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TELANGANA STATE FERRO ALLOYS PRODUCERS ASSOCIATION

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TSERC, HYDERABAD
INWARD
4 MAR 2015
No. 369 Signature

Dated:3rd March, 2015.

To

The Secretary,
Hon'ble Telangana State Electricity
Regulatory Commission,
5th Floor, Singareni Bhawan,
Red Hills,Hyderabad.

Sir,

Sub: ARR and Tariff applications filed by Discoms for the year 2015-16-Filing of
Submissions/suggestions by Telangana State Ferro Alloys Producers Association-
Reg,

Ref: Notification of Tariff proposals for Retail Supply Business for the year 2015-16.

In response to the above Press Notification published by the TSSPDCL and TSNPDCL,
The Telangana State Ferro Alloys Producers Association files its
submissions/suggestions to the T.S.Electricity Regulatory Commission against the ARR
and Retail Tariff Proposals for the year 2015-16.

We are enclosing herewith the copies of receipts of Couriers sent to SPDCL and NPDCL
as proof of having served the copies of our submissions to the Discoms.

We reuest the Hon'ble Commission to grant permission for personal hearing at the
Public hearings for the above Discoms and to make additional submissions at the time
of hearings.

Thanking you,

Yours faithfully,
For T.S.Ferro Alloys Producers Association,

M.R. Prasad
(M.R. Prasad)
Secretary General

Copies to:CGM(CommI&RAC)TSSPDCL, Hyderabad/CGM(IPC&RAC) NPDCL, Warangal.

 First Flight Couriers Ltd. R.H.O. : 1-8-869, Sanjay Plaza, 2nd & 3rd Floor, Prakash Nagar, Begumpet, Hyderabad - 500 016. Tel. : 040 - 3944444 Fax: 3913222		CONSIGNOR COPY		 * A 9 9 1 M 0 1 - 1 4 8 1 3 *																																																						
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**BEFORE THE HONOURABLE TELANGANA STATE ELECTRICITY REGULATORY
COMMISSION**

AT ITS OFFICE AT 5th Floor, Singareni Bhavan, Red Hills, Hyderabad-500 004

In the matter of

Filing of the ARR & Tariff applications for the Retail Supply Business for the year FY 2015-16 under Multi-Year Tariff principles in accordance with the "Telangana State Electricity Regulatory Commission (Terms and Conditions For Determination Of Tariff For Wheeling and Retail Sale Of Electricity) Regulation, 2005" by the Southern Power Distribution Company of Telangana Limited (TS'SPDCL)' or 'the Company' or 'the Licensee') as the Distribution and Retail Supply Licensee.

In the matter of

✓ **SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANS STATE LTD**

Between:

SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA STATE LTD.

And

TELANGANA STATE FERRO ALLOYS PRODUCERS ASSOCIATION:

TELANGANA STATE.FERRO ALLOYS PRODUCERS ASSOCIATION, an Umbrella Organisation established to represent and protect the interests of Ferro Alloys Units in the State of Telangana and continues to represent its interests There are 9 Ferro Alloys industries situated in the State with a total installed capacity of 70.40 MVA, Out which NPDCL area has one Ferro Alloys unit in operation with contract MD of 6.3 MVA and one new Unit in Adilabad District with a capacity of 4.5 MVA ready for commissioning. In the TSSPDCL area there are 7 industries with contract MD of 59.60 MVA. Out of which 4 units with an installed capacity of 29.10 MVA are in operation and 3 units with an installed capacity of 30.50 are under closures. Hence WE are interested in making objections and suggestions to the tariff proposal of TSSPDCL/TSNPDCL.

The Ferro Alloys is a metallurgical industry engaged in the extraction of metals from the natural ores. This involves extraction of metals from ore oxides in the open Arc Furnaces at a very high degree of heat of 1800 to 2000 degree centigrade under a continuous process. The power consumption ranges from 4000 units to 9000 units per ton of production depending upon the type of ferro alloys produced. Due to this Power intensity and usage of power, this industry has acquired the nature of Power Intensive industry. The Ferro Alloys metals such as Silico Manganese, Ferro Silicon, Ferro Chrome etc are used in the Steel Plants and foundries for production of stainless steel and special grade steels. Hence it is part of the Core Steel Sector.

In the erstwhile composite State of Andhra Pradesh, there was a continuous power shortage for more than 5 years and the industry was put to lot of financial problems on account of Power shortage. The power sector was a totally neglected sector inasmuch as, year after year the Discoms came up with power shortage resulting in bilateral high cost power purchase on one hand and increase in power tariff. The industry was battered left and right with increase in tariffs on one hand and imposition of power cuts on the other.

There was no parity between demand and supply of power. The projected estimates of power requirement by Discoms were erroneous, as the economy was on a down trend while the Discoms projected increased consumptions by the industry without any reference to the economic trends.

