The Secretary
Telangana State Electricity Regulatory Commission
11-4-660, 5th floor
Singareni Bhavan, Red Hills
Hyderabad - 500 004 **January 13, 2023**

Respected Sir,

Sub : 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)

With reference to the public notices dated 21.12.2022, inviting suggestions, objections and views on the subject petitions, am submitting the following points for the consideration of the Hon'ble Commission:

1. **WHAT DO THE TS DISCOMS PROPOSE TO BRIDGE THE PROJECTED REVENUE GAP? : The two TS DISCOMs have shown their revenue requirement, revenue at current tariffs (including non-tariff income), tariff proposals and revenue gap (in Rs.crore) for the year 2023-24, after adjusting the estimated revenue from non-tariff income, cross subsidy surcharge and grid support charges, as shown hereunder:**

DISCOM	ARR	Revenue at current tariff	Revenue gap
TSSPDCL	36963	33521.34	3211.00
TSNPDCL	17096	9737.70	7324.00
Total	53059	43259.04	10535.00

While the DISCOMs have not given the financial impact of tariffs proposed for LT & HT wholly religious places, green tariff, parallel operation charges/grid support charges, etc., the proposal of the DISCOMs not to hike tariffs for all other categories of consumers is welcome. At the same time, the DISCOMs have shown a revenue gap of Rs.10535 crore - Rs.3211 crore by SPDCL and Rs.7324 crore by NPDCL - without any proposals and explanation as to how do they bridge it. It is the responsibility of the DISCOMs to explain as to how they propose to bridge the projected revenue gap for the next financial year, as a part of meeting regulatory requirements. Experience confirms that the DISCOMs are submitting their ARR and tariff proposals annually, after getting nod from the GoTS. Therefore, both the GoTS and the DISCOMs must have prior understanding on how to bridge the projected revenue gap.

2. **FACTORS THAT NEED TO BE TAKEN INTO ACCOUNT BEFORE FINALISING RSTO TO AVOID TURE-UP BURDENS LATER : Due to various factors that may come into play after Retail Supply Tariff Order (RSTO) is issued**

or are not taken into consideration before and at the time of finalising RSTO, revenue gap of the DISCOMs in the FY 2023-24, as has been the experience over the years, may turn out to be more or less than what the Hon'ble Commission determines, depending on the nature and impact of such factors. The additional revenue gap, if any, will crop up and the DISCOMs would claim the same under true-up/true-down later. Experience is confirming that the amounts being claimed for true-up are turning out to be several times higher than the total impact of annual tariff hike, except the abnormal hike of Rs.6078.73 crore for the year 2022-23. We request the Hon'ble Commission to take into consideration the following factors also while determining revenue requirement and revenue gap of the DISCOMs and finalising RSTO:

a) If the subsidy the GoTS is agreeing to provide is not sufficient to bridge the determined revenue gap of the DISCOMs, after taking all relevant factors and impact of the proposed tariffs into account, we request the Hon'ble Commission not to treat the balance revenue gap as a regulatory asset. It is for the DISCOMs to propose how they would bridge that balance revenue gap. In view of their proposals, there would be no justification in requesting for and treating the balance revenue gap as a regulatory asset to be recovered from the consumers in future. Moreover, there has been no instance of treating revenue gap as a regulatory asset for any FY since the inception of TSERC.

b) We once again request the Hon'ble Commission to get the commitment of the GoTS on providing subsidy in a legally binding manner. Also, it should be made clear to the GoTS that, when true-up claims come up for the FY 2023-24, it should provide additional subsidy proportionately to the fully subsidised consumers, i.e., the additional cost incurred by the DISCOMs for supply of power as determined in the RSTO plus full additional cost incurred for purchasing and supplying additional power exceeding the quantum determined by the Commission in the RSTO. Also, GoTS should provide additional subsidy required for supply of power made to partly subsidised consumers also. These should be made an integral part of the commitment of GoTS for providing subsidy in a legally binding manner. The DISCOMs have not revealed whether there are any dues of subsidy from the GoTS pending. The pending dues, if any, of subsidy doubly emphasize the need for getting a legally binding commitment from the GoTS for providing subsidy. In view of the compulsion of the DISCOMs to go in for borrowing additional working capital or other loans, they may be constrained to claim interest thereon for a considerably longer period under true-up or else, they have to bear that amount thereby incurring losses or decrease in their permissible profits. If such interest burdens are allowed by the Commission under true-up, the consumers will be penalised for their no fault, but for the failure of the GoTS in honouring its commitment to provide agreed subsidy in time. Therefore, we request the Hon'ble Commission to stipulate in a legally binding manner that, if the GoTS fails to provide the committed subsidy for the FY concerned in time, it should pay interest thereon for the delayed period in tune with the interest the DISCOMs have to pay for additional

