

The Secretary
Telangana State Electricity Regulatory Commission
11-4-660, 5th floor
Singareni Bhavan, Red Hills
Hyderabad - 500 004

January , 2023

Respected Sir,

Sub : Further submissions on the ARR, tariff and CSS proposals of TS DISCOMs for the FY 2023-24 and their true-up claims for six years from 2016-17 to 2022-23 in OP Nos. 81 to 88 of 2022 (TSSPDCL) and OP Nos. 80 to 95 of 2022 (TSNPDCL)

Further to my submissions dated 13.1.2023 on the subject issues, am submitting the following additional points for the consideration of the Hon'ble Commission:

- 1. Both the TS DISCOMs have made claims for true up of Rs.12753.56 crores - SPDCL for Rs.9060.80 crore and NPDCL for Rs.3692.76 crores - for seven years 2016-17, 2017-18, 2018-19, 2019-20, 2020-21, 2021-22 and provisional true up for 2022-23 for their retail supply business, after adjusting the amounts shown under true-down. This net true up is after GoTS providing Rs.15,976.80 crore for both the DISCOMs – Rs.7960.89 crore towards additional support and Rs.8015.91 crore towards loss funding. The DISCOMs have not explained what these “additional support” and “loss funding” are. For the years 2021-22 and 2022-23, GoTS has not provided any additional support and loss funding. In their ARR and tariff proposals for the year 2022-23, the DISCOMs have shown an accumulated revenue deficit of Rs.36847.63 crore. It can be presumed that this accumulated revenue deficit is after adjusting additional support and loss funding claimed to have been provided by the GoTS. Even after adjusting the true-up claims of the DISCOMs for a hefty sum of Rs.12753.56 crore, the net revenue deficit would be Rs.24,094.07 crore. What are the components of this accumulated revenue gap? Are they dues to be collected from different categories of consumers, subsidy to be provided by GoTS, loans taken for non-capital expenditure, including for paying monthly salaries, or under any other heads? What is the accumulated revenue gap of both the DISCOMs as of now and under what heads? What do the DISCOMs propose to bridge the accumulated revenue gap?**
- 2. The substantial growth in generation capacity added, transmission and distribution network expanded and strengthened and increasing per capita consumption of power, after formation of the state of Telangana notwithstanding, this precarious financial situation shows the kind of crisis into which TS DISCOMs have been plunged. Since the DISCOMs have not proposed any tariff hike for the year 2023-24, obviously, at the behest of the GoTS, keeping in view pre-election period, the projected revenue gap of Rs.10535.00 crore for the year 2023-24, is supposed to be bridged, by implication, with subsidy to be provided by the GoTS. In the background of this abnormal accumulated revenue gap, imposition of an abnormal additional burden of Rs.6078.73 crore under tariff hikes for the year 2022-23,**

projected revenue gap of Rs.10535 crore for 2023-24, true-up claims for retail supply business for a period of seven years of Rs. 12753.56 crores, and true-up claims of the DISCOMs for their distribution business of Rs.4092.23 crores already pending before the Hon'ble Commission for its consideration with public hearing on the same concluded, one has to understand the seemingly irretrievable financial chaos into which the power sector in the state has been plunged. Ever-increasing burdens on consumers of power in terms of tariff hikes, true-up claims and other items like collection of additional developmental charges, substantial subsidy, additional support and loss funding being provided by the GoTS, and abnormal revenue gaps getting accumulated reflect utter mismanagement of the power sector in the state, notwithstanding a chief minister, who assumes airs of omniscience, and financial wizards and technical and engineering experts heading the power utilities of the GoTS steering it. The anarchy of keeping TSERC defunct for a period of nearly one year, by keeping the posts of Chairman and Members vacant, non-submission of ARR and tariff proposals for a period of three consecutive years ending 2021-22, deficiencies and inefficiencies in the functioning of the power utilities of the government, including non-collection of dues of power bills of the consumers, both governmental and non-governmental, and the kind of regulatory exercises being undertaken by the Commission, to some extent, have added to the crisis. Above all, it is the pro-corporate and anti-people policies and reforms being imposed by the Modi government on the states, without itself taking any responsibility and accountability for the disastrous consequences that have been arising as a result of implementing its diktats, that have been responsible for the irretrievable crisis the power sector finds itself in, as already explained in our earlier submissions on the subject issues and submissions made on ARR and tariff proposals of the TS DISCOMs for the year 2022-23 and during various public hearings being conducted by the Hon'ble TSERC. All the claims of the Bharat Rashtra Samithi government on strengthening and expanding generation, transmission and distribution networks in the state, ensuring continuous supply of power to consumers, free supply of power to agriculture throughout the year, limited free supply of power to some of the categories of consumers and subsidised supply to some of the other consumers cannot hide, much less justify, the kind of disastrous situation the power sector in the state finds itself in.