This apart, the high cost power purchased necessitated by the additional power requirement for agriculture over and above the approved levels by the Commission, has been passed on to the industry in the shape of FSA. The cross subsidies were exceeded the norms in excess of National Tariff Policy. The level of cross subsidy on industry was roughly 40%. With these perennial problems the industry in Andhra Pradesh was totally crippled financially and even today they are struggling under crashed Global and domestic markets.

The key issues which were not addressed proerply during the last few years are summed up below:

- 1) There were no effective steps from Government for increasing the power Generation base in the State in line with the increasing demand. This has resulted in huge power shortage to the extent of about 20%.
- 2) The coal shortages and improper planning of Generation units led to drop in Plant load factor.
- 3) Shortage of gas and idling of Gas Power Plants capacity in the State adding to the owes of power shortage and added Fixed costs.
- 4) Though power was available at chear rates in the new Grid in the North, there was no connectivity between new Grid and Southern States resulting in power shortage on one hand and pushing the power cost too high by the Southern region Independent Power Producers.
- 5) The Government provision of insufficient subsidies on account of free power supply to agriculturree sector and increased subsides being loaded on to the industry in the shape of FSA.
- 6) The industry was subjected to severe power cuts ranging from 30% to 40% inspite of increased power tariffs.

Objections:

- 1) There were departures from the MYT Regulations issued by the Hon'ble Commission which contemplates predictability and certainty in tariffs. The Hon'ble Commission should not have allowed such departures which resulted in tariff uncertainty and unpredictability of tariffs during the MYT regim.
- 2) The agricultural consumptions are not metered which is in contravention of Section 55 of the Electricity Act,2003 and the Hon'ble Commission has been for several years issuing directions in this regard. We appeal to the Hon'ble Commission to ensure the implementation of the directions of metering these connection without further delay so as to ensure better management and

increase in metered sales. This will ensure transparency in accounting for energy supply to agriculture as well as arriving at distribution losses accurately without adjusting the residual energy under agriculture consumption.

- 3) It is pertinent to mention that the agriculture consumption over and above the approved quantum should be entirely met with the Government subsidy only and this should not be burdened further on the already subsidising class of consumers. This acquires greater significance in the light of expensive power being purchased by Discoms to meet the increased demand of agriculture.
- 4) The high cost power purchase necessitated by excess requirement of agriculture demands, should be met with the Government funds and this should not be allowed as a pass through.
- 5) The Discoms are submitting unrealistic and inflated power requirement in the industry consumptions requiring purchase of high cost power. Such unrealistic projections would only result in higher power purchase cost and increase in tariffs for the consumers. We request the Hon'ble Commission not to allow such inflated estimates.
- 6) The imported coal prices are steadily falling down. Adjustment in the coal mix should proportionately be reduced from the power purchase cost.
- 7) True-up for 2013-14 and 2014-15:

The Discoms have stated that while there is a decrease in metered sales, and an increase in unmetered sales beyond tariff order quantities resulting in tariff distortion. Hence the Hon'ble Commission may direct the Government to reimburse the cost of sales to agriculture in excess of tariff order quantity and to ensure the subsidizing category of consumers are reimbursed to maintain the level of cross subsidy as per the ratio of tariff order in view of the decrease in metered sales.

As per the Regulation No:4 of 2005 the Trup-up is to be taken for the whole control period. However, the Discoms have submitted petition for true up

for retail sales for 2013-14 alone. This is in contravention of the Regulations which the Hon'ble Commission should not have allowed. The gains that could have been accrued on account of excess agricultural sales over and above the approved quantities by the Commission of previous years of the control period should have been passed on to the consumers. We request the Hon'ble Commission to look into this aspect and do justice to the consumers who are over burdened with inflated FSA claims.

Tariff Proposals of TSSPDCL for the year 2015-16:

1. For the ensuing year 2015-16, the DISCOM has proposed a tariff of Rs 4.84/Unit for consumers availing supply at 132 kV & Rs 5.27/Unit for consumers availing supply at 33 kV level. There is an increase of Rs 0.26/Unit at 132 kV level and Rs 0.29/Unit at 33 kV level.
2. Voltage wise Tariffs for the current financial year and ensuing financial year, applicable to Ferro Alloy Industry category in the state of Telangana, as submitted by TS DISCOMs to the Hon'ble TSERC are shown in the following Table.

Voltage Level (kV)	Existing Tariff (FY 2014-15) Rs/KWH	Voltage Wise Difference	Proposed Tariff (FY 2015-16) Rs/KWH	Voltage Wise Difference
11	5.41	0.43	5.72	0.45
33	4.98	0.40	5.27	0.43
132 kV & above	4.58	N/A	4.84	N/A

3. It can be observed from the above Table that, **the difference between the tariff applicable to EHT Consumers (132 kV and above) and 33 kV**

consumers for the ensuing year is Rs 0.43/Unit. This wide disparity amounting to about 9% is not explained anywhere in the Tariff proposals of the DISCOMs. The difference is extremely wide and is inexplicably set without any reasons, to the disadvantage of the Industry.

