARR filing is shown as 9496.62 MU up by almost 40% than the approved sales. The same is expected in 2018-19 also. The Hon'ble Commission is requested to kindly ensure that the significant jump in the estimates of agriculture sales as submitted every year is representative of actual sales and not just statistical jugglery.

6. POLICY SUGGESTIONS

In keeping with the slogan of ' Bangaru Telangana ', the aspirations of all sections of Consumers have to be borne in mind in the context of falling rates of wind and solar energy, Surplus energy available in the State as well as the Country and the awards and accolades being received by the Leadership of the Electricity Sector of the new State.

Some salient Policy issues:

Before dwelling on the issue of current ARR, let us ponder on a few policy matters as the Country has been witness to major events like Demonetization and GST etc. in the recent past.

It is common knowledge that all the Stakeholders in the Electricity Sector- the Generators, DISCOMs and the Consumers are beset with problems. Even though the Country has achieved Surplus condition and phenomenal improvement in Transmission and Distribution, the Generators are suffering from lack of sufficient Demand , falling PLFs and rising NPAs ; the Consumers with unaffordable Tariffs leading to falling Industrial Consumptions and DISCOMs with increasing Revenue Gaps despite periodical bale out packages.

In the true spirit of the Electricity Act 2003, the Cross Subsidies ought to have been eliminated. It is time now for the incumbent Government to revisit this vital aspect mainly in the light of

1. Committed Policy of encouraging the Manufacturing Sector to increase its share of contribution to GDP and also to provide greater Employment opportunities. (This is absolutely necessary to improve the competitiveness of

the Indian Industry in the Global perspective mainly to confront the imports from China and other East Asian countries.)

2. In view of the State as well as the Country turning Power Surplus and is saddled with ever sliding PLFs of the thermal plants on one side and the falling tariffs of Wind and Solar Energy .
3. It is inevitable to encourage Demand Pushing by providing affordable Tariffs bereft of Cross Subsidies etc. to substantially increase Consumption so that the PLFs may improve to restore financial wellbeing of the Power Sector and also help mitigating the NPA issues.

Hence in place of or in addition to the Power Subsidies provided, it is rational to make Power available for all Industries at affordable rates by eliminating cross subsidies which is the need of the hour along with bringing Electricity under GST at an early date as envisaged.

FTAPCCI on behalf of the Industrial fraternity would like to take this opportunity to appeal to both the Telangana Government and Hon'ble Commission to take a proactive role in ' ushering in true reform in Electricity Sector' by taking steps for Elimination of Cross Subsidies in Retail Tariffs as well as Open access along with introduction of GST on Electricity. Such a measure will go a long way in making the Manufacturing Sector competitive as well as disentangle the Power Sector from the problems airing out of opaque Tariffs, Subsidies and the attendant financial problems necessitating periodical bale-outs.

MYT Structure and the principles of Electricity Act 2003 have to be truthfully followed. Industry needs the term visibility to encourage it to take commensurate Investment decisions. Yearly Statements denies them of this opportunity and the State also will not be able to demonstrate its Commitment to the Manufacturing Sector like in its Industrial Policy.

Need for maintaining the Regulatory Rigor:

In the context of Telangana State joining the Central Government's UDAY Scheme in the recent past to improve the Working of the DISCOMs; it should be ensured that similar conditions do not repeat again in such a short time mainly with the burgeoning revenue gaps and unclaimed true ups of past years.

Also on the Sales forecast, it appears that despite 24 hours supply to agriculture, the projected sales seem to be grossly under estimated while Industrial Consumption

seems to be highly optimistic. Hence proper due diligence is required to be applied by Hon'ble Commission for arriving at a pragmatic Sales Forecast.

On the Generation front, TSGENCO is proposed to operate at 70% PLF while CERC guidelines stipulate a normative PLF of 85% for fixed cost computation . Hon'ble Commission may please ensure this to save consumers from levy of higher fixed costs.

