



THE SINGARENI COLLIERIES COMPANY LIMITED
(A Government Company)
2 X 600 MW SINGARENI THERMAL POWER PROJECT
Jaipur (M)-504216, Mancherial (Dist), T.S.

Ref no: STPP/COML/2023-24/349

Dt:11.03.2024

To,
The Secretary,
Telangana State Electricity Regulatory Commission,
5th Floor, Singareni Bhavan, Red Hills,
Lakdi ka pool, Hyderabad – 500 008.

Sir,

Sub: SCCL – Reply to the Submissions/objections by Sri **M. Venugopala Rao** regarding O.P No.04 of 2024 on MYT for the control period (2024-25 to 2028-29) and true-up for FY 2022-23 in respect of Singareni Thermal Power Project, Phase-I (2X600 MW) – Reg.

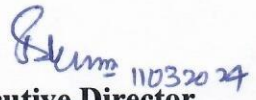
Ref: Email dated 05.03.2024 received from Sri **M. Venugopala Rao** on O.P No.04 of 2024 on MYT for the control period (2024-25 to 2028-29) and true-up for FY 2022-23 of STPP.

The reply to the Submissions/objections made by the objector related to 2X600MW STPP vide reference email relating to O.P No.04 of 2024 on MYT for the control period (2024-25 to 2028-29) and true-up for FY 2022-23 in respect of Singareni Thermal Power Project, Phase-I (2X600 MW) is hereby submitted with six copies each.

The Hon'ble commission is kindly requested to accept the same.

Thanking you.

Yours sincerely


Executive Director
(STPP)
EXECUTIVE DIRECTOR
2X600MW, STPP

Encl: Reply to the email dated 05.03.2024 with 6 copies.

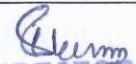
CC:

M. Venugopala Rao
Senior Journalist & Convener, Centre for Power Studies
H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony,
Gopanpally, Serilingampally Mandal,
Hyderabad - 500 032.

Reply to the Submissions/Suggestions raised by Sri.M Venugopala rao dated 05.03.2024

With reference to the Submissions/Suggestions raised by Sri.M Venugopala rao vide email dated 05.03.2024 relating to O.P No.04 of 2024 on MYT for the control period (2024-25 to 2028-29) and true-up for FY 2022-23 in respect of Singareni Thermal Power Project, Phase-I (2X600 MW), it is to submit that the submissions/objections made are not tenable. The point's wise reply of SCCL to the submissions raised by Sri.M Venugopala rao is given in table below:

Submissions/suggestions	SCCL Reply
<p>1. Against a capital cost of Rs.7745.32 crore approved by the Hon'ble Commission at the end of 2021-22, SCCL has projected a closing capital of Rs.7826.39 crore. It has claimed true-up on Rs.7762.28 crore against the capital cost of Rs.7745.32 crore approved by the Commission. For the year 2023-24, against the capital cost of Rs.7745.32 crore approved by the Commission, SCCL has estimated it to increase to Rs.7805.62 crore. Based on the projections, SCCL has claimed return on equity at higher level and sought true-up accordingly. For the year 2022-23, it has claimed RoE of Rs.481.81 crore against Rs.436.41 crore approved by the Commission. Similarly for the year 2023-24, it has claimed RoE of Rs.483.69 crore against Rs.436.40 crore approved by the Commission. For the 5th control period, for the first year of 2024-25, SCCL has projected RoE of Rs.485.68 crore and for the next four years Rs.486.3 crore per year. When rate of return on equity is constant and without increase in equity, SCCL has not explained as to how it has claimed higher return on equity. The claims of SCCL for the subject project are</p>	<p>1. It is to humbly submit that the Hon'ble TSERC has notified Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023 for determination of Aggregate Revenue Requirement for generating entities within the state of Telangana and this regulation was made applicable from 01.04.2024.</p> <p>2. Accordingly, SCCL filed MYT for the control period (2024-25 to 2028-29) and true-up for FY 2022-23 as per the above regulations and as per the terms and conditions of the PPA approved by the Commission.</p> <p>3. SCCL has projected RoE of Rs.485.68 crores for FY 2024-25 and for the next four years FY 2025-29 Rs.486.3 crores per year considering additional capital investment of Rs. 20.77 crores for FY 2024-25.</p> <p>4. The additional capital investment for FY 2024-25 is towards implementation of flexible operation scheme which is a new regulation notified by Central Electricity Authority (CEA).</p> <p>5. CEA issued these new regulations on 30.01.2023 for implementation of flexible operation scheme in coal based thermal power plants. As per this, the minimum unit generation should be reduced to 40% (i.e., 240 MW) of maximum continuous rating of unit (i.e., 600 MW) for STPP. These regulations should be complied within one year from the date of the notification of the regulations.</p> <p>6. CEA further notified on 15.12.2023, the phasing plan of various coal based thermal Generating units. Based on the phasing plan notified by CEA, SCCL Unit-1 and Unit-2 should implement flexible operation scheme by January 2025 and March 2025 respectively.</p> <p>7. The details of the flexible operation scheme are already submitted in original petition Page 196 to 231.</p>