4. Entrepreneurs intending to set up low capacity Ferro Alloy Units in medium sector i.e up to 5 MVA of Contracted Capacity (10 MVA in case of dedicated feeders) are burdened with high tariffs applicable at 33 kV, and are discouraged to enter into business. The existing consumers are feeling the burden in terms of increased production costs and to compete with large scale producers with 132kv voltage.
5. Certainly, there should be a slight differentiation between Voltage wise tariffs, owing to the fact that the Consumers drawing power at Higher Voltages cause less losses to the system and use less proportion of the Distribution Network. The voltage wise tariffs should reflect technically and commercially the usage of the network, but should not be so onerous to deplete the consumers existing at 33 kV level.
6. The average Cost to Serve (CoS) as approved by the Commission for FY 2013-14 is Rs 5.46/KWH. There is no tariff change for FY 2014-15. The state level CoS for FY 2015-16 as estimated by the Licensees is Rs 5.98/KWH.
7. The Network Cost as approved by the Commission for FY 2013-14 is Rs 0.83/KWH and this has been increased to Rs 1.0/KWH primarily due to increase in wages of employees, increased Capital Investment of the licensee.
8. The power procurement cost based on escalation in the variable costs over and above the actual variable cost is not in line with the Regulations. Generation cost from central stations is governed by CERC Tariff Regulations and should be considered accordingly. Variable costs may not be considered on the presumptive basis of the licensees and may be based on actual. Any variation in fuel price is adjusted through annual True-up mechanism.
9. It is a proven fact that, the Ferro Alloy Industry operates at a very higher Load factor, of above 90%. In certain cases, the load factor reaches to even 95% to

98%. The industry is very power intensive in nature and operates at a flat load pattern, which is very much desired by the Grid Operators. The flat load pattern of this industry, gives lot of certainty to the DISCOM to procure power on long term basis at a cheaper cost. That is the reason why, Electricity Act mandates that Consumer's load factor should be given due consideration while fixing the tariffs. Relevant provision of the Electricity Act-2003 is presented below:

Section 62 (3) of the Electricity Act 2003: " *The Appropriate Commission shall not, while determining the tariff under this Act, show undue preference to any consumer of electricity but may differentiate according to the consumer's load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required*".

10. The embedded cost of service, pertaining to HT Industrial category for 33 kV, as estimated by the DISCOM for FY 2015-16 is Rs 4.84/kWH. The same for EHT (132 kv and above) Industrial category is Rs 4.69/KWH. The difference between embedded CoS between 132 kV & 33 kV is Rs 0.15/KWH.

As per the methodology of embedded CoS, the category wise / voltage wise Cost of Supply is estimated duly taking all costs and voltage wise losses duly attributing to different categories on certain technical / commercial parameters. For determining Retail Tariffs embedded CoS is the basis.

Even if we compare with the difference in embedded CoS as worked out by the DISCOM, **the tariff difference between 132 kV & 33 kV Ferro Alloy units should be Rs 0.15/KWH only and certainly not Rs 0.43/KWH as filed by the DISCOM.**

The Hon'ble Commission is kindly requested to look into the matter and determine the tariff on similar lines with embedded CoS, and keep the difference between 132 kv & 33 kV Ferro Alloy tariff accordingly.

DISCOM's failure to contain the Distribution Losses:

11. Actual performance of the DISCOM with respect to distribution losses reduction for the past two years and the expected losses for the ensuing year are as following:

FY 2013-14		FY 2014-15		FY 2015-16	
APERC Target	Actual Losses	APERC Target	Estimated Losses	APERC Target	Expected Losses
11.44%	13.20%	---	11.49		11.49%

Losses	FY 2013-14	FY 2014-15	FY 2015-16
11 kV	5.50%	5.0	5.0
33 kV	4.50%	3.99%	3.99%
132 kV & above		4.02%	4.02%

12. As per the filings of TS SPDCL, actual distribution losses for FY 2013-14 is 13.20% as against the APERC target of 11.44%. TS SPDCL missed the loss reduction target by 1.76%. As per the estimate and figures submitted by the DISCOM 1% loss corresponds to about **Rs 165 Crs.** If the DISCOM is able to contain the losses within the target specified by the Hon'ble APERC, there is no requirement of Tariff hike.

Time Period of Load Restrictions/Power Cuts & Outages to be relaxed for calculation of Deemed consumption:

13. Some times, DISCOMs are announcing unscheduled power restrictions / Power cuts and are causing lot of inconvenience to the Ferro Alloy industry. Utilities are not sure of supplying 24X7 power to the Industrial sector particularly Ferro Alloy units. Even the Distribution network of the utilities is prone to lot of forced

outages and is taking more time to restore the system. At least about 10% - 12% of the time, power supply is not made available on an annual basis due to forced outages and breakdowns in the system. Added to this, the DISCOMs are implementing Restriction & Control (R&C) measures, during certain periods of the year, during the peak load time (6:00 P:M to 10: 00 P:M) and other times of the day.

