

**BEFORE THE TELANGANA STATE ELECTRICITY
REGULATORY COMMISSION**

Vidyut Niyamtran Bhavan, G.T.S. Colony, Kalyan Nagar, Hyderabad – 500 045

OP No. 16 & 17 of 2024

IN THE MATTER OF

Petition requesting the Commission

1. To review the power requirement estimate submitted by TGDISCOMs.
2. To review the power purchase cost estimate submitted by TGDISCOMs.
3. To advise State Government to release arrears due from State Government Departments in time.
4. To take stringent action to bring down electrical accidents.
5. To allow the objector to make additional submissions.
6. To allow the objector to be heard in person before the Commission takes any decision on this application of the DISCOMs.

IN THE MATTER OF

Name and full address of the petitioner:

People's Monitoring Group on Electricity Regulation
H. No. 3-4-107/1, (Plot No. 39), Radha Krishna Nagar,
Attapur, Hyderabad – 500048

Represented by

M. Thimma Reddy

Convenor

People's Monitoring Group on Electricity Regulation
H. No. 3-4-107/1, (Plot No. 39), Radha Krishna Nagar,
Attapur, Hyderabad – 500048

And

Name and address of the Respondents:

Chairman and Managing Directors of

Northern Power Distribution Company of Telangana Ltd,

Southern Power Distribution Company of Telangana Ltd,

BEFORE THE TELANGANA STATE ELECTRICITY REGULATORY COMMISSION

Vidyut Niyamtran Bhavan, G.T.S. Colony, Kalyan Nagar, Hyderabad – 500 045

1.1 The following comments are being submitted on TGDISCOMs' ARR and tariff proposals for the FY 2024-25 in response to the Public Notice published in the Newspapers on 20th September, 2024.

2.1 According to Section 6.2 of Regulation 2 of 2023 Multi Year Tariff (MYT) Petition for the control period FY 2024-25 to FY 2028-29 has to be filed by 31-01-2024. The present MYT petition for 5th control period was filed on 18-09-2024, a delay of more than half year. The reasons attributed by TGDISCOMs for this delay are time taken in analysing the financial impact on the TGDISCOMs due to Gruha Jyothi Scheme and 'certain difficulties faced by the TGDISCOMs'. But the TGDISCOMs did not show any where in these filings the financial impact of Gruha Jyothi Scheme on the finances of TGDISCOMs. Also, nowhere 'certain difficulties' faced by the TGDISCOMs are elaborated. This gives the impression that TGDISCOMs are only following their nearly decade old practice of delayed filing of ARR and tariff proposals with scant regard to the Electricity Act, 2003 and Rules and Regulations framed under the said Act.

2.2 The Commission in its Tariff Order for the FY 2023-24 at paragraphs 1.12.2 and 1.12.3 noted the following stakeholders' observations:

"In the integrated rating score methodology introduced by Ministry of Power for assessing the health of TSDISCOMs, one of the parameters is specific disincentives which provides for Tariff Cycle Delays in terms of timely filing of the Petitions."

"Further, this amounts to a gross violation of Hon'ble APTEL directives in O.P.No.1 of 2011 as is reproduced below: "57.... ... In the event of delay in filing of the ARR, truing up and Annual Performance Review, one month beyond the scheduled date of submission of the petition, the State Commission must initiate Suo Moto proceedings for tariff determination in accordance with Section 64 of the Act read with clause 8.1(7) of the Tariff Policy."

2.3 The Commission in its Tariff Order for the FY 2023-24 at paragraph 1.12.7 stated its following view:

"The Commission in order to provide consequences of delay in filing the proposals with the Commission has notified the following amendments to the Principal Regulations relating to TSDISCOMs with stringent penalties viz., the penal fee that is attracted in case of the licensee not complying with the provisions of Regulations, the rate of return on equity shall be reduced by 0.5% per month or part thereof.

- i) Second Amendment to the Principal Regulation No.4 of 2005 viz., Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity. [Regulation No.1 of 2022]
- ii) First Amendment to the Principal Regulation No.2 of 2016 viz., Fee [Regulation No.2 of 2022]"

2.4 Such measures are not included in Regulation 2 of 2023. To discourage delay in filing ARR and tariff proposals the above measures may be reintroduced in the new MYT Regulations.

