

Before Hon'ble Telangana State Electricity Regulatory Commission

Singareni Bhavan, Red Hills, Hyderabad

In the Matter of:

petitions filed by TSDISCOMs for determination of Additional Surcharge (AS) to be levied on Open Access (OA) consumers for HI (1st Half period from April'24 to Sep'24) of FY 2024-25

O.P. Nos 39 & 40 of 2023

by

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

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

South Indian Cement Manufacturers' Association (SICMA) - **RESPONDENT**

The Southern Power Distribution Company of Telangana Limited (TSSPDCL) and the Northern Power Distribution Company of Telangana Limited (TSNPDCL), together referred to as “Applicants or TSDISCOMs”, have filed petitions for determination of Additional Surcharge (AS) to be levied on Open Access (OA) consumers for HI (1st Half period from April’24 to Sep’24) of FY 2024-25 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.

These Objections are being filed on behalf of the “South Indian Cement Manufacturers' Association” (SICMA), an Association registered under the Telangana Societies Registration Act 2001 at Hyderabad, its members being major Cement Manufacturers across South India. The main function of SICMA is to promote and protect the interests of its members in relation to the commerce & industries of India and in particular, the commerce & industries connected with cement. SICMA strongly objects to the proposed levy of Additional Surcharge of INR 1.95/kWh for HI 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}×{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}×{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:

A. At the outset, SICMA 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.

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

B. Further, SICMA would like to draw the attention of the Hon`ble Commission towards the impact of additional surcharge in the state.

Additional Surcharge for TSDISCOMs

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

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 Open Access.

Another trend that can be seen is that each HI, 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 by more than 50%. This shows that TSDISCOMS either submitted the wrong computations intentionally or are not following the methodology prescribed by the Hon`ble Commission.

SICMA 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.

C. SICMA further submits that as Hon`ble Commission, in Order dated 22.3.2022 during the approval of HI 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.

*TSDiscoms 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

SICMA 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.

D. SICMA 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, SICMA, 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.

Comments on Calculation of Additional Surcharge for HI of FY 2024-25:

The Hon`ble Commission had given directives to the discoms in the previous order as under:

“TSDISCOMs are directed to incorporate the following in their future Additional Surcharge filings –

a) to reflect the stranded capacity after netting of short-term purchases and sale of surplus power by TSDISCOMs, if any, in the corresponding time-block.

b) to reflect the distribution charges for HT network (other than LT network) i.e., 11 kV and 33 kV.

New Directive: TSDISCOMs are directed to incorporate the following in their future Additional Surcharge filings – c) to consider total demand charges recovered for HT network only i.e., by excluding LT network cost recovery towards demand charges recovered by TSDISCOMs from the open access consumers.”

SICMA would like to Comment on each component of computation done by the TSDISCOMS.

I. LONG TERM AVAILABILITY AND CAPACITY STRANDED DUE TO OPEN ACCESS

The TSDISCOMS has followed the Commission`s directive to net off short-term purchases and sale of surplus power. Further, TSDISCOMs have taken average of the 15-minute time block data day-wise, month-wise and thereafter for 6 months` period.

However, as per the approved methodology, intermittent averages are not to be done.

It is submitted that, the TSDICOMS have not submitted any audited document in respect of the time-block-wise capacity & energy scheduled and stranded, just the excel, but no reconciliation has been submitted of the same with the quarterly accounts.

However, in-line with the computations of the Commission, they have not considered the average of six months stranded capacity correctly, and SICMA submits that it should be 113.79 instead of 113.89 MW. The Stranded capacity computation is as under:

Stranded Capacity for Six Months (April to Sep 23)

Particular (in MW)	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Average
Available capacity	10379.3 3	10380.1 6	9748.2 4	9866.7 5	10162.6 5	10138.3 0	10112.5 7
Scheduled Capacity	8040.48	7211.34	7466.3 4	7143.3 9	8086.57	7690.15	7606.38
Gross(Deficit)/Surplu s	2338.85	3168.82	2281.9 1	2723.3 6	2076.09	2448.16	2506.20
Short-Term Purchases Capacity	1690.78	381.48	984.30	1476.0 1	2328.07	1814.91	1445.92
(Deficit)/Surplus after netting of Short-Term Purchases	1228.23	2822.88	1529.0 6	1493.8 2	420.18	1140.75	1439.15