14. It is expected that, even for the ensuing year of FY 2015-16, the TS DISCOMs are not quite sure of providing quality and uninterrupted power to the Industrial Sector. About 20% of the time required quantum of power supply may not be available to the industry in view of shortage of generating capacity from the committed sources / Short term sources. It is estimated that, as a whole about 30% of the time, required power is not made available to the Ferro Alloy industry in an year. This is causing lot of operational / financial burden to this sector. Hence it is earnestly requested that, till such time the DISCOMs assure 24X7 power supply to the Ferro Alloy units through out the year, the deemed consumption charges shall not be levied and the billing can be insisted on the actual energy consumption.

True Up-Requirements:

15. Vide the ARR filings, TS DISCOMs have requested Hon'ble Commission to recover the loss amount restructured as short term loan over and above Rs2450 Crs, as when restructuring is done by the TS DISCOMs in tune with the objectives of the State Government . They requested the Commission to allow the licensees to recover the principle amount due from FY 2017-18 onwards. TS SPDCL has estimated a true up requirement for FY 2013-14 as Rs (161.74) Crs after duly accounting for variations in Costs and Revenues. For FY 2014-15 TS SPDCL estimated a revenue gap of Rs 1283 Crs Crs that need to be trued up on provisional basis.
16. It is humbly pointed out that the State Government has to take up the entire responsibility of financial restructuring of the DISCOMs, and the burden should

not be levied on to the consumers. Principal repayment has also to be borne by the State Government.

17.If the True Up burden is loaded on to the approved ARR of the DISCOMs by the Commission, it unnecessarily burdens the end consumers.

The present Economic senerio:

The present econmic situation Globally and domestically is not enouraging the manufacturing sector. Countries like China and Russia are dumping steel in huge quantities into Indin markets throwing the Indian production out of gear. Major steel plants are cutting their production levels and offering price cuts, which is affecting badly the Ferro Alloys industry. Today in the Telangana State, the Ferro Alloys units are bleeding cash losses and are unable even to meet their current CC charges bills of Discoms. The producers are not even able to sell a Kg. of metal even with heavy discounts and longer credit periods.


On the other hand, the World Bank in its Indian Power Sector Review Report in respect of both the States of A.P. and Telangana, published recently,reiterated among other things, the following:

Quote:

The Distribution segment of A.P.power sector, which is the first hand revenue earning system has begun to lose money since 2012-13, the report which studied the 20 year period since economical liberalisation, noted. It attributed the losses to rising cost of power purchase and a decline in the subsidy received vis-à-vis the subsidy booked. Cost of power purchase rose sharply for distribution companies from Rs.2.81 per unit in 2009-1 to Rs.3.39 per unit in 2011-12 and to Rs.4.25 per unit in 2012-13. The volume of power purchase from short term sources rose by 14 percent in three years from 866 Mus in 2009-10 to 10,094 Mus in 2012-13. Taking cognizance of the State's constraints in purchasing cheaper power from other regions owing to inadequate inter-regional connectivity. The World Bank Report also pointed out the low Plant Load Factor (PLF) of the existing thermal plants and the**

- ✓ To direct the Discoms not to invoke the guaranteed power consumption norm of 85% load factor, if full power supply is not made round the clock during the full year. Also, during the power cuts, the power supply should be ensured on a continuous basis, with reduced level of power shortage, as this industry cannot afford to buy high cost power procured to supply to meet the demands of agricultural sector.

We request the Hon'ble Commission to provide us an opportunity to make personal presentation at the Public hearing.


M.R. PRASAD
Secretary General

Hyderabad:
Dt:3rd March, 2015.

OBJECTOR

The Hindu, dt. 24/2/15

AP discoms not earning enough: World Bank report

Staff Reporter

HYDERABAD: The power sector review report by the World Bank titled 'More Power to India: The Challenges of Distribution', released here on Monday, has a few good words for Andhra Pradesh power sector.

The State, one among those at the vanguard of power reforms in 1990s, accounts for lowest technical and commercial losses in the country, and has high operational efficiency of distribution due to metering and regular energy audits, the report said.

Further, industrial feeders here are separated and monitored, tariffs are increased regularly, and generation and transmission companies are profitable.

However, the distribution segment of Andhra Pradesh power sector, which is the first-hand revenue-earning system, has begun to lose money since 2012-13, the report which studied the 20-year period since economical liberalisation, noted. It attributed the losses to rising cost of power purchase, and a decline in the subsidy received vis-à-vis the subsidy booked.

Cost of power purchase rose sharply for distribution companies from Rs.2.81 per

(Right) Sheoli Pargal, Economic Advisor, World Bank, and members Mani Khurana and Sudeshana Ghosh Banerjee, releasing a report on power sector, in Hyderabad on Monday.

unit in 2009-10 to Rs.3.39 per unit in 2011-12, and to Rs.4.25 per unit in 2012-13.

The volume of power purchased from short term sources rose by 14 per cent in three years, from 866 million units in 2009-10 to 10,094 million units in 2012-13.

