SUPER ALUMINIUM WIRE & WIRE

1-8-673, Azamabad, Hyderabad – 500 020

SR

BY HAND

Date: 29.3.20016

To

Chief General Manager (Comm & RAC),
Telangana State Southern Power Distribution
Company Limited.,
6-1-50, Corporate Office, Ground Floor,
Mint Compound,
Hyderabd – 500 063.

~~// OFFICE COPY //~~

Sir,

Sub: Filing of suggestions / objections in respect of ARR filed for the Financial Year 2016-17 by the TSSPDCL – Reg.

Ref: Public Notification published in news paper dated 8.3.2016.

...

Apropos to the cited subject, please find enclosed herewith suggestions / objections to be incorporated in the ARR filed by the Telangana State Southern Distribution Company Limited for the Financial Year 2016 - 17 dated 8.3.2016.

Please acknowledge the receipt.

Thanking you,

Yours faithfully,
For Super Aluminium Wire & Wire,

Encl: a.a.

Proprietor

Copy to:

1 Commission Secretary, TSERC, 11-4-660, 5th Floor, Singareni Bhavan, Red Hills, Hyderabad – 500 004.

TSSPDCL CRO SECTION No. ... 30/3/16 30 MAR 2016 INWARD Corporate Office: 6-1-50, Mint Compound, Hyd-63.

TSERC, HYDERABAD INWARD 30 MAR 2016 No. 586 Signature

BEFORE THE HONOURABLE TELANGANA STATE
ELECTRICITY REGULATORY COMMISSION
AT 5TH FLOOR, SIGNARENI BHAVAN RED HILLS,
HYDERABAD – 500 004

CASE NO. ________ of 2016

In the matter of:

Determination of the Aggregate Revenue Requirement (ARR) for Retail Supply business and Tariff for Retail Sale of Electricity for the year 2016 - 17 Under Section 62 of Electricity Act, 2003:

In the matter of:

Southern Power Distribution Company
of Telangana Limited, 6-1-50, Corporate
Office, Mint Compound, Hyderabad – 500 063
Represented by its Chairman & Managing Director,
Tel. No. (040)-23431018 Fax No. (040) 23431082
Website: www.tssouthernpower.com .... Appellant

AND

Super Aluminium Wire & Wire,
1-8-673, Azamabad,
Hyderabad – 500 020.
Represented by its Proprietor.
(Contact No. 93910 33606) .... Respondent

SUGGESTIONS / OBJECTIONS FILED ON BEHALF OF RESPONDENT

1. It is respectfully submitted that the licensee has not provided the purchase price from the Genco and Central Government Generating Stations (CGGS) and in the absence of such vital information appropriate objection cannot be raised. The licensee may be directed to provide the cost of purchase from the Genco and CGGS. This respondent reserves the right to raise appropriate objections as and when the licensee provides such information.

Contd..2

2. It is submitted that the present application ought not to have been entertained. It is submitted that the applicant themselves states that there is a significant uncertainty involved in projection of quantum of power to be purchased from various sources as well in cost, regulatory objectives of the multi-year tariff regime, demand side uncertainty etc. It is a clear admission on the part of the applicant that they themselves are unable to give appropriate projections to come to a tariff fixation. Basing on uncertain projection tariff cannot be fixed. Which will affect millions of consumers.

3. The applicant states that they have considered distribution losses as per tariff order dated 27.3.2015 which is @ of LT 6.50%, HT 11 KV 5% and HT 33 KV 3.99% and also PGCIL loss which is estimated at 3.44%. The said distribution loss and PGCIL loss are not concern to the applicant and hence, they cannot take the said losses in their account and pass on to the consumers which will adversely effect to the projected tariff.

4. The applicant admitted that the GoTS has approved in principal to UDAY Scheme of the Central Government under which the GoTS will take over 75% of DISCOM debt as on 30.9.2015 - 50% in 2015-16 and in 2016-17 or three years 25% of the debt but the same is not considered for computing the present ARR which also would affect adversely for concluding the proposed tariff.