3. For the year 2022-23, the TS DISCOMs have shown that energy dispatched would be 74075 MU against 78274 MU approved by the Commission. Though the energy dispatch is estimated to come down by 4199 MU or 5.36%, the cost of power purchase is estimated to increase from Rs.35153 crore approved by the Commission to Rs.36035 crore. It works out to an increase by Rs.882 crore or 2.51%. With decrease in dispatch of energy, the overall cost of power purchase should have come down. Though fixed cost for purchasing the power is projected to come down from Rs.14376 crore approved by the Commission to Rs.12467 crore, due to reduction in quantum of power purchased, variable cost is estimated to increase from Rs.20759 crore approved by the Commission to Rs.23413 crore. The following points, among others, need to be examined:

- a) The DISCOMs have explained that variable cost is increasing due to increase in cost of coal, freight charges, royalty and levy of green cess, without giving details of when such increases have taken place and the extent of their impact on variable costs.
 - b) For the fixed cost of Rs.1331 crore, the DISCOMs could get 5443 MU instead of 3719 MU from the hydel projects of APGENCO.
 - c) Though the DISCOMs have projected market purchases to increase from 2172 MU approved by the Commission to 4481 MU, with an estimated increase in variable cost from Rs.716 crore to Rs.2948 crore, they have not given details such purchases source-wise and price-wise. Price of market purchases is estimated to increase from Rs.3.29 per unit estimated by the Commission to Rs.6.58 per unit. It is not made clear whether the DISCOMs have obtained prior consent of the Hon'ble Commission to purchase additional power from the market at higher prices.
 - d) The DISCOMs have shown miscellaneous cost of Rs.105 crore, without giving details thereof.
 - e) The DISCOMs have shown that the cost of power purchase would increase to Rs.41,066 crore, including distribution losses approved and transmission charges. They have not given details of the transmission charges and inter-state transmission charges to be paid to PGCIL source-wise. They have also not given details of amounts reimbursed or to be reimbursed by TS TRANSCO and PGCIL for the increase in market purchases made by the DISCOMs.
 - f) Though the DISCOMs have maintained that the actual energy dispatched for 2022-23 would be 6% higher than previous year and is following a similar trend of the previous years, viz., 2019-20, 2020-21 and 2021-22, it is obvious that growth rate in demand for power for 2022-23 is overestimated. Though the DISCOMs have maintained that the reduction in dispatch is due to the lower sales recorded in H1 of FY 2022-23, especially in HT IV lift irrigation schemes category, the details of the same are not given.
4. The DISCOMs have submitted that inter-state sale of surplus power is estimated to be 1674 MU against 5060 MU approved by the Commission and the total variable cost would be Rs.1141 crore against Rs.1619 crore estimated by the Commission. While inter-state sale of surplus power is estimated to be lesser by 66.91%, the estimated revenue from variable cost is estimated to be lesser by 29.52%. Even in a situation of scarcity for power and prices of power in the market and through power exchanges tending to be very high due to artificial scarcity for domestic coal created and import and utilisation of costly imported coal forced on thermal power plants by the Modi government, that the inter-state sale of surplus power by TS DISCOMs is estimated to be lesser by 66.91% shows that most of the surplus power available has been during off-peak hours and cannot be sold in the market.

5. The DISCOMs have not given revised estimation of availability of surplus power and fixed charges to be paid for backing down the same during 2022-23. Moreover, this situation underlines imbalance between power mix and fluctuating demand curve, even after making a provision for availability of surplus power due to technical constraints in the present power system. The DISCOMs have not given details of thermal power being backed down in order to purchase must-run RE and NCE and the fixed charges being paid for such a backing down.
6. The benefits of lesser purchase of power and higher availability of hydel power, have been eroded substantially due to higher purchases in the market at higher prices and paying transmission charges to TS TRANSCO and PGCIL for the contracted capacities remaining under-utilised. While TSNPDCL has sought a true-down of Rs.369.10 crore, TSSPDCL has sought a true-up of Rs.1270.39 crore provisionally for the year 2022-23. This proposed burden on the consumers has to be seen in the background of the burden of Rs.6078.73 crore imposed on the consumers under tariff hikes for the year 2022-23. In the absence of required details, it is not possible to ascertain veracity and permissibility or otherwise of the claims of the TS DISCOMs, especially of SPDCL for its claims for provisional true-up for 2022-23.
7. In their ARR submissions for 2023-24, the DISCOMs have not explained as to why net availability from Chattisgarh Power Distribution Company Limited (CSPDCL) has been so low at a PLF of 19% for 2021-22, 31% PLF for 2022-23 and how is it projected to be 78% PLF for 2023-24. In response to the queries of the Hon'ble Commission, TSSPDCL has submitted that the actual power purchased by TSDISCOMs from CSPDCL for FY 2021-22 is 1631 MU(availability of 19%) and for H1 2022-23 zero. However, for H2 of FY 2022-23, the estimated power purchase is shown as 2713 MU (31%), under the assumption that the disputes will be resolved by then. A quantum of 6825 MU (78%) is projected for 2023-24. The Hon'ble Commission has directed that - "Reasons for lesser energy availability from CSPDCL, details of fixed charges claimed, payment made by Discoms and action initiated against CSPDCL as per the provisions of PPA, if any, regarding lower availabilities may be submitted." The TSSPDCL has explained that, against the lesser availability of power declared by CSPDCL to TSDISCOMs for 2020-21 (39.67%) and for 2021-22 (19.71%), with claims of fixed charges of Rs.828.31 crore and Rs.394.98 crore, respectively, letter are being addressed to CSPDCL every month regarding uneven and irregular scheduling of power along with discrepancies noticed in the invoices, i.e., requesting not to claim trading margin as mutually agreed between the parties during the meeting held on 14.2.2017 and not claim other incidental charges till the finalization of the appeal No. 391/2018 filed by TSDISCOMs at APTEL against CSERC order on determination of capital cost of Marwa TPP and final consent to PPA and tariff by TSERC. The DISCOM has further informed that, TSDISCOMs informed CSPDCL, at a high level meeting held on 4th and 5th October, 2021, that necessary measures are being taken up to clear the undisputed dues (i.e, scheduled energy at provisional tariff of Rs.3.90/Kwh