Sales forecast:

3.1 TGDISCOMs estimated power requirement during the FY 2024-25 to be 85,284 MU. This is 2.55% higher than power requirement projected by TGDISCOMs during the FY 2023-24, higher than 1.32% approved by the Commission but 1.66% less than actual consumption reported by TGDISCOMs during FY 2023-24. TGDISCOMs adopted different consumption growth rates for different consumer categories to arrive at power procurement requirement during FY 2024-25. Power consumption trend during FY 2023-24 is different from previous years. In the past power requirement estimated during a year by TGDISCOMs used to be higher than that projected by the Commission and the projection by the Commission used to be higher than the actual consumption. But during the FY 2023-24 power requirement estimated by the Commission (84,156 MU) was higher than that of TGDISCOMs (83,113 MU) and in turn actual consumption reported by TGDISCOMs (86,703 MU) was higher than that estimated by the Commission. In such circumstances when the base on which growth rates are calculated is higher there is a chance that overall power requirement will be on higher side. Hence, power requirement for FY 2024-25 arrived at by TGDISCOMs needs to be closely scrutinised.

3.2 According to TGDISCOMs' estimates LT domestic consumers will be using 15,758 MU during the FY 2024-25. LT domestic consumers will account for 18.48% of electricity requirement during the ensuing year. Compared to this during the FY 2023-24 LT domestic consumers accounted for 16.62% of electricity requirement. While SPDCL assumed that electricity consumption by LT domestic consumers would increase by 5.97% during FY 2024-25 NPDCL assumed 5% increase. TGDISCOMs mentioned starting of implementation of Gruha Jyothi Scheme as one of the reasons for delay in filing the present ARR and Tariff Proposals. According to their submission, "the Licensee was analysing the financial impact in the TGDISCOMs due to Gruha Jyothi Scheme which may hinder the licensee in filing the ARR & Tariff Proposals for RSB for FY 2024-25 to FY 2028-29 and Distribution Business for 5th Control Period." But in the present filings TGDISCOMs did not mention any impact of Gruha Jyothi Scheme on consumption pattern of domestic consumers. According to the Scheme rules the identified beneficiaries would become ineligible if their electricity consumption exceeds the past consumption trends or exceeds 200 units. Because of this, domestic consumers would moderate their electricity consumption. This would result in lower growth rate in electricity consumption by domestic consumers. In this background assumption of 5 to 5.97% growth rate in electricity consumption by LT domestic consumers appears to be on the higher side and the same need to be brought down.

3.3.1 TGDISCOMs estimated that agriculture pump sets would be consuming 20,748 MU of electricity during the FY 2024-25 accounting for 24.33% of electricity requirement in the state. While in the case of other consumer categories CAGR was applied over consumption figures of 2023-24 in the case of LT agriculture CAGR was applied twice over the consumption figures of 2022-23. This is because according to TGDISCOMs submissions agriculture consumption

during FY 2023-24 increased abnormally. According to these filings during FY 2023-24 LT agriculture services consumed 25,154 MU accounting for 28.04% of the electricity procured in the state. This was 40.67% higher than the estimates made by TGDISCOMs (17,881 MU) and 26.98% higher than the projections of the Commission (19,811 MU). TGDISCOMs did not provide any reasons for this abnormal consumption of electricity by LT agriculture services. In the absence of meters to the agriculture services in the past TGDISCOMs used ISI Methodology approved by the Commission for estimation of electricity consumption by agriculture pump sets. In the present filings NPDCL used 2.59% and SPDCL used 1.39% twice over 2022-23 consumption to arrive at LT agriculture consumption. During FY 2024-25 while NPDCL projected 3.94% increase in number of LT agriculture services SPDCL projected 4.38% increase. Growth rates in electricity consumption by LT agriculture services adopted by TGDISCOMs do not have any relation to increase in number of LT agriculture services during this period. Such data raises further doubts on TGDISCOMs' claims regarding electricity consumption by LT agriculture services.

3.3.2 TGDISCOMs' computation of LT agriculture services' electricity consumption during FY 2023-24 needs to be subjected to detailed examination. According to their own submissions it was abnormal and they did not provide any reasons for such abnormal figures. During FY 2023-24 LT agriculture services accounted for 28.04% of the electricity procured in the state. This is the highest percentage recorded in the recent history. This has different implications. On the one hand it helps to hide equally abnormally high T&D losses and on the other it imposes high subsidy burden on the state government as electricity supplied to LT agriculture services is free.

3.3.3 One way to overcome present problems in estimation of electricity consumption by agriculture pump sets is to meter DTRs serving LT agriculture connections. But DISCOMs are avoiding this for reasons best known to them. In the past they have pointed out that financial institutions are not coming forward to finance it. Recent news reports indicate that TGSPDCL is going to spend more than Rs. 500 crore on HVDS DTRs for agriculture sector, which itself is questionable. But they are unwilling to mobilise a fraction of this to meter these DTRs. It is to be noted that metering DTRs serving agriculture connections will be cheaper than metering all agriculture services.

