



Ref No. IEX/RA/102/22-23

Date: 31<sup>st</sup> Jan. 2023

To,

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

**Sub:** Comments/ Suggestions on Determination of the Aggregate Revenue Requirement (ARR) for Retail Supply Business for FY 2023-24 by the Telangana Distribution Licensees- Southern Power Distribution Company of Telangana Ltd (TSSPDCL) and Northern Power Distribution Company of Telangana Ltd (TSNPDCL)

Dear Sir,

With reference to public notice inviting comments of the stakeholders on the Tariff Petition filed by Telangana Discoms before Hon'ble Telangana State Electricity Regulatory Commission (TSERC) for determination of Aggregate Revenue Requirement (ARR) for Retail Supply Business for FY 2023-24, we enclose herewith our comments on the subject Tariff Petition of Telangana Discoms.

The Hon'ble Commission is requested to consider our views while computing the Aggregate Revenue Requirement and Tariff Structure.

Yours Sincerely,

**Jogendra Behera**

Vice President- Market Design & Economics

Email: [iex-ra@iexindia.com](mailto:iex-ra@iexindia.com)

**Copy to:**

1. The Chief General Manager (RAC), Southern Power Distribution Company of Telangana Ltd (TSSPDCL), Corporate Office, A Block, First Floor, Mint Compound, Hyderabad- 500063
2. The Chief General Manager (IPC & RAC), Northern Power Distribution Company of Telangana Ltd (TSNPDCL), H.No. 2-5-31/2, Vidyuth Bhavan, Nakkalagutta, Hanumakonda- 506001

1. The Distribution Licensees of the state of Telangana viz. Southern Power Distribution Company of Telangana Ltd (TSSPDCL) and Northern Power Distribution Company of Telangana Ltd (TSNPDCL) (hereinafter referred to as 'TSSPDCL and TSNPDCL' or collectively as 'Licensees' or 'Petitioners' or 'Discoms') have filed the present Petitions before the Hon'ble Telangana State Electricity Regulatory Commission (hereinafter referred to as 'Hon'ble Commission') for determination of Annual Revenue Requirement for FY 2023-24 in accordance with the provisions of TSERC Tariff Regulations.
2. IEX is submitting its views and observations on the Tariff Petition filed by the Discoms in subsequent paragraphs.

## **I. Computation of CSS**

### **A. Restricting CSS to 20% of ABR**

- i. The Petitioner in the present proposal has requested the Hon'ble Commission not to restrict the CSS to 20% of tariff payable by the consumer as the tariffs are not within +/- 20% of Average Cost of supply.

*“8.2.3 The “Consultation Paper on Issues pertaining to Open Access, Aug'17” issued by MoP, Gol highlighted the issue of limiting the CSS to 20% of tariff applicable to the consumer category which is presented below:*

*“The Tariff Policy 2016 mandates SERCs to determine roadmap for reduction of cross subsidy and bring tariff at +/- 20% Average Cost of Supply, however it restricts Cross Subsidy Surcharge at 20% of the consumer tariff. In case the consumer tariff is more than 120% of Average Cost of Supply, DISCOM will not be able to recover losses through cross subsidy surcharge in case consumer opts for open access. It is essential for SERCs to implement both Para 8.3 -2 and First proviso to para 8.5.1 of the Tariff Policy 2016 simultaneously. If one of the provision could not be implemented due to some reason, the second provision should also not be implanted to that extent”.*

*8.2.4. Hence, the licensee humbly requests the Hon'ble Commission not to restrict the Cross-Subsidy Surcharge at 20% of tariff payable by the consumer as the tariffs are not within +/-20% Average Cost of Supply.”*

- ii. It is submitted in this regard that CSS is to be restricted to 20% of the Average Billing Rate (ABR) in terms of clause 8.5 of the Tariff Policy. Further, from para 8.3 of the Tariff Policy 2016, it is evident that the cross subsidies in the tariff need to be brought within +-20% of the Average Cost of Supply (ACoS). Apparently, the tariff policy provided a much higher ceiling of 20% of ABR in para 8.5.1 in the determination of the CSS, while it should be capped to 20% of the ACoS itself. **Infact, the Hon'ble Ministry of Power has amended the Electricity Rules,**

**2005, and notified the Electricity (Amendment) Rules, 2022 on 29.12.2022. The Ministry in the notified Rules has capped the surcharge on open access at 20% of the Average Cost of Supply. Since the tariffs are being set with reference to the ACoS, the Hon'ble Commission is requested to cap the surcharge on open access with reference to the ACoS, in line with the Electricity (Amendment) Rules, 2022.**

## **II. Short term procurement/sale through IEX**

### **A. Power Purchase from Market/ Short-Term**

- i. It is to bring to the kind notice of the Hon'ble Commission that the Distribution Licensees now have the option to trade power at our platform for delivery of conventional and non-conventional power upto 90 days of trade.
- ii. The Hon'ble CERC vide Order dated 7th June 2022 allowed IEX to trade power on its platform for delivery upto next 90 days. These contracts allows the participants to contract power sale or purchase for the near future at competitive prices. IEX introduced 4 products under this segment namely, Daily Contracts, Weekly Contracts, Monthly Contracts and Any Day Single Sided Contracts (Reverse Auction).
- iii. We request the Hon'ble Commission to consider and approve the products available in the short term market for optimising power purchase costs through sale of surplus power and power purchase to meet the deficit requirements of the Discoms.

### **B. Renewable Energy and REC trade at Market**

- i. The Hon'ble CERC has recently notified REC Regulations 2022 wherein the energy sold by RE capacity registered under REC mechanism in any conventional market (DAM/RTM/ TAM) at Power Exchange shall be eligible for issuance of RECs and in case the energy is sold in the Green Market (for fulfilment of RPO by the buyers) by such RE capacity then no such RECs will be issued against such energy sold in the Green Markets at Power Exchanges. Additionally, the Discoms can seek RECs for their RE consumption in excess of the targets. Therefore, as against the earlier practice, the new regulations provide complete flexibility in so far as the fulfilment of RPO and issuance of REC is concerned.

- ii. In view of the above, the Hon'ble Commission may allow an explicit provision to the Discoms for sale and purchase of RE power through conventional/ green market. The Hon'ble Commission may also allow the Discoms to take benefit of the flexibility of the RE market at the power exchange for sale of surplus RE power (if any) beyond the RPO target.

**C. Alignment of RPO Regulations with MOP trajectory dated 22.07.2022**

It is submitted that the current RPO trajectory followed in the state is governed under the TSERC Renewable Power Purchase Obligation (Compliance by Purchase of Renewable Energy/Renewable Energy Certificates) Regulation, 2022 notified by the Hon'ble Commission on 01.04.2022. Thereafter, the Ministry of Power issued revised trajectory allowing complete fungibility of solar and wind power vide notification dated 22.07.2022. The REC Regulations 2022 issued by the Hon'ble CERC have also introduced a single REC with technology based multiplier. Since the current RE market at the Power Exchange as well the REC market is undergoing transition in alignment with the above significant changes, we request the Hon'ble Commission to amend the RPO regulations to consider the trajectory notified by the Ministry of Power on 22.07.2022.

We accordingly request the Hon'ble Commission to consider our suggestion while finalising the Petitions.