The Maximum Demand of the Agricultural Load is season specific and time of day dependent and is varying from 70% to 30% . Given the magnitude of the load, it may cause further backdowns and consequent levy of fixed cost burden on consumers.

Hon'ble Commission should also ensure that commensurate subsidy is provided by GOTS to meet the Revenue Gap in the current year and should keep a meticulous watch on the agricultural consumption in light of 24 hours supply.

The above becomes all the more pertinent in view of the State Government's commitment in the UDAY Memorandum of Understanding wherein in page 5, vide point no. 1.2 p - it is stated that ' The Government of Telangana will examine the Tariff issue after the ARR is filed and the deficit will be met either by increase in Subsidy support or by increase in Tariffs.'

In the present instance, as the Government has not preferred any Tariff increase , it goes without saying that GOTS needs to provide the full compliment of the required Subsidy to make up for the revenue gap.

The following specific points need to be addressed in current year's ARR for improving the Manufacturing Sector in the State.:

Disproportionately high Demand Charges have adversely affected the SMEs , mainly those operating on single shifts or low load factor. In times when Manufacturing Sector by and large is in doldrums, increased burden of unproductive fixed costs has become a curse. They should be rolled back to promote ' ease of doing business '. The very premise of transferring Fixed costs of Generators/ DISCOMs to Consumers in to-to is fallacious and misplaced as business models vary with different operating conditions of individual businesses.

The difference in Tariffs of 132 KV and 33 KV Consumers at 50 paise is glaringly high .In most other states like Gujarat, Madhya Pradesh, Chattisgarh, Karnataka etc, the difference is marginal and mostly less than 10 paise.

Hence to facilitate growth of 33 KV Consumption in the present context of need for increased Industrial consumption levels to offset the Surplus and also the need to provide the basic inputs to Industry at an affordable cost to make our Manufacturing Sector more competitive globally, specially the Power Intensive Sectors , this anomaly has to be corrected and parity maintained.

Load Factor Incentive: should be provided (on the lines of many States like Madhya Pradesh , Chattisgarh etc.) to encourage Consumers with higher loads so that it may result in increased sales , higher PLFs for thermal Plants for welfare of all stakeholders.

Interest on Delayed Payments and installments granted for Payment of CC bills or ACD at 18% is exorbitant . In view of the falling interest rates, it should be brought down suitably. Further As against the penal interest levied on delayed payments, concessional interest should be charged on sanctioned installments to make it easier for the consumer already in distress in line with the commitment of the Governments to ' Ease of Doing Business ' .

B.G. For ACD : Bank Guaranty should also be accepted in place of complete Cash deposits towards additional Consumption deposits . To begin with at least one month's Consumption may be accepted in B.G. form Consumers whose monthly bills exceed Rs.10,00,000/-.

Advance Payment Rebate: Rebate of 0.5% is offered for advance Payment like in some other states.

Online Payment Rebate : 0.25% incentive should be offered for online Payments to encourage digital transactions.

7. PRAYERS:

The objector most respectfully prays that the 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
Telangana State Electricity Regulatory Commission (Terms and Conditions for
Determination of Tariff for Wheeling and Retail Sale of Electricity)
Regulations
- C. Rationalize the cross subsidy and cross subsidy surcharge
- D. Disallow the claim of additional surcharge due to lack of any justification for
the claim proposed by the petitioner
- E. Disallow the power purchase cost in cases where the [purchase has been
projected at exorbitantly high price not relatable to the incumbent market
situations
- F. Adjust the subsidy required from the government of Telangana based on
estimated consumption levels of subsidised categories so that the cost of
supplying subsidised power to select consumer categories is not borne by the
other non-subsidised consumers in terms of adjustment of the revenue gap of
FY 2018-19
- G. Clearly state that no tariff hike shall be granted on account of revisions during
truing up for FY 2018-19
- H. Permit the objector to participate and make additional submission and produce
additional details and documentations during the course of the public hearing.