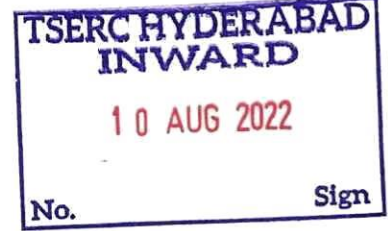


9<sup>th</sup> August 2022

✓ The Secretary,  
Telangana State Electricity Regulatory Commission,  
5<sup>th</sup> Floor, Singareni Bhavan, Red Hills,  
Hyderabad – 500004, Telangana



Dear Sir,

**Sub: Objections against petitions filed by TSSPDCL and TSNPDCL for determination of Additional Surcharge to be levied on OA consumers for H2 of FY 2022-23 (O.P. Nos. 55 & 56 of 2022)**

The South Indian Cement Manufacturers' Association (SICMA) is a registered body, its members being the major Cement Manufacturers located in the South Indian States of Telangana, Andhra Pradesh, Tamil Nadu Karnataka and Kerala.

Telangana is among the leading cement producing States in the Country having 14 large plants with a combined capacity of over 30 million tonnes per annum. Cement, as you are kindly aware, is a power intensive industry, and meets its requirements through the DISCOMS, Captive Generation, as well as Open Access Transactions.

With reference to the afore cited petitions filed before the Hon'ble Commission by TSSPDCL and TSNPDCL, for determination of Additional Surcharge to be levied on Open Access consumers under provisions of Electricity Act, 2003 and National Tariff Policy 2016 for H2 of Financial Year 2022-23, we hereby submit our comments and objections, for your kind perusal and consideration.

Thanking you,

Yours faithfully,  
for South Indian Cement Manufacturers' Association

  
Gopinath Injeti  
Chief Executive Officer

Encl: Statement of Objections in four sets.

Copy to: CGM (RAC), TSSPDCL, Corporate Office, Hyderabad-500063

Copy to: CGM (IPC & RAC), TSNPDCL, Viduth Bhavan, Hanamkonda-506001.

**SOUTH INDIAN CEMENT MANUFACTURERS' ASSOCIATION**

3rd Floor, 36<sup>th</sup> Square, Plot no. 481, Road no. 36, Jubilee Hills, Hyderabad - 500034, Telangana

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**SOUTH INDIAN CEMENT MANUFACTURERS' ASSOCIATION**

**STATEMENT OF OBJECTIONS**

**on**

**Petitions in O.P. No. 55 & 56 of 2022 for determination of Additional Surcharge to be levied on OA consumers as per provisions of the Electricity Act, 2003 and National Tariff Policy, 2016 for the H2 of the Financial Year 2022-23**

**filed by**

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

**&**

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

**August,2022**

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## STATEMENT OF OBJECTIONS BY THE OBJECTOR

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### 1 STATEMENT OF OBJECTIONS

The distribution Licensees namely Southern Power Distribution Company of Telangana Limited and Northern Power Distribution Company of Telangana Limited (hereinafter referred to as the 'DISCOMS' or 'TS DISCOMS' or 'Petitioners' or 'distribution companies' or 'Licensees') have filed the Petition for determination of Additional Surcharge to be levied on Open Access consumers as per provisions of the Electricity Act, 2003 (hereinafter referred to as the 'Act') and National Tariff Policy, 2016 (hereinafter referred to as the 'Tariff Policy, 2016') for the Second Half (H2) of the Financial Year 2022-23.

The Statement of Objections is herein 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 (hereinafter called the 'Objector'). 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. The members of the association are availing power supply from the licensees across the State of Andhra Pradesh, predominantly at 132/220 KV voltage and few of them avail supply at 33 KV voltage. They are also procuring power through Open Access.

The Industrial consumers are characterised by flatter load curve and consumption pattern and enable better capacity utilisation and comparatively low Cost of Service for the Utilities. They are also the subsidising category of consumers for the utilities.