Contd..3

5. The applicant has shown the revenue estimated and approved in (para 14 b page vii). For LT I Domestic the revised estimates for 2015-16 is shown as 2817.64 and in (para 14 d at page no. ix) Sale Forecast in MU for LT I domestic 2015-16 as 6950.91 MU which works out to around Rs. 4.05 per KWH and further the applicant has shown the average power purchase cost at state level is projected to be at Rs. 4.27 per unit for 2016-17. It is pertinent to note that the proposed tariff by applicant in LT I domestic as far as LT I (A) (I), LT I (A 2) and LT I (B 1) the proposed tariff for these category is below the cost price and all the other category of consumer are charges more than the cost price and in some categories it is near to three times. In this regard it is to be noted that as per schedule in 14 (d) the domestic consumer consumption is around 22% and the consumption of LT I, A1, A2, B1 would be much more lesser than 22% hence, the proposal of tariff for more than 4.80 per unit for more than 80% of the consumer which is not justifiable.

6. It is submitted by the Applicant that additional power purchase is contracted to meet the peak demand for Agriculture Consumer for providing supply to the Agriculture Consumer as per the objectives of GoTS from 7 hours to 9 hours but the applicant has not provided any other details and financial impact, financial provisions etc thereon in this regard and the same is being passed

on to the metered consumers whereas it has borned by GoT. But the same is not be reflected.

7. As per forecast sale at (para 14 d page no. ix) for year 2016-17 is 33665.20 MU whereas the power purchase requirement but in (14 f page xi) is shown as 54884 MU and availability from long term and medium source is shown as 57222 MU surplus being 2338 MU. When the forecasted sale is only 33665.20 MU there is no requirement for long term and medium term PPA and more specifically when around 17000 MU are expected to be added through new sources i.e., from KTPP II, HCCL power from June 2016 and July 2016 respectively. Burden of the cost of PPA and extra MU cannot be passed on to the metered consumered.
8. It is submitted that no reasoning or justification in assigning different tariff rates to different metered consumer has been mentioned.
9. Tariff for agriculture is proposed to the "No Change". It is pertinent to note that tariff for the agriculture is fixed in tariff order for 2013-14 as follows:-

Consumer Category	Energy Unit	Fixed Charge (Rs. / Month)	Energy Charges (Rs./Unit)
LT-V:AGRICULTURE	KWH		
LT-V(A):AGRICULTURE WITH DSM MEASURES	KWH		
Corporate Farmers & IT Assesses	KWH	525/HP *	2.50
Wet Land Farmers (Holdings >2.5 acre)	KWH	525/HP *	0.50
Dry Land Farmers (Connections > 3 nos.)	KWH		10.50
Wet Land Farmers (Holdings <= 2.5 acre)	KWH		0
Dry Land Farmers (Connections <= 3 nos.)	KWH		0
LT-V(B):AGRICULTURE WITHOUT DSM MEASURES	KWH		
Corporate Farmers & IT Assesses kWh 525/HP * 0.50	kWh		3.50
Wet Land Farmers (Holdings >2.5 acre)	kWh	1050/HP *	1
Dry Land Farmers (Connections > 3 nos.)	Kwh	1050/HP *	1
Wet Land Farmers (Holdings <= 2.5 acre)	Kwh	525/HP *	0.50
Dry Land Farmers (Connections <= 3 nos.)	Kwh	525/HP *	0.50

Contd..5

The same tariff was continued for the FY 2014 - 15 and also for FY 2015-16 same proposal being proposed. In the present proposal also the same is proposed.

It is pertinent to note that as per (para 14 at page No. vi) sale of energy and loss reduction for the 2015-16 revised estimates is 20.31% and as per (para 9 page x) the licensee has contracted for additional power purchase to meet the peak demand when the tariff proposed is between 0.50 per unit to 3.50 per unit for the consumption of around 20% of the proposed sale and to meet this demand the licensee has contracted for additional power purchase but the licensee is silent about required units, cost of purchase and the source of revenue for the said purchase.