borrowings arising as a result of the said failure of the GoTS. We request the Hon'ble Commission not to direct the DISCOMs to collect charges as per cost of service from the consumers concerned, if GoTS fails to provide a part of subsidy it committed to provide in a FY, as it did in the past. Such an approach of the Commission shows lack of sanctity to the commitment given by GoTS and its unenforceability.

c) **Apart from the huge revenue gap, the DISCOMs have shown availability of net surplus power to the tune of 13441 MU for the year 2023-24, after inter-DISCOM transfer of power, against the projected requirement of 83113 MU. We request the Hon'ble Commission not to determine the surplus power to be sold and the likely revenue that would accrue on account of such sale to the DISCOMs for the purpose of determining revenue requirement and revenue gap of the DISCOMs. Determining surplus power to be sold by the DISCOMs and the rate at which it is to be sold and adjusting the estimated revenue from the proposed sale of surplus power from the total power purchase cost may lead to revenue gap, need for tariff hike or subsidy from the GoTS, or both, coming down proportionately. Needless to say, sale of surplus power by the DISCOMs depends on market trends, not on the directions of the SERCs. Surplus power, as per merit order dispatch, is always with higher variable cost. Being must-run units, purchases from hydel, NCE and RE units and thermal units with lowest variable costs as per merit order should be made and that power has to be supplied to the consumers, not sold in the market as surplus power. Selling costly surplus power at lower than the purchase price, naturally, leads to loss. For the reasons of "commercial principles," if the DISCOMs cannot sell surplus power profitably, or at least, without loss, in the FY concerned, the estimated revenue from sale of surplus power will not accrue to the DISCOMs. If the estimates of surplus power to be sold and revenue that would accrue to the DISCOMs therefrom turn out to be realistic and are materialised for the FY concerned, there would be no problem. If the same turn out to be unrealistic and are not materialised, fully or partly, for the FY concerned, it will have complications. Such unrealistic determination/estimation, in the first place, gives the false impression that need for tariff hike or subsidy from the GoTS, or both, is avoided proportionately by reducing the estimated revenue on sale of surplus power from the revenue requirement of the DISCOMs for the FY concerned, at the time of finalising and issuing the RSTO, but, in practice, it will crop up in the form of revenue gap and true-up claims for the same FY later. Such unrealistic determination/estimate, even if not intentional, leads to consequences which are in the nature of miscalculations. If non-realisation of the estimated revenue from sale of surplus power by the DISCOMs is treated as "uncontrollable" and allowed to be imposed on the consumers under true-up, there will be no accountability and responsibility on the part of those who determined sale of surplus power and those who failed to sell the same. When such determination/estimation is made and taken into account in the RSTO concerned, it should be considered as a "controllable" factor. Experience has confirmed repeatedly that determination of the quantum of surplus power to be**

sold and revenue that would accrue on account of the same in advance is unrealistic, because ever fluctuating market conditions cannot be determined in advance and the costs of surplus power with higher variable components are relatively higher. As such, sale of surplus power is always in the realm of speculation. The Hon'ble Commission has directed the DISCOMs that, "the DISCOMs have not projected any revenue from sale of surplus power for FY 2022-23 and submitted that the cost of such additional purchases is expected to be higher than the revenue from sale of surplus energy. The DISCOMs have submitted the month wise details of quantum of energy sold along with corresponding tariffs for the period from FY 2015-16 to FY 2021-22. Based on the analysis of the same, the Commission has considered the tariff of Rs.3.20/kwh for sale of surplus energy. Accordingly, the revenue from sale of surplus energy has been adjusted from the total power purchase cost" **(page 131 of RSTO for FY 2022-23). Accordingly, for the year 2022-23, the Hon'ble Commission has considered a sale of surplus power of 5059.81 MU and accrual of revenue thereon as Rs.1691.14 crore. Against the determined average cost of power purchase per unit for 2022-23 of Rs.4.49, selling surplus power @ Rs.3.20 per unit results in a loss of Rs.1.29 per unit or Rs.652.71 crore on sale of 5059.81 MU. Since surplus power is with higher variable costs, the lost on account of selling it @ Rs.3.20 per unit will be much more. For the year 2022-23, SPDCL has shown sale of surplus energy of 1181 MU at a variable cost of Rs.805 crore, while NPDCL has shown sale of surplus energy of 493 MU at a variable cost of Rs.336 crore. For the year 2023-24, the DISCOMs have not proposed any sale of surplus power; they have submitted that they have** "not considered any sale of surplus power, as the cost of such additional purchase is expected to be higher than the revenue from sale of surplus power."