The electricity cost accounts for about 25-30% of the overall cost of industries and therefore has a significant bearing on the financial viability of these industries. In the past, owing to severe power crises in the erstwhile Andhra Pradesh, the industrial consumers were compelled by force and not by choice to look out for other options of competitive power purchase and the current framework of power purchase through open access route has been helpful in this regard. Another set of industrial consumers had also taken a decision to install captive units and procure power from such units through open access provided under the existing framework of the Act. All such consumers are open access consumers as defined under Section 2(15) of the Act, operating in the area of supply of TS DISCOMS. 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.

The Objector strongly objects to the claim of Additional Surcharge from the Open Access consumers during H2 of FY 2022-23 (herein after referred to as the 'Petitions') and prays that the same may be rejected *in limine*, in the interest of justice and equity.

The brief facts, propositions, analysis, grounds and objections to the Petition are narrated herein below:

## **1.1 ADDITIONAL SURCHARGE FOR H2 OF FY 2022-23 CLAIMED BY THE DISCOMS IS UNCOMPETITIVE**

- a) It is submitted that the Additional Surcharge Rate of Rs. 6.81/unit in the instant petition is highly uncompetitive as compared to other states.

It is surprising that the DISCOMS are proposing an ASC that is more than even the ACoS of consumers.

The National Tariff Policy, 2016 emphasizes upon the objective of promoting open access while ensuring that charges and conditions levied for such open access do not make it un-competitive.

**The relevant clauses of the Tariff Policy, are extracted as under:**

### ***"8.5 Cross-subsidy surcharge and additional surcharge for open access***

**8.5.1** *National Electricity Policy lays down that the amount of cross-subsidy surcharge and the additional surcharge to be levied from consumers who are permitted open access should not be so onerous that it eliminates competition which is intended to be fostered in generation and supply of power directly to the consumers through open access.*

**8.5.4** *The additional surcharge for obligation to supply as per section 42(4) of the Act should become applicable only if it is conclusively demonstrated that the obligation of a licensee, in terms of existing power purchase commitments, has been and continues to be stranded, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract. The fixed costs related to network assets would be recovered through wheeling charges."*

- b) Furthermore, it is submitted that the Hon'ble Commission, in its Order dated 24.12.2021, in O.P.s No. 48, 49, 50 and 51 of 2021 & I.A.s No. 21, 22, 23 and 24 of 2021 pertaining to Additional Surcharge for H1 and H2 of FY 2021-22 for Telangana DISCOMS had recognized the importance of promoting competition as enshrined in the Electricity Act, and had duly limited the final approved Additional Surcharge, in the interest of all of the stakeholders. The relevant extract of the Order is reproduced below:

**"4.2.9 As per the above computations, the AS for H2 of FY 2021-22 works out to Rs.2.38 / kWh. The preamble of the Electricity Act, 2003 emphasises, amongst others, taking measures conducive to development of electricity industry, promoting competition therein, protection of interest of consumers and rationalisation of electricity tariffs, as the objectives. The Commission has to do a balancing act in fulfilment of the mandate of the Electricity Act, 2003. The DISCOMS are entitled to the AS computed as above but at the same time such AS, being significantly higher than the present levels of AS, could hinder the very competition that the Electricity Act, 2003 advocates. Therefore, in the interest of all the stakeholders, the Commission decides to allow AS of Rs.0.96/kWh (~40% of Rs.2.38 / kWh)."**

**(Emphasis supplied)**

A similar approach is followed in Order dated 22.03.2022 passed by Hon'ble Commission with regards to O.P. No 61 & 62 for H1 of 2022-23. The relevant extract is reproduced below:

**4.1.10 As per the above computations, the Additional Surcharge for H1 of FY 2022-23 works out to Rs.3.48/kWh. 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).**

**(Emphasis supplied)**

- c) Hence the Objector humbly prays that the Hon'ble Commission may allow only a competitive additional surcharge after a through prudence check.

