

Response on ARR/Tariff proposals of Discoms for 2023-24 and on Reg.no.1 of 2023 regarding automatic monthly recovery of FCA charges

TO

The Telangana State Electricity Regulatory Commission,

5th floor, Singareni Bhavan,

11-4-660, Redhills,

Hyderabad-500004

Dear Sirs

Sub : ARR/Tariff proposals of Discoms for 2023-24

Ref: public notice of Discoms published in news papers

I, S.Surya Prakasa Rao, aged 78 years, resident of Hyderabad, wish to convey my observations and suggestions as follows for consideration by the Hon'ble Commission.

1. Discoms have not proposed any increase in Tariffs except minor changes like segregating 'Wholly Religious Places' category and introducing parallel operation charges for captive generating units, etc which are not controversial in general. Thus the consumers are spared from any rate shock, while the Revenue gap with existing tariffs is indicated as Rs.3211 Crs for SPDCL and Rs.7324 Crs for NPDCL. It's expected that the State Government will grant required subsidy in exercise of its powers u/s 65 of the Act to bridge the Revenue gap and to ensure full recovery of ARR as may approved by the Hon'ble Commission.

3. I take this opportunity of public consultation process on ARR/Tariff filings to provide my observations as follows on the recently issued Reg.no.1 of 2023 on Fuel Cost Adjustment (FCA) charge which forms part of Tariff and is relevant to the Retail Tariff proceedings of 2023-24.

i). While Sec.62(4) of the Act empowers the Commissions to specify the formula for Fuel Surcharge, it is not clear whether they can permit automatic recovery without prior check and without following the procedure specified u/s 64.

ii). Though the components of the FCA formula are arithmetical in nature, the parameters for arriving at the numbers need scrutiny, i.e, coal quality w.r.t coal supply agreements, PPAs terms, load forecasts, long-term and short-term power procurement plans, demand side management, etc are involved in arriving at the value of the components. Hence it's imperative that there should be a check by the Hon'ble Commission before passing on the FCA burden to the consumers either monthly or quarterly.

iii). The Regulation no.1 of 2023 specifies automatic monthly pass through, subject to quarterly check and again annual true up. Some concerns on this Regulation are brought to kind notice of the Hon'ble Commission here under:

a). Sub-clause 12.5.2 (c) specifies that FCA shall be passed on to all categories of consumers except LT- V Agricultural. It's presumed that State government consented to grant subsidy for that category only.

b). Sub-clause 12.5.3 (e) requires Discoms to publish the FCA charges along with gist of its computation within 45 days of the end of the relevant month, failing which the claims will not be

allowed. Forfeiture of claims for delay may be **arbitrary/unfair**, especially when the FCA is to be billed in N+3rd month without prior approval by the Commission.

c). Sub-clause 12.5.5 (a) requires publication of FCA charges along with gist of computation in 5 daily News papers at huge cost which also accounts for revenue expenditure and is recoverable through Tariffs. If in a particular month the FCA charge is so meagre that it's not worth incurring expenditure for publication etc, Discoms may be given option to claim the same in the quarterly filings and the shortfall may be allowed to be recovered in the next quarter.

d). Sub-clause 12.5.2 (b) rightly specifies ceiling on FCA for automatic pass through, but 30 paise/unit appears on high side especially for subsidized domestic subcategories.

e). The amendments under para 5.1 and 5.2 on **Repeal and Savings**, may have to be inserted under a new Clause 24-A after Clause 24 of the Principal Regulation.

4. Suggestions:

Hon'ble Commission may please examine the following aspects after hearing the stakeholders during the public consultation process of the Tariff Order for 2023-24.

i). The comfort derived by Discoms in managing the working capital requirement due to automatic monthly pass through will cause undue hardship to crores of consumers and is contrary to the consumers interests mandated u/s 61(d) of the Act.

ii). The instructions issued by MOP in its letter dated 9th Nov 2021 has no sanction of law and the Rule 14 of the Electricity (Amendment) Rules, 2022 notified by Central Government on 22nd Dec 2022 is ultravires the Electricity Act 2003.

iii). If however monthly recovery is expedient, a committee comprising of consumer's organizations nominated by the Hon'ble Commission may be allowed to scrutinize the data before publication in news papers, by extending the 45 days period to 60 days.

iv). Hon'ble Commission may please take a view whether post approval quarterly adjustment can be permitted for 2023-24, in exercise of the power vested under sub-clause 24.2 of the Principal Regulation no.4 of 2005, and record the same in the Tariff Order of 2023-24.

Submitted for consideration by the Hon'ble Commission in public interest.

With High Regards,

Your Sincerely,

S. Surya Prakasa Rao

Former Director (Commercial), erstwhile APCPDCL and Former Secretary erstwhile APERC,

Flat.no.105, Ashok Chandra Enclave, 11-4-660 Redhills Hyderabad-500004

Mobile: 9392272754