3.4 TGDISCOMs projected electricity consumption by Lift Irrigations schemes during FY 2024-25 to be 2,618 MU. Compared to this estimated electricity consumption by these Lift Irrigations schemes during FY 2023-24 was 7,594 MU. TGDISCOMs in their filings noted, "Historically, LIS sales have been very erratic. So, considered same as FY 2023- 24 sales." But this is far from truth. There were reasons for this drastic decline in electricity consumption by Lift Irrigation schemes. Previously some of the pump houses of KLIS were submerged during floods and got damaged. Later, some parts of KLIS structures were damaged making them too dangerous to operate. During recent rains some pump houses of PRLIS were also got submerged, throwing them out of operation. Despite these, some parts of these Lift Irrigation components sought to be operated. TGDISCOMs need to take ground situation in to account to estimate electricity demand by these lift irrigation schemes.

3.5.1 During the FY 2024-25 T&D losses are projected to account for 11% of the electricity requirement in the state. While it will be 11.67% in the case of NPDCL it will be 10.76% in the case of SPDCL. For the FY 2018-19 the Tripartite MoU under UDAY set the AT&C losses

of TSNPDCL at 10.00% and TSSPDCL at 9.90%. AT&C losses include collection efficiency along with T&D losses. T&D loss levels should have been much less than AT&C losses. The T&D losses projected by TGDISCOMs in the ARR for FY 2024-25 are higher than the levels stipulated for the FY 2018-19 under the Tripartite UDAY - MoU. What is more according to their present filings T&D losses during FY 2023-24 stood at 14.14% of the power supplied in the state. If we take in to account 'abnormal' electricity consumption by LT agriculture services during FY 2023-24 actual T&D losses should have been much higher. It is high time the Commission takes a serious view of this phenomenon. Over the last few years TGDISCOMs have spent thousands of crores on T&D network in the name of improving quality of supply and bringing down T&D losses. But neither of them was realised even when consumers were subjected to higher tariffs year after year.

3.5.2 When the estimated T&D losses are brought down to lower levels the quantum of power to be procured will also come down reducing tariff burden on the consumers.

3.6 According to Demand Side Management Regulation of 2020 (Regulation 1 of 2020) Distribution Licensees shall submit a DSM plan to the Commission six months before the MYT control period and implement the same. DSM interventions are expected to bring down overall electricity consumption. We would like to know whether TGDISCOMs submitted DSM plans for the MYT control period under examination. If yes, whether it is taken in to account while estimating power procurement requirement during the FY 2024-25.

Power Purchase costs:

4.1.1 In the case of power procurement from Marwa thermal power plant of Chhattisgarh State Power Distribution Company Limited (CSPDCL) TGDISCOMs have submitted as follows: "A judicial committee has been appointed to investigate power procurement from CSPDCL station. Hence, Power has not been scheduled from CSPDCL plant in the current control period." The terms of reference of the Commission of Inquiry include examination of power procurement from BTPS and YTPS of TGGENCO along with CSPDCL. If power has not been scheduled from CSPDCL due to judicial inquiry then the same shall also apply to BTPS and YTPS of TGGENCO.

4.1.2 TGDISCOMs' ARR filings for the FY 2024-25 show that power generation from YTPS will commence from December 2024. But press reports mention Deputy Chief Minister directing TGGENCO officials to start power generation from this plant at least by next March. (The Hindu, 12-09-2024) Among other things YTPS is reported to be facing staff crunch. The Commission is requested to direct TGDISCOMs to come out with the actual situation at YTPS.

Table 1: Power supply during FY 2024-25

DISCOM	Availability	Dispatch	Surplus
NPDCL	28,383	23,248	5,135
SPDCL	80,268	62,036	18,232
Total	1,08,651	85,284	23,367

4.2.1 According to TGDISCOMs' ARR and Tariff filings for FY 2024-25 electricity availability will be 1,08,651 MU and dispatch will be 85,284 MU leaving a surplus of 23,367 MU. Surplus power accounts for 21.51% of the power available to the state during FY 2024-25.

4.2.2 Power available to TGDISCOMs during FY 2024-25 includes short term procurement of 4,985 MU. The related question is – when 23,367 MU of surplus power is available is there need to go for short term purchase of 4,985 MU at a higher price? As TGDISCOMs are facing surplus power situation during FY 2024-25 we request the Commission not to allow short term purchases.