## **1.2 DISTRIBUTION COST**

- a) The Petitioners have submitted the Distribution Cost per unit at the rate of Rs. 1.05/unit assuming the Distribution ARR for LT as well as HT Consumers.
- b) It is humbly submitted that this is an incorrect approach and rather the distribution cost be attributed to only HT consumer. As per the applicable APERC Terms and Conditions of Open Access to Intra-State Transmission and Distribution Network Regulation No. 2 of 2005 (Clause 8: Phasing of Open Access), the Hon'ble Commission allowed the open access to consumers having contracted capacity of 1 MW or more than 1 MW.

- c) Hence, adhering to the regulation, it can clearly be derived that the mentioned distribution cost is for open access consumer connected at 11 KV and above. Accordingly, the loading of distribution cost on the LT consumer is not allowable.
- d) It is humbly submitted that the Objector has considered the Distribution Cost per unit at the rate of Rs. 0.23/unit (for 33 kV) as approved in the RST order dated 23.03.2022 for FY 2022-23 against the petitioner's claim of Rs. 1.05/unit.

The same from the RST order dated 23.03.2022 is reproduced below:

**ANNEXURE 14: CALCULATION OF VOLTAGE WISE DISTRIBUTION CHARGES FOR FY 2022-23**

Particulars	TSSPDCL		TSNPDCL	
	Charge (Rs./kVA/month)	Rs./kWh	Charge (Rs./kVA/month)	Rs./kWh
11 kV	231.52	0.64	346.34	0.83
33 kV	19.95	0.24	15.62	0.23
132 kV and above	116.51	0.20	116.51	0.20

The same methodology has been followed in the last Hon'ble Commission order dated 22.03.2022 wrt H1 of FY 2022-23.

The relevant extract is reproduced below:

*4.1.5 The TS DISCOMS have claimed the distribution charges of Rs.1.08/kWh by considering the total distribution cost of Rs.7363.41 crore as approved for FY 2021-22 in the Amendment Order dated 01.03.2021 and dividing the same by the power purchase quantum of 68225.31 MU, purported to be for whole year of FY 2021-22. **The Retail Supply Tariffs determined in the Commission's Order dated 27.03.2018 were continued for FY 2021-22 in the absence of separate Orders on determination of ARR for FY 2021-22. Therefore, the distribution cost and the quantum of energy shall have to be considered as per the Order dated 27.03.2018.***

*Therefore, the Commission has worked out the distribution charges of Rs.0.87/kWh by considering the total distribution cost of Rs.5019.19 crore and dividing the same by the power purchase quantum of 57631.27 MU, the same as approved in Order dated 27.03.2018.*

- e) The Hon'ble is therefore requested to consider the distribution cost as per Objector's Assessment for the computation of Additional Surcharge.

Particulars	Petitioner's Claim	Objector's Assessment as per RST Order dt.23.03.2022
<b>Distribution Cost</b>	Rs.1.01/kWh	Rs.0.23/kWh

### **1.3 INTER-STATE TRANSMISSION CHARGES AND SLDC CHARGES**

- a) As per the consistent methodology of the Hon'ble Commission, in the case of transmission charges, only intra-state transmission charge ought to be considered for the determination of Additional Surcharge since CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020 provide for reimbursement of such ISTS charges paid by the consumers availing STOA, back to the state where the entity is located.

The relevant extract is reproduced below:

*"11. Transmission charges for Short Term Open Access*

*(1) Short Term Open Access Rate (in paise/kWh) shall be published for each billing month by the Implementing Agency which shall be calculated State-wise as under:*

*Transmission charges of the State for the billing month (in rupees) / (7200 X the quantum, in MW, of Long-Term Access plus Medium-Term Open Access of the State for the corresponding billing period)*

*(2) Transmission charges for Short Term Open Access shall be payable by generating stations and embedded entities located in the State, as per the last published Short Term Open Access Rate for the State, along with other charges or fees as per Open Access Regulations, 2008 and the Transmission Deviation charges, if any, as per these regulations.*

*(3) Transmission charges for Short Term Open Access paid by an embedded intra-State entity during a month shall be reimbursed in the following billing month to the State in which such entity is located....."*

- b) Despite this, it is observed that the Petitioners have claimed inter-state transmission charges and SLDC charges, which is violative of the set principle.