 EXECUTIVE DIRECTOR
 2X600MW, STPP

12

subject to the terms and conditions in the PPA approved by the Commission. They provide for claiming permissible variations in the monthly bills being issued for supply of power to the TSDISCOMs. As such, claims for increased capital costs and true-up claims should not be allowed. **If SCCL incurs additional capital costs, they can be covered in the O&M costs approved by the Commission,** unless they are approved by the Commission as per terms of the PPA. Claiming and allowing additions of capital costs during the entire period of 25 years of the PPA is an unhealthy practice much to the detriment of larger consumer interest, though SCCL is claiming that it is making these claims as per the latest regulation No.2 of 2023.

8. Hon'ble Commission in its order dated 29.12.2023 in O.P.No's.25 and 26 of 2023 directed the following regarding CIP of Implementation of flexible operation scheme as per CEA Regulation:

"4.2.22The Commission is in the process of framing the Multi Year Tariff Regulation for the period commencing from FY 2024-25 onwards. If the need arises, SCCL may seek the approval of the Commission for undertaking the capital works required for complying with CEA Regulations in accordance with the provisions of the Multi Year Tariff Regulation to be issued by the Commission."

9. Further, in respect of the submission made by the objector that any additional capital cost incurred by SCCL can be covered in the O&M cost approved by the Hon'ble Commission, it is to state that approved O&M cost of STPP is very less compared to the actual O&M of STPP being incurred. The details of O&M approved vs actual for STPP is given in table below:

(Rs.Crores)

Sl.No	Particulars	2019-20	2020-21	2021-22	2022-23	Total
1	Approved STPP O&M cost	191.30	188.59	202.30	220.09	802.28
2	Actual STPP O&M cost	227.65	249.95	281.76	306.91	1066.27
3	Difference	-36.35	-61.36	-79.46	-86.82	-263.99

The above table shows that STPP was not allowed even the recovery of actual O&M through tariff. It is to further state that O&M of STPP is least among the State generating stations. Therefore the suggestion made by objector that additional cost incurred can be recovered from O&M is baseless and incorrect.

2. The submission of SCCL not to apply the components of varied figures of normative/operational parameters in the present regulation shows that it wants whatever is favourable to it in the said regulation should be permitted and

It is to humbly submit that suggested requirement of stringent future norms would be only if the present norms are giving over achievement to generator. But ,where the normative figures are unachievable in FY 2019-24, more stringent norms for future period of 2024-29 would make the generator to worse than present fact situation as it would impact more & more under-recovery for the generating station. Therefore such more stringent regulation is of no use and in fact contradicts section 61 of Electricity act 2003. The object of electricity act 2003 made it

EXECUTIVE DIRECTOR
2X600MW, STPP
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<p>whatever is not to its advantage, as it seems, should not be enforced. This approach is untenable and self-contradictory. Commercial operation dates of the subject two units were declared in the year 2016. As such, there is no justification in providing additional benefits to old plants and imposing additional burdens on the consumers by applying the latest regulation. Expenditures and claims of SCCL are subject to terms of the PPA approved by the Commission, and are not dependant on the latest regulation. SCCL has shown a revenue gap of Rs.187.55 crore for the year 2022-23 and sought a net entitlement of Rs.144.77 crore, which includes Rs.125.27 crore towards fixed charges additionally.</p>	<p>clear, while the consumer interest to get power at more competitive price, it is made clear the generator should recover the cost of power generated towards its investment. Any mismatch or imbalance between cost of production and its recovery is not permitted under electricity Act 2003.</p>
<p>3. SCCL has computed energy chares based on the average actual charges for September to November, 2023 and submitted that actual charges would be claimed. Since actual charges are being claimed for variable cost, they cannot be projected for the 5th control period based on presumptions. Actual charges are known only when they materialise. SCCL itself has submitted that energy charges are subject to adjustment. Therefore, the projection of energy charges of Rs.3.876 per kwh during the 5th control period</p>	<p>1. It is to humbly submit that as per the clause 46.4 of TSERC (Multi Year Tariff) Regulation, 2023 for tariff determination of next control period, three preceding month's latest procurement price of primary fuel and secondary fuel for the generating shall be taken into account. Accordingly, STPP has computed energy charges based on the average actual energy charges for September to November, 2023 and claimed the average for FY 2024-25 to FY 2028-29 as base charge in that period being inconsonance with regulation.</p> <p>2. Further, it is to state that currently coal is being supplied to STPP from the nearby mines and if swapping of coal materialises in future the coal may be supplied from the same mines and hence there will not be any impact in transit & handling loss of coal which is around 0.8% at present.</p>

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should not be allowed. SCCL has claimed that it is working on swapping of coal from Naini coal mines. When it materialises, energy charges should come down considerably with cost of transportation becoming nominal. Similarly, transit and handling loss of coal for non-pit head stations of 0.8% also should come down considerably after swapping. SCCL has not given the actual transit loss so far.