as per TSERC interim order dated 31.3.2017) “in a phased manner.” While TS DISCOMs maintained that the difference in the outstanding amount as per their claims and those of CSPDCL needs to be clarified and reconciled subject to outcome of the appeal pending before APTEL/TSERC. In its invoice dated 23.9.2022, CSPDCL has claimed Rs.3576.89 crore pending upto 3.6.2022 under LPS Rules-2022, and TSDISCOMs in their letter dated 11.10.2022 have informed CSPDCL that Rs.2100 crore of dues have been considered by them under LPS rules-2022. TSSPDCL have explained that, “as the entire undisputed outstanding amount along with surcharge has been covered by TSDISCOMs under the LPS-Rules 2022, CSPDCL was requested to resume scheduling of 1000 MW contracted capacity to TSDISCOMs immediately, as curtailing the contracted capacity is causing uncertainty in Telangana State Grid operation apart from rendering huge financial loss by way of additional market purchases and by way of payment of POC charges to CTU for the full contracted capacity. But, CSPDCL still Scheduling Zero energy to TSDISCOMs.” In other words, till the issues pending before APTEL/TSERC are resolved, in favour of, or against, TS DISCOMs (with scope for further appeals), even if CSPDCL does not supply power contracted, TSDISCOMs do not seem to be capable of doing anything, except “facing huge financial loss by way of additional market purchase and by way of payment of POC charges to CTU for the full contracted capacity.” When this issue came for public hearing, GoTS, the DISCOMs and the then TSERC did not pay heed to the objections raised and suggestions made by objectors, including this objector, cautioning about the serious risks involved on a long-term basis in entering into an agreement with CSPDCL in the manner proposed and submitted to TSERC. Unable to wriggle out of their predicament, the DISCOMs have been forced to resort to legal recourse against the adverse consequences that have been arising as a result of the imprudent manner in which the entire transaction took place, because of, or despite, the direct involvement of the Hon’ble Chief Minister in the issue. How much was the penalty paid by the DISCOMs to the CTU for cancelling the additional 1000 MW transmission capacity contracted by them and under what head the DISCOMs have shown the penalty amount?

8. The annexures claimed to have been submitted by TSSPDCL along with its additional information to the Hon’ble Commission are not available in the web site of the latter. Nor are they available on the web site of TSSPDCL.
9. The Hon’ble Commission has issued Regulation No.1 of 2023 - Third Amendment to (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation No.4 of 2005. Though it is a matter relating to tariffs to be paid by the consumers, the Hon’ble Commission has simply invited suggestions and objections from interested public to the draft uploaded in its website, has not held any public hearing, despite requests made by objectors, and has issued the amended regulation, without making objections/suggestions of the objectors and the responses of the Commission to the same public, as if the regulatory process pertaining to the issue were a mere formality, without ensuring transparency, accountability and public participation. Generally, regulations and amendments thereto are being issued by the ERCs after holding public hearings.

10. The mechanical approach with which the DISCOMs are permitted to levy a maximum amount of FCA charges of Rs.0.30 per unit (in kWh) on the consumers as per Regulation No.1 of 2023 under FSA-FCA, without the prior approval of the Commission, and treating cost of power purchase as “uncontrollable” is too sweeping. With this amendment, monthly additional burdens are going to be imposed on the consumers, with scope for true-down being a very rare.

1. We request the Hon’ble Commission to permit us to make further submissions, during public hearings on the subject issues, after receiving and studying responses of the DISCOMS.

Thanking you,

Yours sincerely,

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