### **1.4 DISCREPANCIES IN THE PRESENT COMPUTATIONS**

While thoroughly analysing the present petitions, the Objector found some discrepancies in the computations done by the Petitioners. The following discrepancies is apparent and needs to be thoroughly examined:

The Petitioners have claimed Rs. 6063.77 Crores and Rs. 2080.86 Crores under the head of Fixed charges paid and Transmission charges paid respectively for TS DISCOMS without providing any clarity about Fixed charges paid towards NCE power procurement.

The Objector while verifying the claims, has found that only TSSPDCL audited accounts are available in public domain for respective quarters. The relevant extracts are reproduced below:



**As per Q3 Audited Accounts for TSSPDCL**

**23 - POWER PURCHASE COST**

Particulars	For Q3 of 2021-22	For Q2 of 2021-22	For Q1 of 2021-22	For 2020-21
	₹ (in Crore)	₹ (in Crore)	₹ (in Crore)	₹ (in Crore)
Purchase of Power - Fixed Cost	2,858.52	7.60	2,049.01	8,035.47
Purchase of Power - Variable Cost	2,870.18	6,270.77	3,390.63	13,662.47
Transmission Charges	335.34	586.53	587.58	2,565.36
Other Power Purchase Costs	(135.50)	24.00	14.33	(560.24)
<b>Total</b>	<b>5,928.54</b>	<b>6,888.90</b>	<b>6,041.55</b>	<b>23,703.06</b>

**As per Q4 Audited Accounts TSSPDCL**

**23 - POWER PURCHASE COST**

Particulars	For Q4 of 2021-22	For Q3 of 2021-22	For Q2 of 2021-22	For Q1 of 2021-22	For 2020-21
	₹ (in Crore)	₹ (in Crore)	₹ (in Crore)	₹ (in Crore)	₹ (in Crore)
Purchase of Power - Fixed Cost	3,137.12	2,858.52	7.60	2,049.01	8,035.47
Purchase of Power - Variable Cost	3,669.77	2,870.18	6,270.77	3,390.63	13,662.47
Transmission Charges	1,561.58	335.34	586.53	587.58	2,565.36
Other Power Purchase Costs	163.49	(135.50)	24.00	14.33	(560.24)
<b>Total</b>	<b>8,531.96</b>	<b>5,928.54</b>	<b>6,888.90</b>	<b>6,041.55</b>	<b>23,703.06</b>

The Petitioners have not furnished a reconciliation statement for the same. Subsequently, in the absence of reconciliation statement and relevant audited accounts report, the veracity of the said claims of Petitioners could not be checked.

Additionally, the Objector humbly submits that the Actual Fixed Costs as a part of Actual Power Purchase Cost, ought to be subjected to strict prudence check in terms of Regulation 12 of the Tariff Regulations:

*"12.1 The Distribution Licensee shall be allowed to recover the cost of power it procures, including from State generators, independent power producers, Central generating stations, non-conventional energy generators, and others, for supply to consumers, based on the Commission-approved Power Procurement Plan of the Distribution Licensee covering each year of the Control Period:*

*Provided that where the procurement is for sale to consumers permitted open access by the Nodal Agency under the Open Access Regulation or purchase for trading, the Distribution Licensee shall provide an Allocation Statement as referred to in clause 5 clearly specifying the costs that are attributable to the sales made to such consumers, utilities, etc.*

*12.2 Except in the case of Retail Supply Business insofar as for the first Control Period is concerned:*

*a. The Commission shall adopt the Sales Forecast, the Distribution loss trajectory and the Power Procurement Plan approved as part of the Resource Plan for the purpose of determining the Power Purchase Requirement of the Distribution Licensee for the Control Period;*