d) **The estimated availability of surplus power to the tune of 13441 MU for the FY 2023-24, if materialised, would entail its backing down and paying hefty fixed charges therefor. For working out revenue requirement and revenue gap of the DISCOMs for the FY concerned, fixed costs that need to be paid for backing down thermal power, which is shown as surplus power available as per applicable PLF/CUF of the plants concerned under PPAs in force, should also be taken into account. Let it be worked out and shown separately for the FY 2023-24. Otherwise, such expenditure for paying fixed costs for deemed generation would be shown as additional revenue gap later and the DISCOMs would claim it under true-up to be collected from consumers. The DISCOMs have to explain whether the fixed costs shown by them for the quantum of power to be generated at threshold level of PLF of the plants concerned, or for the quantum of power purchase shown in their submissions for 2023-24. While the quantum of purchase as revised for FY 2022-23 is shown as 53415 MU, fixed cost paid is shown as Rs.8895 crore by SPDCL. The same for the FY 2023-24 is shown as 59020 MU and fixed charges as Rs.12023 crore, respectively. While quantum of power purchase increased by 10.49%, the fixed cost of power purchase increased 35.17%. Similarly, NPDCL has shown quantum of power purchase for 2022-23 as 20662 MU and fixed costs as Rs.3702 crore. For 2023-24, it has projected the**

same as 24093 MU and Rs.5019 crore, respectively. While the quantum of power purchased increased by 16.60%, the fixed cost of power purchase increased by 35.57%. Dispatch of thermal power for both the DISCOMs from TS Genco increases from 24664 MU for 2022-23 to 29321 MU for 2023-24, and fixed cost increases from Rs.1212 crore to Rs.1671 crore, i.e., increases by 18.8% and 37.87%, respectively. Similarly, despatch from CGS stations shows increase from 16856 MU to 23279 MU, and fixed charges increase from Rs.2156 crore to Rs.3986 crore, i.e., increases of 38% and 84.88%, respectively, for the same periods. The DISCOMs have simply stated that they have taken "the projections as provided by the respective stations" for fixed costs. Compared to increase in quantum of power, what are the reasons for such abnormal increases in fixed costs? Moreover, backing down of thermal power stations should not exceed the number of backing down orders and generation capacity as incorporated in the PPAs of the plants concerned for technical reasons or Grid code. Accordingly, after limits of backing down thermal power stations are exhausted, if surplus power is still available, the turn of NCE/RE units would come for backing down, of course, without paying fixed charges therefor as per the terms and conditions in their PPAs. If such a situation arises, we request the Hon'ble Commission to direct the DISCOMs to back down NCE/RE units starting with units having highest tariff in the descending order.

e) **The Hon'ble Commission has approved energy availability of 82492.57 MU, requirement of 78274.05 MU and energy surplus of 4218.15 MU for the FY 2022-23. However, the DISCOMs have shown revised estimates of availability of 79222 MU, requirement of 74076 MU and surplus of 5146 MU for the FY 2022-23. What would be the availability of surplus power by the end of the current financial year is yet to be seen.**

f) **The DISCOMs have been purchasing power through power exchanges and open market as and when they consider it necessary to meet demand. Sometimes, it is taking place by backing down thermal power in order to purchase must-run renewable energy under PPAs in force, imposing dual burdens on the consumers in the form of paying higher tariffs for renewable/non-conventional energy and in order to purchase the must-run power, backing down thermal power and paying fixed charges therefor, i.e., for power which is neither generated, nor purchased, nor supplied, nor consumed. Such anarchic situation is arising as a result of hasty and imprudent policies and directions being imposed on the States and SERCs by the GoI, decisions taken, approved and implemented for purchasing unwarranted renewable energy which cannot meet peak demand, daily or seasonal. There are several absurdities that are taking place under the reform process being thrust in the power sector by the GoI, RPPO and must-run status to NCE/RE units being part of such absurdities. Treating variations in power purchase costs that take place as a result of entering into PPAs indiscriminately and consents given to the same, without carefully considering fluctuating demand curve and need to maintain harmonious power mix to suit the same to the extent practicable, as "uncontrollable" means taking imprudent**

