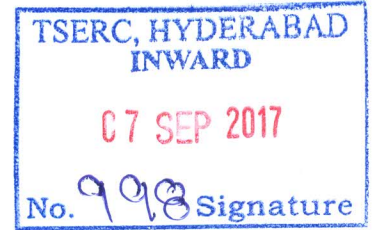


Ref No.: IEX/BD/1663/17-18

Date: 05.09.2017

To,

The Secretary,  
Telangana State Electricity Regulatory Commission,  
11-4-660, 5th Floor, Singareni Bhavan,  
Red Hills, Hyderabad.  
Fax No. (040) 23397489  
Email: [secy@tserc.gov.in](mailto:secy@tserc.gov.in)



**Subject: Comments on I.A. No. 22 of 2017 in O. P. No. 22 of 2016 and I. A. No. 23 of 2017 in O. P. No. 23 of 2016 in the matter of determination of additional surcharge to be levied for the FY 2017-18 in respect of the open access consumers by TSSPDCL and TSNPDCL.**

Sir,

This is reference to public notice dated 05.08.2017 regarding inviting comments / objections on the subject matter.

2. The Indian Energy Exchange is pleased to hereby submit its comments and suggestions on the above-mentioned Petition for the kind consideration of the Honorable Commission. As required, 6 copies of the comments are enclosed herewith and also a copy of the comments has been served to the Petitioner.

Yours faithfully,

  
**Shruti Bhatia**  
Vice President  
(Regulatory Affairs and Communication)

**Copy to:**

1. TSSPDCL: Chief General Manager (Commercial & RAC), Southern Power Distribution Company on Telangana Ltd. #6-1-50, Mint Compound, Hyderabad – 500063
2. TSNPDCL: Chief General Manager (IPC & RAC), Northern Power Distribution Company on Telangana Ltd. #2-5-31/2, Corporate office, Vidyut Bhavan, Nakkalgutta, Hanamkonda, Warangal-506001

***IEX Comments on I.A. No. 22 of 2017 in O. P. No. 22 of 2016 in the matter of determination of additional surcharge to be levied for the FY 2017-18 in respect of the open access consumers by TSSPDCL***

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The present Petitions have been filed by TSSPDCL and TSNPDCL for seeking approval of Additional Surcharge @ 1.95 Rs./KVAh to be levied from Open Access Consumers.

On perusal of the Petitions, it has been observed that Discoms proposal seeking imposition of Additional Surcharge is not maintainable in present scenario as well as the proposal lacks merit.

IEX hereby submits its comments on the proposal of Discoms on Additional Surcharge in the said Petitions for kind consideration of the Hon'ble Commission:

**1. Maintainability of the Petition:**

**1.1. Additional Surcharge cannot be based on Projections:**

1. The Petitioners have invoked Para 8.5.4 of National Tariff Policy (NTP) which inter-alia provides that additional surcharge becomes applicable in case existing PPAs **has been and continues to be stranded**. Para 8.5.4 of NTP is reproduced below:

*“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.”*

2. In wake of the above set position in the NTP, the words 'has been' mandate that Additional Surcharge becomes applicable only in case of losses have already been incurred by the Discom on account of Open Access availed by Consumers. However the Additional Surcharge cannot be imposed in anticipation of the stranded capacity. Further, the petitioner while anticipating the need for

Additional Surcharge has also anticipated that the State would be in power surplus in FY 17-18 therefore as such in the past period Discom has not claimed that it has incurred any losses on account of Open Access.

3. It is submitted that the methodology for determination of Additional Surcharge adopted by the other State Electricity Regulatory Commissions viz. Haryana, Rajasthan, Gujarat, Maharashtra etc. is based on the fixed cost related expenses actually incurred by the Discoms in the past period. While claiming the Additional Surcharge, the Petitioner has not claimed any loss in the past period.

**The present petitions are based on the projected loss by the Discoms in fiscal 2017-18 on account of open access which is inter-alia contrary to the provision of Tariff Policy which allows recovery of only past period losses through Additional Surcharge. Therefore, the petition is premature and should thus be dismissed.**

**1.2. Continuous Stranded capacity:**

1. Para 8.5.4 of NTP provides that Additional Surcharge is applicable only when capacity '*continues*' to be stranded. The continuous period for which certain capacity has been stranded due to Open Access should be construed as the period for which Additional Surcharge is claimed by the Petitioners.

In the present case since the period is financial year FY 17-18 therefore the Additional Surcharge can be claimed once the financial year has concluded and the Discoms has conclusively demonstrated that there was no power shortage in any of the 15 min time block of FY 17-18 and the capacity was stranded/backed down primarily on account of open access.

In other words Additional Surcharge can be claimed only when Discom is able to meet its peak demand in FY 17-18 and does not do any load shedding during such peak demand period.

2. The Petitioner has not been able to demonstrate continuous stranded capacity as per above mentioned principle. In fact, as per Tariff order for FY 17-18 Discoms had proposed to buy 2796.93 MUs in FY 17-18 through power market which the Honorable Commission did not approve. However, it is evident from past 5 months (Apr17-Aug 17) that the Discoms are regularly purchasing power through short term sources.

**The petitioner has not demonstrated that there is continuous stranded capacity on account of open access therefore the petition is not maintainable and therefore liable to be dismissed.**

**2. Other Submissions:** Without prejudice to above submissions, following comments are submitted for consideration of the Hon'ble Commission:

**2.1. Discoms have not incurred any loss but have actually made savings by permitting Open Access:**

1. It is submitted that when the open access consumer procures power from sources other than incumbent distribution licensee, the distribution licensee avoids procuring power in merit order i.e. highest variable cost generation is avoided first than the second highest variable cost generation on so on.

In case of Telangana, the average power purchase cost (variable cost) of Discoms is ~ 2.19 Rs./Unit. Therefore, when Discoms avoids procurement of any generation whose variable cost is above 2.19 Rs./Unit, it leads to savings for the Discoms. In the present case, variable cost of generation from some APGENCO Plants, TS GENCO Plants, NLC Plants is more than the 2.19 Rs./Unit and by backing down of these sources, the Discoms can make substantial savings.

***Since the Discoms have not incurred any loss on account of stranded capacity due to open access, hence, there is no case for claiming Additional Surcharge.***

## 2.2. Data Insufficiency:

The Petitioner has claimed Additional Surcharge simply based on the average peak demand of state met and total fixed cost which does not reflect that in a given time block when open access consumer was procuring power through open access, Discoms had stranded capacity and had to back down certain generating station in that time block. There is no rational in the methodology proposed by the Discoms.

**To assess the case for Additional Surcharge, the Honorable Commission is requested to analyze the generation back-down data of each of the 15 min time block period along with the reason of such back-down as the back down could be on account of economical, operation and technical considerations other than open access..**

**The methodology adopted by the Discoms is not rational. Spurious imposition of Additional Surcharge on the open access consumers and will impede competition and power market in the State of Telangana.**