4. Against target availability of 85% PLF, SCCL exceeded it - 89.7% during 2022-23 and marginal variation during 2023-24. For the 5th control period SCCL has claimed that it would achieve higher PLF of around 91.40 percent per annum. Based on that, it has projected incentive @ Re.0.50 per kwh for generation and supply of power above the threshold level of PLF - ranging from Rs.18.66 crore to Rs.31.84 crore per annum during the 5th control period. If only SCCL can generate additional power exceeding the threshold level of PLF and if only the DISCOMs agree to take that power, incentive has to be paid. It should not be projected and approved in advance. Moreover, the principle of merit order dispatch also comes into play and higher variable cost may even lead to backing down of its declared capacity. In view of the fact that
1. It is to humbly submit that STPP generated 8741.959MU in FY 2022-23 as per the approved schedule energy given by SLDC by which an incentive of Rs.16.03 crores is worked out and claimed in the truing up period @ 50paise/kWh in accordance with clause 21.4 of regulation 01 of 2019. SCCL is entitled for this as per applicable extant regulation.
 2. Further, it is to submit that the projections made by SCCL are likely capacity to be generated after considering overhauling and forced outages. However, the day ahead schedule will be given as per state grid code and beneficiary may opt for the required quantum of generation as per merit order. The incentive claimed by STPP is computed for MYT 2024-29 based on estimated generation at the rate specified in clause 46.6 of Regulation 2 of 2023. Since it is only a projected value the actual incentive would get varied depending on the schedule that may be given by discoms time to time.


EXECUTIVE DIRECTOR 032024
2X600MW, STPP

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SCCL has been claiming achievement of higher PLF exceeding its threshold level and earned a profit of Rs.1731.81 crore for the year 2021-22, incentive of Rs.0.50 per kwh for additional power needs to be reviewed and reduced. At threshold level of PLF as determined in the PPA, SCCL is recovering the entire capital cost. As such, incentive for additional power should be nominal as a percentage of fixed charges.

5. SCCL has claimed true-up based on fixed charges of Rs.4483.76 crore against RS.4277.21 crore approved by the Commission for 2022-23 and on Rs.4749.77 crore against Rs.4492.79crore approved by the Commission for the year 2023-24. For the 5th control period, SCCL has projected higher annual fixed charges - Rs.4983.07 crore for 2024-25, Rs.5081.80 crore for 2025-26, Rs.5065.59 crore for 2026-27, Rs.5060.59 crore for 2027-28 and Rs.5036.85 crore for 2028-29. With payment of depreciation charges, fixed charges should come down. SCCL has submitted that it would submit cost of proposed FGD and tariff components later. In other words, capital cost and tariffs would be claimed at still higher level later.


1. It is to humbly submit that the claim of fixed charges by STPP for next control period FY 2024-25 to FY 2028-29 are given in table below:

Sl.No	Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
1	Total Claim (Rs.Cr) of annual fixed charge	1555.60	1540.30	1524.09	1509.04	1495.35
2	Net Ex bus generation (MU)	8794.656	9055.238	9055.238	9081.297	9055.238
3	Average fixed charge in Rs/Kwh	1.77	1.70	1.68	1.66	1.65

2. Hon'ble Commission in its order dated 29.12.2023 in O.P.Nos.25 and 26 of 2023 directed the following regarding FGD:

"4.2.12The works being still in progress, the Commission is not expressing any opinion on the proposed completion cost at this stage. The Commission shall carry out the prudence check of the cost of FGD system in true-up for the relevant year after commissioning of the same."

Accordingly, the submission with respect to FGD was made.


 EXECUTIVE DIRECTOR
 2X600MW, STPP

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<p>6. We request the Hon'ble Commission to subject the claims of SCCL to prudence check in terms of the PPA and disallow what is impermissible in its claims.</p> <p>7. We request the Hon'ble Commission to take the above submissions, among others, into consideration and take appropriate decisions.</p> <p>8. I request the Hon'ble Commission to provide me an opportunity to make further submissions, after receiving and studying responses of SCCL and during the public hearing scheduled on 22.3.2024.</p>	<p>No comments to offer.</p>
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In view of the above point wise reply of SCCL, the Submissions/Suggestions raised by Sri. M Venugopala rao vide email dated 05.03.2024 to O.P No.04 of 2024 on MYT for the control period (2024-25 to 2028-29) and true-up for FY 2022-23 in respect of Singareni Thermal Power Project, Phase-I (2X600 MW) are not tenable.

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6