decisions, entering into questionable PPAs and giving consents to the same as unquestionable, without any responsibility and accountability on the part of the authorities concerned at the central and state level for their questionable actions and inactions. It is nothing but treating controllable factors as "uncontrollable," leading to imposition of unjust and avoidable burdens on the consumers of power under true-up claims, thereby penalising them for their no fault. Regulating power purchases in a prudent manner is within the purview of the Hon'ble Commission as a part of its regulatory process by giving or rejecting consents to power purchase agreements by taking a holistic view of demand, availability of power under PPAs in force at threshold levels of PLF/CUF, power to be available from power plants of TS GENCO under execution, RPPO, scope for availability of power from other sources at relatively lower tariffs, need for determining minimum percentage of renewable power to be purchased by the DISCOMs under RPPO prudently, if the system of RPPO is not dispensed with, need for addition of generation capacity periodically in tune with fluctuating and growing demand for power, ideal power mix to the extent practicable to be in tune with demand curve, periodical review and appropriate modification required of load forecast and procurement plans, prudent practices to be adopted by the DISCOMs to purchase power through real competitive biddings, leaving no scope for manipulations in terms and conditions of bids, dispensing with the system of determining generic tariffs for non-conventional and renewable energy, availability of some surplus and need for purchasing power from exchanges and market at the same time for a very limited time due to inherent limitations in generation capacities and meeting peak demand with those generation capacities, etc. There are several other issues that need to be rationalised and modified to ensure reasonable avoidance of additional burdens on the consumers which fall within the policy approaches of the central and state governments and regulations and practice of the regulatory commissions.

g) **The Hon'ble Commission has been issuing annual retail supply tariff orders wherein availability and requirement of power for different categories of consumers during the financial year concerned are being estimated after considering the projections made by the DISCOMS in their applications and submissions of the objectors. In practice, availability and the quantum of sale of power determined accordingly may turn out to be more or less depending on fluctuating generation and requirement of power by consumers at large. When demand exceeds availability of power determined by the Commission, the DISCOMs resort to purchase of additional power from the exchanges and market to the extent required. For making such additional purchases of power, the Hon'ble Commission has been determining an upper limit of cost per kwh in its annual retail supply tariff order. It is because, in the name of ensuring uninterrupted supply of power, the DISCOMs are not allowed to purchase power at any cost and any time and impose unjust and unwarranted burdens on the consumers by paying exorbitant costs for purchasing additional power. For the FY 2022-23, the DISCOMs have shown short-term market purchases of 5159 MU and payment of variable costs of Rs.2989 crore. For the year 2022-23, the**

Hon'ble Commission has not shown any requirement of purchase of power on short-term basis in the market. On the other hand, the Hon'ble Commission has taken into account sale of surplus power to the tune of 5059.81 MU and accrual of variable costs revenue therefrom of Rs.1619.14 crore. But, both the DISCOMs have shown sale of surplus power for 2022-23 as 2410 MU and accrual of variable costs revenue therefrom of Rs.1395 crore. On the one hand, the DISCOMs have shown revised estimate of availability of surplus to the tune of 5146 MU and short-term purchases of 5159 MU for 2022-23, on the other hand. Is the revised estimate of surplus power inclusive of power sold outside? Why this dichotomy and imbalance? Since the Hon'ble Commission has not approved any short-term purchases for the year 2022-23 and fixed upper limit of price for such purchases, have the DISCOMs taken prior permission of the Commission for short-term purchases and the upper limit of price at which such purchases are to be made? They have shown the average variable cost per unit of Rs.7.07 for short-term purchases during 2022-23. What is the quantum of thermal power backed down during 2022-23 and the fixed costs paid therefor? What are the tariffs at which the DISCOMs have purchased power under short-term arrangement, month-wise and source-wise per unit? What is the revenue accrued, including fixed charges, on sale of surplus power by the DISCOMs per unit?