OA Scheduled Capacity	136.44	150.59	147.41	163.81	132.29	139.38	144.99
Stranded Capacity	101.84	147.70	142.18	139.74	72.17	79.14	113.79

2. Fixed Charges for Stranded Capacity

TSDISCOMs have claimed the fixed charges paid as Rs.5948.42 crore for the period from April'23 to Sep'23 and accordingly, the average fixed charges as Rs.0.59 crore/MW.

SICMA would like to submit that, the TSDICOMS have not provided any documentary evidence for the Rs. 5948.42 Crore fixed charges paid.

However, on carefully examining the balance sheets of Q1 & Q2 of FY 23, SICMA observed that the Fixed charges paid are just Rs. 4174.13 Crore.

The relevant extracts are as under:

SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA

23 - POWER PURCHASE COST

Particulars	Q2 of 2023-24	Q1 of 2023-24
	Rs. In Crore	Rs. In Crore
Purchase of Power - Fixed Cost	2,049.96	2,124.17
Purchase of Power - Variable Cost	5,265.08	4,980.39
Transmission Charges	973.97	1,112.33
Other Power Purchase Costs	61.53	32.62
Total	8,350.54	8,249.51

24 - FMDI OVER BENEFIT EVIDENCE

As per Note 23 of the Financial Accounts, the Power Purchase Costs for HI are as under:

Note 23- Power Purchase Cost	Q1	Q2	Total (HI=Q1+Q2)
Fixed Cost	2124.17	2049.96	4174.13
Variable	4980.39	5265.08	10245.47
Transmission	1112.33	973.97	2086.3
other	32.62	61.53	94.15
Total Power Purchase Cost	8249.51	8350.54	16600.05

Accordingly, as per the financial accounts, SICMA submits that the fixed charges paid as Rs.5948.42 crore for the period from April'23 to Sep'23. And, the average fixed charges as Rs.0.41 crore/MW.

3. TRANSMISSION CHARGES AND ACTUAL ENERGY SCHEDULED

TSDISCOMs have claimed the Transmission charges paid as Rs. 2908.67 crore for the period from April'23 to Sep'23. And the energy schedule as 39399.63 MUs. Accordingly, Transmission charges per unit as Rs. 0.74/kWh.

Again, SICMA submits that as per Note 23 of the Financial Accounts, the actual transmission charges paid by the TSDISCOMs is 2086.3 and this might also include the short-term transmission charges as well. Hence, the TSDISCOMs need to submit a detailed break-up of the transmission charges paid, which is not part of the petition.

Further, as regards the Energy Schedule, there is no documentary evidence provided (except a simple excel sheet), and the balance sheet also is empty. The TSDISCOMs need to submit the detailed reconciliation for the same.

Relevant extracts of Financial Accounts are as under:

30. Quantitative Information			
Particulars	Q2 of 2023-24	Q1 of 2023-24	Q2 of
Energy Input (Discom) (KWH in MU)		13,076.87	
Sale of Energy (KWH in MUs)		12,204.76	

4. DISTRIBUTION CHARGES

TSDISCOMs have provided the computation of the Distribution cost as under:

Table 4-2: Distribution Charges considered		
Half (1/2) of the Distribution cost as per fourth MYT Distribution Tariff Order read with its amendment order dt 01.03.2021 by considering ARR less NTI.	(a)	4649.81

Actual scheduled capacity for H2 FY 2022-23	(b)	39399.63
Total Distribution charges as per Tariff Order	(c)=a/b	1.1802
Distribution charges other than LT (i.e., 11 kV and 33 kV) as per MYT Distribution Tariff Order read with its amendment order	(d)	-
Percentage of other than LT distribution cost (i.e., for 11 kV and 33 kV) in total distribution cost as per MYT Distribution Tariff Order	(e)=(1/2xd)/a	17.0050
Distribution charges as per Tariff Order considered by Commission for Additional Surcharge calculation	(f)=e*c	0.20

SICMA submits that the TSDICOMs have considered the same % (17.0050%) as approved by the Commission is Order for H2 of FY2022-23, however, the Distribution Charges and % for 11 kV & 33 KV ought to change for FY 2024-25.