Taking cognizance of the State's constraints in purchasing cheaper power from other regions owing to inadequate inter-regional connectivity, the World Bank report also pointed out the low Plant Load Factor (PLF) of the existing thermal plants, and the delays in commissioning of new plants for lack of fuel as the limitations. On the other

hand, subsidy received as share of subsidy booked began to decline from 2008-09 onwards, and stood at only 50 per cent in 2011-12, resulting in cash flow problems for the discoms. The report recommended capacity addition in generation, grid strengthening, and enhancing ability to absorb power flows, especially from renewable, and reinforcing of distribution network, household metering, and segregation of feeders, among others. The report was compiled during 2011-13 when AP was a united State, at the request of the Department of Economic Affairs, Union Ministry of Finance.

**BEFORE THE HONOURABLE TELANGANA STATE ELECTRICITY REGULATORY
COMMISSION**

AT ITS OFFICE AT 5th Floor, Singareni Bhavan, Red Hills, Hyderabad-500 004

In the matter of

Filing of the ARR & Tariff applications for the Retail Supply Business for the year FY 2015-16 under Multi-Year Tariff principles in accordance with the "Telangana State Electricity Regulatory Commission (Terms and Conditions For Determination Of Tariff For Wheeling and Retail Sale Of Electricity) Regulation, 2005" by the Northern Power Distribution Company of Telangana Limited ('NPPDCL' or 'the Company' or 'the Licensee') as the Distribution and Retail Supply Licensee.

In the matter of

✓ **NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA STATE LTD**

Between:

NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA STATE LTD.

And

TELANGANA STATE FERRO ALLOYS PRODUCERS ASSOCIATION

PREAMBLE:

TELANGANA STATE FERRO ALLOYS PRODUCERS ASSOCIATION, an Umbrella Organisation established to represent and protect the interests of Ferro Alloys Units in the State of Telangana and continues to represent its interests There are 9 Ferro Alloys industries situated in the State with a total installed capacity of 70.40 MVA, Out which NPDCL area has one Ferro Alloys unit in operation with contract MD of 6.3 MVA and one new Unit in Adilabad District with a capacity of 4.5 MVA ready for commissioning. In the TSSPDCL area there are 7 industries with contract MD of 59.60 MVA. Out of which 4 units with an installed capacity of 29.10 MVA are in operation and 3 units with an installed capacity of 30.50 are under closures. Hence We are interested in making objections and suggestions to the tariff proposal of TSSPDCL/TSNPDCL.

The Ferro Alloys is a metallurgical industry engaged in the extraction of metals from the natural ores. This involves extraction of metals from ore oxides in the open Arc Furnaces at a very high degree heat of 1800 to 2000 degree centigade under a continuous process. The power consumption ranges from 4000 units to 9000 units per ton of production depending upon the type of ferro alloys produced. Due to this Power intensity and usage of power, this industry has acquired the nature of Power Intensive industry. The Ferro Alloys metals such as Silico Manganese, Ferro Silicon, Ferro Chrome etc, are used in the Steel Plants and foundaries for production of stainless steel and special grade steels. Hence it is part of the Core Steel Sector.

In the earstwhile composite State of Andhra Pradesh, there was a continuous power shortage for more than 5 years and the industry was put to lot of financial problems on account of Power shortage. The power sector was a totally neglected sector inasmuch as, year after year the Discoms came up with power shortage resulting in bilateral high cost power purchase on one hand and increase in power tariff. The industry was battered left and right with increase in tariffs on one hand and imposition of power cuts on the other.

There was no parity between demand and supply of power. The projected estimates of power requirement by Discoms were erroneous, as the economy was on a down trend while the Discoms projected increased consumptions by the industry without any reference to the economic trends.

This apart, the high cost power purchased necesstated by the additional power requirement for agriculture over and above the approved levels by the Commisson, has been passed on the to industry in the shape of FSA. The cross subsidies were exceeded the norms in exscess of National Tariff Policy. The level of cross subsidy on industry was roughly 40% . With these perennial problems the industry in Andhra Pradesh was totally crippled financially and even today they are struggling under crashed Global and domestic markets.

The key issues which were not addressed proerply during the last few years are summed up below:

- 1) There were no effective steps from Government for increasing the power Generation base in the State in line with the increasing demand. This has resulted in huge power shortage to the extent of about 20%.
- 2) The coal shortages and improper planning of Generation units led to drop in Plant load factor.
- 3) Shortage of gas and idling of Gas Power Plants capacity in the State adding to the owes of power shortage and added Fixed costs.
- 4) Though power was available at chear rates in the new Grid in the North, there was no connectivity between new Grid and Southern States resulting in power shortage on one hand and pushing the power cost too high by the Southern region Independent Power Producers.
- 5) The Government provision of insufficient subsidies on account of free power supply to agriculturree sector and increased subsides being loaded on to the industry in the shape of FSA.
- 6) The industry was subjected to severe power cuts ranging from 30% to 40% inspite of increased power tariffs.