It is submitted that at (para 14) a table of sale of energy and loss reduction at page vi. The applicant has shown LT agriculture sale 2015-16 revised estimate as 20.31% whereas at (para 14 b vii) under table of categoriwise revenue LT V agriculture for 2015-16 revised estimate the applicant shown revenue of Rs. 40.17 crores out of total revenue of Rs. 15299.25 crores which amounts to only 0.26% of the total revenue. It is to be noted that in the revised estimate of sale the applicant has shown the consumption of agriculture sale as 20.31% whereas in the revenue revised estimate for 2015-16 applicant has shown the revenue of only 0.26% which itself establishes that the applicant has not approached this Hon'ble commission with clean hands and transparency and a hidden burden is being levied on the metered consumers for the consumption of agriculture which is more than 20%.

Contd..6

It is submitted that at table 14 a page vi metered sale for 2015-16 revised estimates has shown as 23504 MU and for LT agriculture sale 6931.23 MU is shown and for distribution losses including EHT sale shown as 3690.35 MU and table 14 b page vii agriculture revenue is shown as Rs. 40.17 crores and the other sale are shown as Rs. 15259.08 crores and total is shown as Rs. 15299.25 crores which clearly establishes that all the agriculture sale has been burden on the other consumer and the applicant has not reflected any of the amount i.e. being paid by the state government towards subsidy that is being declared for free power supply to the agriculture which is also declared by the state government in its budget. Which establishes that the applicant is collecting the power supply to the agriculture at the rate of 20.31% from the other consumers and also is appropriating the subsidy amount paid by the state government towards the free power supply to the agriculture as per the policy of the state government. The applicant has to come clean on this issue.

Sl. No	Particulars	Qty MU	Qty %	Rev. to be collected Rs. In crores	Rev. collected Rs in crores	Diff. Excess /(Short) collected Rs in crores	Tariff to be collected Rs/KWH	Tariff collected Rs. / KWH	Diff. Excess tariff collected Rs. / KWH
(1)	(2)	(3)	(4)	(5)	(6)	(7) (6-5)	(8) (5/3)	(9) (6/3)	(10) (9-8)
1	Metered Sale	23504	68.88	10538.12	15259.08	4720.96	4.48	6.49	2.01
2	LT agriculture sale	6931.23	20.31	3107.28	40.17	(3067.11)	4.48	0.06	(4.42)
3	Distribution loss (exc. EHT)	3690.35	10.81	1653.84	-	(1653.84)	4.48	-	(4.48)

Contd..7

The licensee has proposed Time of Day (TOD) tariff vide para 15 B page xiii for HT I (A) General, HT II others and HT III category. It is submitted that the TOD may be exempted for the units which are in nature of continuous process as the unit runs for 24 X 7.

10. It is submitted that in the expenditure projection and ARR the applicant at (Para 5.6 page 62) shown the interest on consumer security deposit as Rs. 224.40 crores for the year 2016-17 and the same amount is shown at para 5.9 at page 63 ARR shown as expenditure. It is submitted that when the applicant is enjoying Rs. 3200 crores as shown in para 5.6 the interest on the same cannot be claimed as expenditure and again be collected from the consumers. It is also pertinent to note when the regulation do not have the provision for collection of the interest on security deposit.

11. It is submitted that the ARR and the proposed tariff do not reflect the objective and aims of the Government of Telangana as well as Government of India. As per the address of the Hon'ble Prime Minister of India at the conference of Hon'ble Chief Ministers on the power sector the Hon'ble Prime Minister has observed that the availability of power is one of the potential bottleneck to achieve rapid growth and to get rid of chronic poverty. He further observed that electricity is vital for sustain economic growth and that there is a shortage of around 10% and peak shortage of around 13% and in some states peak shortage is around 25% and this is serious

impediment to sustain economic activity. He also observed that the cost at which the power is being supplied is not on par with the cost in other country and he opinion the center and state have a common obligation to sit together and work out practical, pragmatic solution to all problems in the sector for short term and medium term. The Hon'ble Prime Minister also raised the issue of T & D losses and observed that current level of T & D losses are ranging between 30-40% in many states, threaten the financial health of the sector and meaning full development of power sector would be feasible with these level of losses and that large number of proportion of these losses are simply due to theft and that honest consumer who pay their electricity bills regularly bear the burnt of the cost of the theft of other unscrupulous consumer and observed that the T & D Losses to be reduced to the reasonable levels.