h) **If it is to ensure due compliance with the power for all 24x7 policy of the Ministry of Power, GoI, in which state governments, including GoTS, continue to participate, in all fairness, the additional expenditure incurred by the DISCOMs to purchase power in the market for the said purpose should be provided by the MoP, GoI, and GoTS to the DISCOMs. Elementary common sense, in the light of the pro-corporate and anti-people policies of the Modi government and as a result the innumerable burdens being imposed on the people at large, severely affecting their purchasing power and living standards, tells us that the policy of power for all continuously, though apparently projected to meet demand of the consumers, is really intended to serve interests of generators and traders of power who sell their power in the market. The GoI is simply not bothered about capacity of consumers to pay for such high-cost power, how should the DISCOMs ensure implementation of the said policy of power for all continuously, who should bear the additional heavy burdens of cost of such power purchases, whether such purchases should be made at any cost and any time for the said purpose, to what extent its failures of commission and omission like failure to ensure supply of fuels like coal and natural gas allocated by it to the power plants concerned and regulation of their prices, imposition of obligations on the DISCOMs under the outdated RPPO, etc. Because of the failure of the GoI in ensuring supply of coal as per allocations made by it to thermal power plants in the country, there has been artificial scarcity for coal and underutilisation of generation capacities of thermal power plants, leading to scarcity for power. The GoI compelled Coal India Limited to import coal to supply it to the thermal power plants and forced the States to take the same. As a result, cost of power in the market escalated to as a high as Rs.20 or even more**

for kwh, and generation of thermal power using high-cost imported coal, fully or partly, led to increase in the cost of such thermal power. This is despite CIL and other coal companies having surplus funds, technology and manpower and copious deposits of coal to produce required coal, on the one hand, and auctioning coal for a premium, on the other. Creating artificial scarcity for indigenous coal, leading to scarcity for power in the country, and in the name of overcoming such a problem created by itself, the Modi government forced import of coal, thereby serving the interests of sellers of power in the market, on the one hand, and of coal companies owned by Indian corporate houses like Adani group abroad, and imposed avoidable hefty burdens on the consumers of power in the country. Having imported coal, which is not its business, CIL has been saddled with the same unable to shift it from ports, unable to find takers for it, it is widely reported. Later, the GoI withdrew its order in the month of August, 2022, for import of coal, after serving the interests of Indian corporate houses by giving them orders through the CIL for importing coal from their coal mines abroad. It is also widely reported that, even while forcing the state governments to use imported coal for generation of power in their thermal plants, the Modi government did not direct private corporate houses like Adani and Tata to use imported coal in their thermal power plants at Mundhra in Gujarat. A lot has been discussed and reported widely in the media on these issues. It is these deliberate failures of commission and omission of the Modi government that have led to abnormal hike in prices of power in the market and of thermal power generated using imported coal, imposing hefty burdens on consumers of power. With its incorrigible anti-people and pro-corporate policy approaches and practice, the Modi government is adamently refusing to take responsibility for the same and compensate the states to avoid the additional burdens being imposed on the consumers of power as a result of its failures of commission and omission. GoTS should demand the GoI to reimburse the additional burdens imposed on the state as a result of the failure of the latter in ensuring supply of fuels as allocated by it to power plants from which TS DISCOMs have been getting power under PPAs in force and purchase power generated with a mix of imported coal and short-term purchases in the market at higher prices. The Ministry of Power, GoI, is reported to have issued a notification dated 9.1.2023, directing the GENCOs to import coal for blending up to 6% of their requirement till September, 2023 to cover any shortages in the local supply of the fuel. With the Modi government re-enacting the drama of scarcity of coal in the country and forcing the states and CGSs to import coal for generation of power, additional burdens under variable costs would be imposed on consumers for the FY 2023-24 also. The projections of costs of power purchase made by TS DISCOMs for the year 2023-24 in the subject petitions are lilely to change.

3. **WHAT IS THE NEED FOR PURCHASING SHORT-TERM POWER? : Despite projecting availability of power to the tune of 96554 MU, with a surplus of 13441 MU, the DISCOMs have proposed to purchase 136 MU with a total variable cost of Rs.61 crore under short-term for the year 2023-24. The average variable cost per**

unit of short-term purchases is shown as Rs.4.53. What is the need for purchasing this additional power on short-term basis? The DISCOMs have not shown month-wise surplus/deficit for the year 2023-24.