*b. The power procurement plan will not generally require any revisions during the Control Period, and the Commission-approved category-wise power procurement forecast shall be applied for*

*estimating the Distribution Licensees' power procurement requirement for each year of the Control Period;*

*c. While approving the cost of power procurement, the Commission shall determine the quantum of electricity to be procured, consistent with the power procurement plan, from various sources of supply, in accordance with the principle of merit order schedule and dispatch, based on a ranking of-all approved sources of supply in the order of variable cost or price."*

It is prayed that the Hon'ble Commission may direct the DISCOMS to provide a reconciliation with the audited accounts and the Fixed cost component of power purchase may be accordingly allowed subject to prudence check.

The Objector, in the absence of a reconciliation statement, has considered the claims of the Petitioners for the computation.

## **1.5 ADDITIONAL SURCHARGE FOR H2 OF FY 2022-23 AS PER OBJECTOR'S ASSESSMENT**

Based on the data available, the Objector has computed the allowable Additional Surcharge for H2 of FY 2022-23, as follows:

### **Additional Surcharge as per Objector's Assessment**

	<b>Additional Surcharge</b>	<b>Unit</b>	<b>As per Objector's Assessment</b>
{A}	Long term available capacity	MW	8,546.53
{B}	Capacity stranded due to open access	MW	152.29
{C}	Fixed Charges paid	Rs. crore	6,063.77
{D}={C}÷{A}	Fixed Charges per MW	Rs. crore/MW	0.71
{E}={D}x{B}	Fixed Charges for stranded capacity	Rs. crore	108.05
{F}	Transmission charges paid	Rs. crore	2,080.86
{G}	Actual Energy scheduled	MU	36,015.42
{H}={F}÷{G}	Transmission charges per unit	Rs./kWh	0.58
I	Distribution charges as per RST Order dt.23.03.2022	Rs./kWh	0.23
{J}={H}+{I}	Total transmission and distribution charges per unit	Rs./kWh	0.81
{K}	Energy consumed by open access consumers from the DISCOM	MU	1,993.20
{L}={K}x{J}	Transmission and distribution charges to be paid by open access consumers	Rs. crore	161.00

	<b>Additional Surcharge</b>	<b>Unit</b>	<b>As per Objector's Assessment</b>
{M}	Demand charges recovered by the DISCOM from open access consumers	Rs. crore	179.95
{N}={M}-{L}	Demand charges to be adjusted	Rs. crore	18.95
{O}={E}-{N}	Net stranded charges recoverable	Rs. crore	89.11
{P}	Open access sales	MU	370.34
<b>{Q}={O}÷{P}</b>	<b>Additional Surcharge computed</b>	<b>Rs./kWh</b>	<b>2.41</b>
<b>{R} = {Q}*33%</b>	<b>Proposed Capping on additional surcharge by 33 % as per approach in Order dated 22.03.2022 passed by Hon'ble Commission with regards to O.P. No 61 &amp; 62 of 2021 for H1 of 2022-23</b>	<b>Rs./kWh</b>	<b>0.79</b>

## PRAYERS

The Objector most respectfully prays that this Hon'ble Commission may be pleased to:

- A. Consider the above Objection Statement filed by the Objector;
- B. Consider the Distribution Cost as per RST Order dt.23.03.2022 for FY 2022-23 for the computation of Additional Surcharge;
- C. May allow the Transmission charges duly taking into account the CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020;
- D. May direct the DISCOMS to provide a reconciliation with the audited accounts and the Fixed cost component of power purchase may be accordingly allowed subject to prudence check;
- E. 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;
- F. Consider the methodology/approach/computation to work out the Additional Surcharge, if any, attributable to the open access consumers as assessed by the Objector;
- G. May approve Additional Surcharge as assessed by the Objector;
- 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**



  
 Injeti Gopinath  
 Chief Executive Officer  
**OBJECTOR**

Date: 9<sup>th</sup> August, 2022

Place: Hyderabad