12. The Hon'ble Prime Minster also observed that one estimate has put the figure of over 600,000 crores need to be invested in both capacity addition and in upgrading the transmission and distribution system and observed that why we are unable to attract private investment and there are systematic and structural issues that need to be addressed in order to make the power sector viable and capable of providing decent returns to the investors. He observed that the key attracting investment from private sector lies in ensuring open access to consumers which also will put competitive pressures on the incumbent utility. Some steps have to be taken to operationalize open access, lack of competition result in inefficiency which manifest in the form of high tariff, poor

standard of consumer service and no internal resource of mobilization of utility. Open Access and competition are the key to improve supply and greater investment and the regulations are to ensure open access in transmission and distribution. That the state policy has to proactively encourage the utilization of transmission and distribution corridor to ensure to free flow of power by any consumer who may be willing to contract for the power. The state need to encourage the bulk consumers to source their requirement from alternative suppliers so as to increase availability of electricity in the system especially for the household and farm sector. To achieve this objective cross subsidy surcharge should be fixed at a reasonable level.

13. The Hon'ble Prime Minster also discussed about the electrification of rural areas to all un-electrified villages.

14. It is respectfully submitted that non of these objectives are being reflected in the present ARR and proposed tariff and in fact they are contrary to the views of Hon'ble Prime Minister for example instead of reducing the cross subsidy surcharge it has been proposed to increase the cross subsidy surcharge and also additional surcharge for open access consumer for wheeling charges at fixed cost of power purchase agreement which is nothing to contrary to the policy of the central and state. It is also pertinent to note that no provision has been made / shown for reducing of the T & D losses which includes theft and also up gradation of transmission and distribution system and also further electrification of un-electrified villages.

Contd..10

15. It is submitted that as per the provisions of the Electricity Act, 2003 and the policy of the government both central and state the cross subsidy surcharge should be reduced from time to time. It is submitted that the cross subsidy is charged for the open access utilization of the fixed assets of the licensee in transmission of the power. In this regard it is submitted that the licensee charges the cost and erection of the transmission lines including poles, transformer, meters etc from the consumers at the time of installation in the form of development charges or additional load and in the process the cost of the fixed assets is being recovered by the licensee and in these circumstances the licensee cannot claim cross subsidy or wheeling charges and further licensee also claims depreciation on the said assets without passing to the consumers. It is pertinent to note that charging cross subsidy surcharge and additional surcharge has to be reduced from time to time and cannot be increased.

16. Proposed demand charges and energy charge for the financial year 2016-17 to be arrived duly incorporating our suggestions.

Contd..11

Name and address of the objector	Brief details of objections / suggestion	Objection against tariff proposal and cross subsidy surcharge proposal of the TSSPDCL	Whether copy of objection and proof of deliver at licensee's office enclosed.	Whether objector wants to be heard in person.
Bharat Kumar Agarwal, Proprietor, Super Aluminium Wire & Wire, 1-8-673, Azamabad, Hyderabad – 500 020.	a. Cost of purchase of genco to be provided. b. Only transmission loss has to be considered in this order. c. Power supply agriculture, cost cannot be levied on other consumer. d. Cross Subsidy Surcharge cannot be levied as licensee is collecting infrastructure cost from the consumer.	YES	YES	YES

DATE: 29.3.2016
PLACE: Hyderabad.

(Bharat Kumar Agarwal)
Proprietor

Encl: Hon'ble PM Speech

PM'S ADDRESS AT THE CONFERENCE OF CHIEF MINISTERS ON THE POWER SECTOR

"I am very happy to be here at this conference on the power sector. This is a conference which we have been wanting to convene for some time now. And there is a reason behind this. In the last few years, our economy has been growing at a rapid and impressive pace, averaging over 8.5%. Our manufacturing and services sectors are growing even faster, logging double digit growth rates, and in the process, creating new jobs and livelihoods. This is a result of the favourable climate that has been created for investment and enterprise in our country.