4. **BURDENS ON ACCOUNT OF PURCHASING UNWARRANTED RENEWABLE ENERGY : The DISCOMs have projected availability of non-conventional energy/renewable energy to the tune of 11,960 MU for the FY 2023-24 which works out to 18.99% of the projected sales of power of 62970.74 MU. If projected availability of hydel power of 5415 MU also is taken into account, the total NCE/RE works out to 17375 MU which is 27.59% of the projected sales. As per RRPO regulation No.7 of 2022, the DISCOMs are mandated to purchase a minimum of solar and non-solar RE/NCE of 9.25% for 2023-24, 10.50 % for 2024-25, 11.75% for 2025-26 and 13% for 2026-27. What will the DISCOMs do with the unwarranted must-run RE, which cannot meet peak demand, far exceeding the minimum targets under RPPO? Fixing targets of minimum percentage of RE to be purchased by the DISCOMs year-wise, irrespective of its requirement, and meeting the targets is one thing, and far exceeding the targets is quite another, leading to availability of more surplus power and need for backing down thermal power and paying fixed charges therefor in order to purchase must-run and unwarranted RE. To be in consonance with the fluctuating demand curve, adding required RE to supplement base-load thermal power is the ideal option. The DISCOMs have argued that,** "with the growing demands of the State (estimated at 8-9% growth rate), TSDISCOMs would not be able to meet the RPPO targets fixed by State ERC, if additional RE power is not added" **(page 13 of the Commission's order dated 26.10.2022 issued in O.P.No.69 of 2022). Are the DISCOMs purchasing RE just to meet the RPPO targets fixed by the Commission or to meet demand for power ensuring an ideal power mix to be in consonance with fluctuating demand curve to the extent practicable? The so-called "renewable power purchase obligation" has no legal basis as of now. The Ministry of power, GoI, has issued a direction, but the direction itself is not covered by any Section of the Electricity Act, 2003 Act. Why should DISCOMs feel compelled to absorb unwarranted power from renewables, if alternative options are available? What is the quantum of thermal power that is being backed down in order to purchase must-run RE? How much is the amount which is being paid towards fixed charges for backing down thermal power year-wise, for the last, current and next financial years? It may be noted that the DISCOMs, in the past, vehemently argued before the Commission during public hearings on RPPO proposals not to enhance the minimum targets of such purchases from the then prevailing 5%.**

5. **SOUNDING DEATH-KNELL OF TS GENCO? : The DISCOMs have relied on the revised scheme for flexibility in generation and scheduling of thermal/hydro power stations through replacement of thermal/hydro power with renewable energy and storage power as per the notification dated 12.4.2022 issued by the Ministry of Power, GoI. The DISCOMs, referring to the targets set in the said notification, have concluded that** "thus, the thermal plants would be restricted to operate until technical minimum and the rest of power shall be replaced with equivalent RE power" **They have also maintained that** "while issuing the station-wise targets for substituting the thermal