Objections:

- 1) There were departures from the MYT Regulations issued by the Hon'ble Commission which contemplates predictability and certainty in tariffs. The Hon'ble Commission should not have allowed such departures which resulted in tariff uncertainty and unpredictability of tariffs during the MYT regim.
- 2) The agricultural consumptions are not metered which is in contravention of Section 55 of the Electricity Act,2003 and the Hon'ble Commission has been for several years issuing directions in this regard. We appeal to the Hon'ble Commission to ensure the implementation of the directions of metering these connection without further delay so as to ensure better management and

increase in metered sales. This will ensure transparency in accounting for energy supply to agriculture as well as arriving at distribution losses accurately without adjusting the residual energy under agriculture consumption.

- 3) It is pertinent to mention that the agriculture consumption over and above the approved quantum should be entirely met with the Government subsidy only and this should not be burdened further on the already subsidising class of consumers. This acquires greater significance in the light of expensive power being purchased by Discoms to meet the increased demand of agriculture.
- 4) The high cost power purchase necessitated by excess requirement of agriculture demands, should be met with the Government funds and this should not be allowed as a pass through.
- 5) The Discoms are submitting unrealistic and inflated power requirement in the industry consumptions requiring purchase of high cost power. Such unrealistic projections would only result in higher power purchase cost and increase in tariffs for the consumers. We request the Hon'ble Commission not to allow such inflated estimates.
- 6) The imported coal prices are steadily falling down. Adjustment in the coal mix should proportionately be reduced from the power purchase cost.
- 7) True-up for 2013-14 and 2014-15:

The Discoms have stated that while there is a decrease in metered sales, and an increase in unmetered sales beyond tariff order quantities resulting in tariff distortion. Hence the Hon'ble Commission may direct the Government to reimburse the cost of sales to agriculture in excess of tariff order quantity and to ensure the subsidizing category of consumers are reimbursed to maintain the level of cross subsidy as per the ratio of tariff order in view of the decrease in metered sales.

As per the Regulation No:4 of 2005 the True-up is to be taken for the whole control period. However, the Discoms have submitted petition for true up

for retail sales for 2013-14 alone. This is in contravention of the Regulations which the Hon'ble Commission should not have allowed. The gains that could have been accrued on account of excess agricultural sales over and above the approved quantities by the Commission of previous years of the control period should have been passed on to the consumers. We request the Hon'ble Commission to look into this aspect and do justice to the consumers who are over burdened with inflated FSA claims.

Tariff Proposals of TSNPDCL for the year 2015-16:

1. For the ensuing year 2015-16, the DISCOM has proposed a tariff of Rs 4.84/Unit for consumers availing supply at 132 kV & Rs 5.27/Unit for consumers availing supply at 33 kV level. There is an increase of Rs 0.26/Unit at 132 kV level and Rs 0.29/Unit at 33 kV level.
2. Voltage wise Tariffs for the current financial year and ensuing financial year, applicable to Ferro Alloy Industry category in the state of Telangana, as submitted by TS DISCOMs to the Hon'ble TSERC are shown in the following Table.

Voltage Level (kV)	Existing Tariff (FY 2014-15) Rs/KWH	Voltage Wise Difference	Proposed Tariff (FY 2015-16) Rs/KWH	Voltage Wise Difference
11	5.41	0.43	5.72	0.45
33	4.98	0.40	5.27	0.43
132 kV & above	4.58	N/A	4.84	N/A

3. It can be observed from the above Table that, **the difference between the tariff applicable to EHT Consumers (132 kV and above) and 33 kV**

consumers for the ensuing year is Rs 0.43/Unit. This wide disparity amounting to about 9% is not explained anywhere in the Tariff proposals of the DISCOMs. The difference is extremely wide and is inexplicably set without any reasons, to the disadvantage of the Industry.

4. Entrepreneurs intending to set up low capacity Ferro Alloy Units in medium sector i.e up to 5 MVA of Contracted Capacity (10 MVA in case of dedicated feeders) are burdened with high tariffs applicable at 33 kV, and are discouraged to enter into business. The existing consumers are feeling the burden in terms of increased production costs and to compete with large scale producers with 132kv voltage.
5. Certainly, there should be a slight differentiation between Voltage wise tariffs, owing to the fact that the Consumers drawing power at Higher Voltages cause less losses to the system and use less proportion of the Distribution Network. The voltage wise tariffs should reflect technically and commercially the usage of the network, but should not be so onerous to deplete the consumers existing at 33 kV level.
6. The average Cost to Serve (CoS) as approved by the Commission for FY 2013-14 is Rs 5.46/KWH. There is no tariff change for FY 2014-15. The state level CoS for FY 2015-16 as estimated by the Licensees is Rs 5.98/KWH.
7. The Network Cost as approved by the Commission for FY 2013-14 is Rs 0.83/KWH and this has been increased to Rs 1.0/KWH primarily due to increase in wages of employees, increased Capital Investment of the licensee.
8. The power procurement cost based on escalation in the variable costs over and above the actual variable cost is not in line with the Regulations. Generation cost from central stations is governed by CERC Tariff Regulations and should be considered accordingly. Variable costs may not be considered on the presumptive basis of the licensees and may be based on actual. Any variation in fuel price is adjusted through annual True-up mechanism.
9. It is a proven fact that, the Ferro Alloy Industry operates at a very higher Load factor, of above 90%. In certain cases, the load factor reaches to even 95% to