4.2.3 Power availability from Neyveli new unit I and II was included during FYs 2022-23 and 2023-24 but the same is not included under power availability during FY 2024-25. To this extent power availability during FY 2024-25 may have been under estimated. The same needs to be examined.

4.3.1 TGDISCOMs propose to spend Rs. 42,702 crores on power procurement during the FY 2024-25. This accounts for 73.81% of aggregate revenue requirement (ARR). Avenues shall be explored to bring down power procurement cost to reduce tariff burden on the consumers as well as budgetary support from the state government.

4.3.2 The present filings show that during FY 2024-25 TGDISCOMs would be selling 9,450 MU (NPDCL = 2,783 MU and SPDCL = 6,667 MU) of surplus power and would be receiving revenue of Rs. 2,170 crores. Average revenue from sale of this surplus power will be Rs. 2.30 per unit. This revenue from sale of surplus power is shown to bring down total power purchase costs. But this quantum of surplus power is not shown under power requirement/procurement. This surplus power to be sold in the market in the first place it needs to be purchased by DISCOMs. But its power purchase cost is not included under total power purchase cost. **To that extent power purchase cost is under estimated. Consequently, ARR as well as deficit to be covered are also under estimated.** Average revenue from sale of this surplus power is lower than unit variable cost from all sources. This implies that this surplus power will be sold at loss. This further implies that this whole exercise of sale of surplus power instead of reducing power purchase cost will in fact increase it. The Commission is requested to scrutinise TGDISCOMs' claims regarding sale of surplus power during the FY 2024-25.

4.3.3 The filings for the FY 2023-24 had shown a surplus of more than 13,000 MU. But the present filings show that surplus power during the FY 2023-24 had come down to little more than 1,000 MU. At the same time 16,293 MU were procured through short term purchases during FY 2023-24 at a cost of Rs. 8,566 crores. Average cost of this short-term power procurement was Rs. 5.26 per unit. During the same time thermal power units of TGGENCO operated at below their threshold PLF. During FY 2023-24 TGGENCO units operated at PLF of 50 to 69% though threshold PLF is 85%. During this period power from some of CGS units

was also procured at below their threshold PLF. Variable cost of these thermal power plants was much less than average cost at which short term power was procured. This shows that during FY 2023-24 costly power was procured even when cheaper sources were available resulting avoidable tariff burden on consumers in the state and subsidy burden on the state government. In this background we request the Commission to scrutinise TGDISCOMs' power procurement during FY 2023-24.

4.3.4 The Telangana State Power Sector White Paper brought out by the State Government of Telangana has highlighted high capital costs of BTPS and YTPS. According to this White Paper capital cost of BTPS is Rs. 9.74 crore per MW while its planned capital cost was Rs. 6.75 crore per MW. Capital cost of YTPS is Rs. 8.64 crore per MW. Compared to this, according to this White Paper, capital cost of NTPC's new plant coming up at Ramagundam specifically meant for Telangana is Rs. 7.63 Crore per MW. High capital cost of these two plants is because of inordinate delay in and inefficient execution of these plants. Electricity consumers in the state shall not be burdened with inefficient execution and operation of these plants and we request the Commission to review capital costs of these power plants.

4.3.5 BTPS is reported to be facing serious problems in operation and maintenance of the plant due to problems in quality of machinery supplied to it by BHEL. This machinery was actually meant for a private sector company's power plant to come up in Maharashtra. As the private company failed to set up the plant the machinery was lying idle with BHEL. This machinery lying idle was used to set up BTPS. Once brought in to operation the BTPS units are facing severe problems. The BTPS units are reported to be facing so many problems similar to that of a plant that has been in operation for 10 to 15 years. In the background of the problems faced in operating the BTPS units and the questionable quality of machinery (for all practical purposes second hand machinery) supplied by BHEL its capital cost needs to be reevaluated.

4.3.6 Present filings show that Variable charges for YTPS during FY 2024-25 will be Rs. 2.54 per unit. This is the lowest variable cost among all thermal power plants of TGGENCO. The Telangana State Power Sector White Paper brought out by the State Government of Telangana pointed out that as the plant is located far away from coal mines of SCCL transport component will add to the coal cost leading to higher variable cost. It was estimated that because of this non-pit head status of this plant variable cost of power from this plant will be higher by more than one rupee per unit. Contrary to this the present filings show that variable cost of this plant will be lower than pit head power plants. While lower costs need to be welcomed as it is against the trend the same needs to be clarified.