power with RE power, it was directed that all CPSUs, State and private generation utilities to take appropriate action to meet the year-wise trajectory i.e., 20% in 2023-24, 35% in 2024-25 and 45% in 2025-26 of the total target" **(ibid pp 14-15). Can or will the generating capacities of thermal stations of TS GENCO be kept idle as per the targets fixed by the MoP, GoI? There are binding obligations under terms and conditions in the PPAs in force and the DISCOMs will have to pay fixed charges for backing down generating capacities of thermal stations of TS GENCO. Will the MoP, GoI, reimburse the fixed charges to the DISCOMs? Will the DISCOMs demand the MoP, GoI, accordingly? If TS GENCO is forced not to declare availability of generating capacity as per the whimsical targets of the MoP, GoI, it will be forced to plung into a crisis. The DISCOMs have also maintained that** "all the old Thermal Power Plants may be closed after their respective PPA periods and in future Battery Energy Storage System may cater to the Peak Demand needs. Telangana State has no future plans for expansion of Thermal Power Generation Plants to cater to the needs of the Long-Term Power Demands. Instead, going with Solar Power Capacity addition" **(pp 29-30 of the Commission's order dated 22.6.2022). Such a move will sound the death-knell of TS GENCO, with the trend of purchasing solar power from plants of private corporate entities, instead of getting solar power plants set up by GENCO near the load centres. Experience is confirming that, backing down thermal stations in order to purchase unwarranted RE is leading to need for purchasing power in the market, thereby affecting the interests of TS GENCO and consumers of power. The said notification of the MoP, GoI, cannot protect the interests of GENCO and consumers of power; it cannot prevent under-utilisation of generating capacities of thermal and hydel power projects in such a scenario, thereby wasting thousands of crores of Rupees of public money invested for setting up thermal and hydel power stations. The proposal to replace hydel power projects with RE units is the height of perversity. Above all, the MoP, GoI, does not take any responsibility for the adverse consequences that would arise as a result of implementing its whimsical notification issued in the interest of private corporate entities which set up solar power plants and other RE units. It does not provide any financial assistance to mitigate the loss being caused to TS GENCO and burdens being imposed on consumers of power. It is nothing but exercising authority arbitrarily, irrationally, crudely and imprudently, without any responsibility and accountability on the part of the Modi government for the disastrous consequences that would arise as a result of implementing the same, as if the Modi government were wisdom personified for dictating to the states on what should be done, thereby usurping the powers and discretion of the state governments to take decisions in the interest of the states. The approach to comply with such questionable moves of the Modi government reflects lack of concern for interests of the state and consumers, on the one hand, and negates the posture of the GoTS against anti-state, anti-consumer and anti-public sector moves of the GoI serving the interests of private corporate entities and promoting and pampering crony capitalism, on the other.**

6. **UNWARRANTED PURCHASES OF POWER: In its order dated 22.6.2022 issued in O.P.No.46 of 2022, according consent to the TS DISCOMs to enter into "power usage agreements" for purchasing 1692 MW of solar power of private projects to be**

set up in Rajasthan, Gujarat and Tamil Nadu through the NTPC Limited under Central Public Sector Undertaking (CPSU) Scheme Phase II, the Hon'ble Commission, as well as the DISCOMs, have put forth several arguments in support of the same. So is the case with order dated 26.10.2022 issued by the Commission in O.P.No.69 of 2022, according in-principle approval for procurement of a total of 2545 MW of solar power by TS DISCOMs through NTPC, NHPC and SECI. In the order dated 22.6.2022 cited above, the Hon'ble Commission has contended, inter alia, that "the latest market conditions enable TSDISCOMs to sell surplus RE power to the other needy purchasers in real time market through Green Term-Ahead Market (GTAM). TSDISCOMs by means of economic models to explore for storage of excess solar power, if any, by means of pumped hydro power storage facilities available at Nagarjunasagar and Srisailam hydel projects, in managing its peak demand occurring during night-time when the solar power is not available" **(page 31). In its order dated 26.10.2022, the Hon'ble Commission has maintained, inter alia, that** "for efficient utilization of the procurement of Solar power and to optimize the power purchase cost, TSDISCOMs need to explore the other options such as effective operation of the pumped storage stations and banking mechanism with the other State DISCOMs so as to bank the surplus power and utilise the same in times of deficiency" **(Page 17). We request the Hon'ble Commission to consider the following points, among others:**

a) **The observations of the Hon'ble Commission imply that there will be excess solar power which the DISCOMs will be forced to purchase. In other words, proposing and giving consent to procuring the said solar power are unwarranted to the extent the permitted quantum is excess.**

b) **Normally, by virtue of intermittence of RE, especially of solar power, it should supplement base-load thermal power, not vice versa. But the approach of the DISCOMs, as is the stand of the Modi government, seems to be topsy-turvy.**

c) **Scope for sale of solar power and other RE outside the state, even if it is excess, is very remote, as already explained above. Since entire RE/NCE, being must-run, is being considered under power purchase to be supplied to the consumers in the RSTO and availability of surplus power from thermal stations concerned also is being shown under merit order, treating must-run RE as surplus power does not arise. Only surplus power shown under merit order can be sold in the market outside the state, if possible.**

d) **Purchase of power is fundamentally to meet demand in the state, not to sell outside in the speculative market.**

e) **For storage of excess RE, including solar power, no viable and economical battery storage system is developed and put to use so far. Based on such a possibility in future, entering into PPAs for procurement of unwarranted solar power and other RE a few years in advance is detrimental to the interests of the DISCOMs and their consumers of power.**

f) Pumped hydro power storage facilities available in the state are with a meagre generating capacity. As a standard practice, they are already being run to meet peak demand for power, even when base-load thermal capacity available cannot meet peak demand fully, i.e., to supplement thermal power.