98%. The industry is very power intensive in nature and operates at a flat load pattern, which is very much desired by the Grid Operators. The flat load pattern of this industry, gives lot of certainty to the DISCOM to procure power on long term basis at a cheaper cost. That is the reason why, Electricity Act mandates that Consumer's load factor should be given due consideration while fixing the tariffs. Relevant provision of the Electricity Act-2003 is presented below:

Section 62 (3) of the Electricity Act 2003: " *The Appropriate Commission shall not, while determining the tariff under this Act, show undue preference to any consumer of electricity but may differentiate according to the consumer's load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required*".

10. The embedded cost of service, pertaining to HT Industrial category for 33 kV, as estimated by the DISCOM for FY 2015-16 is Rs 5.22/kWH. The same for EHT (132 kv and above) Industrial category is Rs 4.99/KWH. The difference between embedded CoS between 132 kV & 33 kV is Rs 0.23/KWH.

As per the methodology of embedded CoS, the category wise / voltage wise Cost of Supply is estimated duly taking all costs and voltage wise losses duly attributing to different categories on certain technical / commercial parameters. For determining Retail Tariffs embedded CoS is the basis.

Even if we compare with the difference in embedded CoS as worked out by the DISCOM, **the tariff difference between 132 kV & 33 kV Ferro Alloy units should be Rs 0.23/KWH and certainly not Rs 0.43/KWH as field by the DISCOM.**

The Hon'ble Commission is kindly requested to look into the matter and determine the tariff on similar lines with embedded CoS, and keep the difference between 132 kv & 33 kV Ferro Alloy tariff accordingly.

DISCOM's failure to contain the Distribution Losses:

11. Actual performance of the DISCOM with respect to distribution losses reduction for the past two years and the expected losses for the ensuing year are as following:

FY 2013-14		FY 2014-15		FY 2015-16	
APERC Target	Actual Losses	APERC Target	Estimated Losses	APERC Target	Expected Losses
11.8%	13.32%	11.8%	11.97%		11.88%

Losses	FY 2013-14	FY 2014-15	FY 2015-16
11 kV	4.75%	4.25%	4.25%
33 kV	4.50%	4.0%	4.0%
132 kV & above		4.02%	4.02%

12. As per the filings of TS NPDCL, actual distribution losses for FY 2013-14 is 13.32% as against the APERC target of 11.88%. TS NPDCL missed the loss reduction target by 1.44%. As per the estimate and figures submitted by the DISCOM 1% loss corresponds to about **Rs 72 Crs.** If the DISCOM is able to contain the losses within the target specified by the Hon'ble APERC, there is no requirement of Tariff hike.

Time Period of Load Restrictions/Power Cuts & Outages to be relaxed for calculation of Deemed consumption:

13. Some times, DISCOMs are announcing unscheduled power restrictions / Power cuts and are causing lot of inconvenience to the Ferro Alloy industry. Utilities are not sure of supplying 24X7 power to the Industrial sector particularly Ferro Alloy units.

Even the Distribution network of the utilities is prone to lot of forced outages and is taking more time to restore the system. At least about 10% - 12% of the time, power supply is not made available on an annual basis due to forced outages and breakdowns in the system. Added to this, the DISCOMs are implementing Restriction & Control (R&C) measures, during certain periods of the year, during the peak load time (6:00 P:M to 10: 00 P:M) and other times of the day.

14. It is expected that, even for the ensuing year of FY 2015-16, the TS DISCOMs are not quite sure of providing quality and uninterrupted power to the Industrial Sector. About 20% of the time required quantum of power supply may not be available to the industry in view of shortage of generating capacity from the committed sources / Short term sources. It is estimated that, as a whole about 30% of the time, required power is not made available to the Ferro Alloy industry in an year. This is causing lot of operational / financial burden to this sector. Hence it is earnestly requested that, till such time the DISCOMs assure 24X7 power supply to the Ferro Alloy units through out the year, the deemed consumption charges shall not be levied and the billing can be insisted on the actual energy consumption.

True Up-Requirements:

15. Vide the ARR filings, TS DISCOMs have requested Hon'ble Commission to recover the loss amount restructured as short term loan over and above Rs2450 Crs, as when restructuring is done by the TS DISCOMs in tune with the objectives of the State Government . They requested the Commission to allow the licensees to recover the principle amount due from FY 2017-18 onwards. TS NPDCL has estimated a true up requirement for FY 2013-14 as Rs (39.37) Crs after duly accounting for variations in Costs and Revenues. For FY 2014-15 TS NPDCL estimated a revenue gap of Rs 262 Crs that need to be trued up on provisional basis.