4.3.7 According to the present filings variable cost of power from TGGENCO's Ramagundam – B during the FY 2024-25 will be Rs. 4.63 per unit. This is highest among all thermal power plants of TGGENCO. As it is in close proximity of coal mines its variable cost is expected to be lower. During the same period variable cost of NTPC's Ramagundam units will be Rs. 3.82 per unit. Given this experience variable cost of TGGENCO's Ramagundam – B plant has to be brought down.

Performance related issues:

Arrears:

5.1.1 According to NPDCL filings of FY 2024-25 total arrears of Rs. 50,000 and more pending for six months as on 31-03-2024 are Rs. 11, 772.72 crore. These arrears are equal to 59.66% of ARR of FY 2023-24. According to SPDCL filings of FY 2024-25 total arrears of Rs. 50,000 and more pending for six months as on 30-09-2023 are Rs. 12, 917.60 crore. These arrears are equal to 29.81% of ARR of FY 2023-24. Both the DISCOMs are facing arrears of Rs. 24,690 crores. Substantial portion of these arrears have to come from state government departments. (While SPDCL mentioned the arrears due from Government departments NPDCL did not show these details). According to SPDCL submission arrears due from state government departments stand at Rs. 8,057.85 crore accounting for 62.38% of the arrears. Situation may be the same or even worse in the case of NPDCL. According to Section 1.2 i) of UDAY – MoU all outstanding dues from the government departments to DISCOMs for supply of electricity shall be paid by 31-03-2017. Since then, arrears from state government departments in fact have increased.

5.1.2 If the arrears below Rs. 50,000 are also taken in to account total arrears due to TGDISCOMs will be much higher. Because of these mounting arrears TGDISCOMs are forced in to heavy debt burden and it is one of the reasons for losses incurred by the TGDISCOMs. We request the Commission to advise the State Government to release arrears pending from state government departments in a time bound manner. We also request the Commission to direct DISCOMs to take effective steps to bring down arrears from other consumers.

5.2.1 TGSPDCL paid compensation to consumers in 10 cases for deficiency of services as per Regulations of the Commission. Total compensation paid was Rs. 18,000. TGSPDCL did not mention the number of cases in which compensation was paid to consumers for deficiency of service. It only mentioned the amount of compensation paid. It paid Rs. 1,36,487 towards compensation to consumers. The number of cases in which compensation was paid were too few to reflect reality. Consumers in the state are being made to run from pillar to post to get the works done. For all practical purposes Standards of Performance (SoP) do not exist. They exist only on paper. We request the Commission to institute a third party assessment of TGDISCOMs' claims on SoP.

5.2.2 We would like to know the number of employees of the Licensees caught red handed by Anti Corruption Bureau (ACB) of Telangana Police during the 4th Control Period. What was the action taken by TGDISCOMs against them? How many of them were reinstated?

Table 2: Accidents during 2023-24

DISCOM	No. of fatal human accidents
NPDCL	356
SPDCL	288
Total	644

5.3.1 During the FY 2023-24 the number fatal accidents involving humans stood at 644. This is one the highest number of fatal accidents in the recent past. This shows that there was not much improvement in safety measures. Unacceptable high fatal accidents are taking place in spite of huge investments in men and materials to strengthen T&D network. SPDCL filings show that out of 288 fatal accidents general public were involved in 276 fatal accidents.

5.3.2 According to NPDCL's submission on root cause of accidents in 82 cases victims came in contact with live wires, in 52 cases victims died during repairing agriculture motors/service wires, in 14 cases victims were replacing DTR fuses, and in 10 cases victims touched snapped conductors. These instances show that there were shortcomings in operation of the DISCOM. In 120 cases victims died due to faulty domestic wiring or appliances. This indicates the need to create awareness among the general public on safety measures. SPDCL did not provide similar information. It mentioned that the relevant information was provided to the Commission. We request the Commission to direct SPDCL to make the information on root cause of accidents public.

5.3.3 The information provided by TSDISOMs on electrical accidents show that most of the fatal accidents took place in circles with predominantly rural services. These accidents are low in urban circles. This implies that the rural consumers are not receiving quality service. Every step shall be taken to correct this anomaly.

5.3.4 Though the Commission is directing the DISCOMs to take preventive steps to avoid the accidents the DISCOMs appear to be not responsive.

We request the Commission to take our submissions on record.

Petition requesting the Commission:

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Hyderabad

Date: 06-10-2024

Deponent

M. Thimma Reddy