5. Overall Computation of Additional Charges for H1

SICMA submits that the TSDISCOMs have done multiple errors while computations of Additional Surcharge and submit the computation as under:

Additional Surcharge		Unit	As per TSDISCOMs	As per SICMA	Remarks
{A}	Long term available capacity	MW	10112.97	10112.97	
{B}	Capacity stranded due to open access	MW	113.89	113.79	As per Commission's computation
{C}	Fixed Charges paid	Rs. crore	5948.42	4174.13	As per Q1+Q2 Accounts
{D}={C}÷{A}	Fixed Charges per MW	Rs. crore/MW	0.59	0.41	

Additional Surcharge		Unit	As per TSDISCOMs	As per SICMA	Remarks
{E}={D}x{B}	Fixed Charges for stranded capacity	Rs. crore	66.99	46.97	
{F}	Transmission charges paid	Rs. crore	2908.67	2086.3	As per Q1+Q2 Accounts
{G}	Actual Energy scheduled	MU	39399.63	39399.63	No documentary reconciliation provided
{H}={F}÷{G}	Transmission charges per unit	Rs./kWh	0.74	0.53	
I	Distribution charges as per Tariff Order	Rs./kWh	0.20	0.20	
{J}={H}+{I}	Total transmission and distribution charges per unit	Rs./kWh	0.94	0.73	
{K}	Energy consumed by open access consumers from the DISCOMs	MU	1678.38	1678.38	No documentary evidence and reconciliation provided
{L}={K}x{J}	Transmission and distribution charges to payable by open access consumers	Rs. crore	157.59	122.56	
{M}	Demand charges recovered by the DISCOM from open access consumers	Rs. crore	155.57	155.57	No documentary evidence and reconciliation provided

Additional Surcharge		Unit	As per TSDISCOMs	As per SICMA	Remarks
$\{N\}=\{M\}-\{L\}$	Demand charges to be adjusted	Rs. crore	-2.02	33.01	
$\{O\}=\{E\}-\{N\}$	Net stranded charges recoverable	Rs. crore	69.01	13.95	
$\{P\}$	Open access sales	MU	354.75	354.75	
$\{Q\}=\{O\}\div\{P\}$	Additional Surcharge computed	Rs./kWh	1.95	0.39	

Hence, SICMA submits, that based on the Audited Figures provided for Q1 & Q2, considering the actual Fixed Costs and Transmission Costs paid by the TSDISCOMs, and considering all other parameters same, even though, necessary prudence is required in the computation of the same.

The additional surcharge for HI of FY 2024-25 works out to be Rs. 0.39/kWh, much lower than what TSDISCOMs have submitted.

Hence, SICMA, on behalf of all the industries requests the Hon`ble Commission, that in line with the Electricity Amendment Rules 2024, the Hon`ble Commission should cap the additional surcharge to per unit fixed cost.

PRAYERS

SICMA most respectfully prays that the Hon`ble Commission:

- A.** Consider the above Objection Statement filed by SICMA;
- 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 Discrepancies in computation and absence of reconciliation statement with audited accounts for the claim proposed by the Petitioners;
- E.** Consider the methodology/approach/computation to work out the Additional Surcharge, if any, attributable to the open-access consumers as submitted by SICMA;
- F.** May approve Additional Surcharge as computed by SICMA;
- G.** May cap the additional surcharge to either per unit fixed cost, in line with the Electricity (amendment) Rules 2024.
- H.** 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 SOUTH INDIAN CEMENT
MANUFACTURERS' ASSOCIATION**



Authorised Signatory

I. Gopinath

Chief Executive Officer

Place: Hyderabad

Date: 24/01/2024