However, there are some areas of the economy that are a cause for serious concern. If one sits back and analyses areas which can be potential bottlenecks in our attempts to achieve rapid growth and get rid of chronic poverty, one can easily identify availability of power as one of the key areas of concern. The others are the revitalization of agriculture and the availability skilled manpower. Tomorrow we meet in the NDC to discuss fresh approaches to revitalization of vital agriculture sector. Today, we focus on finding practical, pragmatic but effective solutions to the problems in the power sector.

Electricity is vital for sustained economic growth. If we expect our economy to keep growing at 9-10% p.a., we need a commensurate growth in power supply. The power sector has made good progress over the past few years. It has also seen very significant changes. Utilities have been restructured. A solid regulatory foundation has been laid. There is much greater public participation in tariff-setting. Tariff distortions have gone down. Having done all this, we have not been able to make a decisive breakthrough in ensuring high and sustainable rates of growth of this sector and improving its financial health. Hence, the need for this conference.

Today, the scene in the power sector does not look very promising. We are having an energy shortage of around 10% and a peaking shortage of over 13%. There are states where peaking shortages touch 25%. Shortages of this magnitude can be a serious impediment to sustained economic activity. The problem has been intensified by poor progress in additions to capacity generation, in cutting down losses and in reducing wasteful consumption. Further, the cost at which power is being supplied is not on par with the cost in other countries. I am, therefore, of the firm opinion that the Centre and the States have a common obligation to sit together and work out practical, pragmatic solutions to all problems in the power sector - solutions for the short term and solutions for the medium term.

I am very happy that my colleague, the Hon'ble Union Power Minister has taken the initiative to organize this conference with a focus on a few key areas where concerted action by us can make a real difference in years to come. Traditionally, CM's Conferences in this sector have shown the way. The present regulatory structure arose out of one such conference of Chief Ministers. Yet another conference set the road map for financial restructuring of SEB dues. There are, therefore, high expectations from this conference as well. We need to collectively apply our minds to resolving the problems of this sector and resolving them rapidly enough to make power a self-sustaining, fast growing sector of our economy.

If one were to prioritize the issues to be discussed today, I would begin with T&D losses. The current level of losses in transmission and distribution, ranging between 30-45% in many states, threatens the financial health of this sector. No meaningful development of power sector would be feasible with these levels of losses. A large proportion of these losses are simply due to theft. Theft is the cancer of the power sector. We need to come heavily down on it as it is seriously affecting the financial viability of the sector as a whole. Honest consumers who pay their electricity bills regularly bear the brunt of the cost of theft by other unscrupulous consumers. Some states have shown determination for controlling theft and have achieved praiseworthy results. We need, therefore, to launch a campaign against theft of electricity and get offenders effectively punished.

We need a focused effort to reduce T&D losses and bring them within reasonable limits in a reasonably short time frame. Along with theft control measures, we need to upgrade the transmission and distribution system in a time-bound manner. This is an important effort as the financial viability of the sector and making it a commercial proposition depends on success of this initiative. The Central Government would provide financial assistance to States that are able to reduce these losses to agreed levels. I take this opportunity to urge all Chief Ministers to resolve at this forum to reduce these losses to acceptable levels. The Centre will support the initiative through a revised Accelerated Power Development and Reforms Programme (APDRP) scheme through which we will reward performing states by converting loans to grants in an appropriate manner on achieving certain benchmark results.

One area in which performance has not been up to the mark is in capacity addition. In the 10th Plan, capacity addition has been around 50% of the target. This reflects poorly on the planning process as well as the implementation capability of the various agencies in the States and at the Centre, who were entrusted this task. I feel that the time has come when we need to take a very close and hard look at the process of project implementation and project execution in the power sector. In fact, time is running out, and unless we are able to arrest the growing shortages, the effect on our economy and our policy may well prove disastrous.

There is, therefore, need for a concerted effort by all the stakeholders to address this issue. We need a crash programme for capacity addition aimed at eliminating shortages latest by the year 2012. We need to take steps to meet these capacity addition targets without any slippages or overruns. The targets are no doubt ambitious and a 'business as usual' approach will not suffice. We need specialized project management and monitoring capabilities to ensure timely commissioning of projects. This conference should address this issue.