16. It is humbly pointed out that the State Government has to take up the entire responsibility of financial restructuring of the DISCOMs, and the burden should not

be levied on to the consumers. Principal repayment has also to be borne by the State Government.

17.If the True Up burden is loaded on to the approved ARR of the DISCOMs by the Commission, it unnecessarily burdens the end consumers.

The present Economic senerio:

The present econmic situation Globally and domestically is not enouraging the manufacturing sector. Countries like China and Russia are dumping steel in huge quantities into Indin markets throwing the Indian production out of gear. Major steel plants are cutting their production levels and offering price cuts, which is affecting badly the Ferro Alloys industry. Today in the Telangana State, the Ferro Alloys units are bleeding cash losses and are unable even to meet their current CC charges bills of Discoms. The producers are not even able to sell a Kg. of metal even with heavy discounts and longer credit periods.

On the other hand, the World Bank in its Indian Power Sector Review Report in respect of both the States of A.P. and Telangana, published recently,reiterated among other things, the following:

Quote:

The Distribution segment of A.P.power sector, which is the first hand revenue earning system has begun to lose money since 2012-13, the report which studied the 20 year period since economical liberalisation, noted. It attributed the losses to rising cost of power purchase and a decline in the subsidy received vis-à-vis the subsidy booked. Cost of power purchase rose sharply for distribution companies from Rs.2.81 per unit in 2009-1 to Rs.3.39 per unit in 2011-12 and to Rs.4.25 per unit in 2012-13. The volume of power purchase from short term sources rose by 14 percent in three years from 866 Mus in 2009-10 to 10,094 Mus in 2012-13. Taking cognizance of the State's constraints in purchasing cheaper power from other regions owing to inadequate inter-regional connectivity. The World Bank Report also pointed out the low Plant Load Factor (PLF) of the existing thermal plants and the**

delays in commissioning of new plants for lack of fuel as the limitations. On the other hand, subsidy received as share of subsidy booked began to decline from 2008-09 onwards and stood at only 50% in 2011-12, resulting in cash flow problems for the Discoms. The report recommended capacity addition in generation, grid strengthening and enhancing ability to absorb power flows, especially from renewable and reinforcing of distribution network, household metering and segregation of feeders among others.....

Unquote: (** the erstwhile State of A.P. consisting both A.P. and Telangana)

In view of the aforesaid industry plight and the World Bank Review Report, the T.S.Ferro Alloys producers Association submits the following prayer to the kind consideration of the Hon'ble Commission:

PRAYER:

- ✓ We request the Hon'ble Regulatory Commission to contain the rates of power tariff and retain at the present level for an year or two and save the industry from further slipping into financial disasters. The Hon'ble Commission may direct the Discoms to improve their internal efficiencies of arresting the T&D losses, improvement in meter sales and increase in Plant Load Factor of the Generation Units of the State.
- ✓ To take course correction in bridging the tariff gaps between 132 Kv and 33 kv and 11 kv voltage levels to nominal levels. Otherwise, the Ferro Alloys units with 33 kv voltage levels will be thrown out of markets for price difference in the same products produced between 132 kv and 33 kv voltages.

✓ To direct the Discoms not to invoke the guaranteed power consumption norm of 85% load factor, if full power supply is not made round the clock during the full year. Also, during the power cuts, the power supply should be ensured on a continuous basis, with reduced level of power shortage, as this industry cannot afford to buy high cost power procured to supply to meet the demands of agricultural sector.

We request the Hon'ble Commission to provide us an opportunity to make personal presentation at the Public hearing.

Hyderabad:

Dt: 3rd March, 2015.

M.R. Prasad
M.R. PRASAD
Secretary General

OBJECTOR

The Hindu, dt. 24/2/15

AP discoms not earning enough: World Bank report

Staff Reporter

HYDERABAD: The power sector review report by the World Bank titled 'More Power to India: The Challenges of Distribution', released here on Monday, has a few good words for Andhra Pradesh power sector.

The State, one among those at the vanguard of power reforms in 1990s, accounts for lowest technical and commercial losses in the country, and has high operational efficiency of distribution due to metering and regular energy audits, the report said.

Further, industrial feeders here are separated and monitored, tariffs are increased regularly, and generation and transmission companies are profitable.

However, the distribution segment of Andhra Pradesh power sector, which is the first-hand revenue-earning system, has begun to lose money since 2012-13, the report which studied the 20-year period since economical liberalisation, noted. It attributed the losses to rising cost of power purchase, and a decline in the subsidy received vis-à-vis the subsidy booked.

Cost of power purchase rose sharply for distribution companies from Rs.2.81 per

(Right) Sheoff Pargal, Economic Advisor, World Bank, and members Mani Khurana and Sudeshana Ghosh Banerjee, releasing a report on power sector, in Hyderabad on Monday.

unit in 2009-10 to Rs.3.39 per unit in 2011-12, and to Rs.4.25 per unit in 2012-13.

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