The investment needs, both in capacity addition and in upgrading the transmission and distribution systems, are indeed huge. One estimate has put the figure at over Rs. 600,000 corers. This Finance Ministry and the Planning Commission would help evolve arrangements that would enable States to fund these projects on a sustainable basis. Given the financial constraints, it would be unrealistic to rely totally on either external or on public funding. There has to be a mix. The public sector would have to generate a fair amount of internal resources. This will have to be supplemented by attracting sufficient private investment if we have to have any realistic hope of achieving our targets.

If there is one factor which differentiates the Power sector from, say, the Telecom sector, it has been its inability to attract private investment on a significant scale. I think that this is a serious issue that needs to be considered. Why are we unable to attract private investment? Are there systemic or structural issues that need to be addressed in order to make the power sector viable and capable of providing decent returns to our investors?

The key to attracting investment, particularly from the private sector, lies in ensuring open access to consumers. It will encourage investment. It will also put competitive pressure on the incumbent utility. Some steps have been taken to operationalise open access, though the extent of progress thus far has not been satisfactory. Lack of competition results in inefficiency, which in turn manifests itself in the form of high tariffs, poor standards of consumer service and low internal resource mobilization of the utility. I will give you one example of what competitive tariff based bidding can achieve. A conscious decision to move away from cost plus tariffs towards competitive tariffs in Ultra Mega Power Projects is going to result in substantial tariff reductions.

Open access and competition are the key to improved supply and greater investment. We have to look closely at all regulations to ensure that there is 'Open Access' in transmission and distribution. State policy has to proactively encourage the utilization of transmission and distribution corridors to ensure the free flow of power to any consumer who may be willing to contract for the power. States need to actively encourage bulk consumers to source their requirements from alternative suppliers so as to increase the total availability of electricity in the system, especially for the household and farm sector. To achieve this objective, the cross-subsidy surcharge should be fixed at a reasonable level. If you all agree, the Central Government can consider incentivising this through appropriate allocations of unallocated power at its disposal.

Universal rural electrification is one of the goals of our flagship programme, Bharat Nirman. I am proud to tell you that our Government has made very significant changes in the Electricity Act. We have recognized that the needs of the poor, rural people and agriculture require greater consideration. I must congratulate Shinde ji and the Chief Ministers for the rural electrification efforts under Bharat Nirman. You have electrified nearly 40,000 villages in just two years. This is in comparison to just 10,000 villages in the entire span of 9th Plan. I hope we continue to work on this initiative on a war footing and reach electricity to all un-electrified villages by the year 2009. We, however, need to focus on development of appropriate revenue models for rural areas, protection of rural electrification assets and most importantly, deliver electricity through the wires!

The Power Sector in our country has come a long way. The basic legal and organizational structure is now in place. It is time, therefore, to move ahead. It is time, therefore, to get down to the task of improving the performance of this vital sector. It is time to apply ourselves collectively to ensure that power shortages are a thing of the past. It is time to ensure that people get good quality power reliably and at a competitive price. It is time to see how we can reach any subsidies to the genuinely needy and poor. Just as the states need to move forward on reforms, the Centre too should reform itself. The Centre cannot become a votary of Central Power Utilities and a protector of their interests alone. It needs to play a balanced role in the development of all entities – Central, State and Private. The Centre must, therefore, lead by example. For example, inter-state transmission needs to be truly opened up to competition and a separate and independent government entity to control the National Load Dispatch Centre should be considered.

Our goals cannot be attained without taking hard and immediate decisions for the larger benefit of the country and our citizens. In this context, on can hardly over emphasis the need to have a national mission on conservation of energy in our country. If we fail to act now on various aspects that I have mentioned, as we should ensure, posterity may not forgive us. Our Government is determined to show the way and hold the hand of every State of our union to usher in an era of uninterrupted power supply in the country. We must act here and right now and I am confident that in this room today, we have assembled a group of men and women whose mindset, whose motivation and whose collective wills can make a great deal of difference to what happens to our economy and our polity in the next five or ten years. "

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