g) Banking solar power with DISCOMs of other states is not a one-way affair. If DISCOMs of other states and private generators want to bank their surplus solar power and other RE with TS DISCOMs, it would neutralise the balance, at the least, or overburden the TSDISCOMs, at the worst. Moreover, banking of power has its costs.

h) For procuring RE, the DISCOMs should adopt a cautious, gradual and holistic approach, not to be forced indiscriminately or permitted to rush hastily, taking into consideration the need for ensuring a balance between ideal power mix and fluctuating demand curve to the extent practicable, thereby leaving scope for availability of surplus power to the minimum extent possible technically.

i) Instead of promoting centralised solar plants owned by corporate entities, which operate at about 20% capacity utilisation factor and which involve transmission losses of 15% or so from outside the state, the GoTS could have opted in favour of distributed solar power generation near load centres in the state through real competitive bidding and solar irrigation pump sets and rooftops, which not only avoid transmission losses, but also with reverse metering, enable the consumers to generate surplus energy for the grid at a lower cost, especially taking advantage of the central subsidy under the KUSUM scheme. The Hon'ble Commission has already given its consent for implementing the KUSUM scheme. The DISCOMs have highlighted the virtues of distributed solar generation earlier during public hearings of the Commission. In O.P.No.1 of 2023 (of TS GENCO), NPDCL has shown a saving of Re.0.76 per unit due to installation of solar power plant near load centres. Calculations by experts show that replacing agricultural pump sets with solar power pump sets would ensure recovery of the costs to be incurred for the same within a few years by reducing and avoiding need for subsidy from the government for supply of power to agriculture on a long-term basis. However, purchasing solar power from plants of private corporate entities, that, too, set up in other states, seems to be irresistibly attractive to the powers-that-be, going by the present trend. Here, the approaches and interests of the central and state authorities are coalescing.

7. NEED FOR REVIEWING LOAD FORECAST AND PROCUREMENT PLANS PERIODICALLY : The DISCOMs have shown energy availability, requirement and surplus for the current and next financial years as given below:

Particulars	**2022-23 estimates**	**MU**	**2023-24 projections**
Energy availability	**79222**		**96554**

Energy requirement	**74076**	**83113**
Surplus	**5146**	**13441**

In one year, availability of power is going to increase by 17332 MU from 79222 MU in 2022-23 to 96554 MU in 2023-24. It works out to an increase of 21.88%. Requirement is increasing by 9036 MU from 74076 MU in 2022-23 to 83113 MU in 2023-24. It works out to an increase of 12.20%. This disparity between requirement and availability of energy confirms that 'load generation balance' worked out by the DISCOMs and considered by the Hon'ble Commission has gone haywire, resulting in huge imbalance. For the year 2022-23, against the projected surplus of 3066 MU, the revised surplus increased to 5146. The Hon'ble Commission was aware of availability of substantial surplus power for 2022-23, when it determined sale of surplus of 5059.81 MU for that year. The DISCOMs have considered additional availabilities during 2023-24 as given below:

YTPS (2x800 MW) – CODs of 1st unit on 1.12.2023 and of 2nd unit on 1.2.2024 are expected.

Telangana STPP (2x680 MW) – CODs of 1st unit on 1.1.2023 and second unit on 1.7.2023 are expected.

Balance capacity of 396 MW in NTPC CPSU scheme Phase II Tranche 1&2 against capacity of 1692 MW is considered from October, 2022.

NTPC CPSU phase II tranche II – 735 MW – COD is expected on 1.4.2023
SECI 1000 MW COD is expected on 1.4.2023

When the Hon'ble Commission has accorded consent to the DISCOMs for procurement of 1692 MW of solar power through NTPC from eight stations, whose revised SCODs are from 27.4.2022 to 25.10.2022, in its order dated 22.6.2022, and for procurement of 2545 MW of solar power through NTPC, NHPC and SECI from eight stations, whose SCODs are from 11.10.2023 to 3.4.2024, in its order dated 26.10.2022, it must have considered the outcome of substantial increase in availability of surplus power as it would be emerging during 2023-24 and thereafter, notwithstanding the arguments put forth by the DISCOMs and the Hon'ble Commission for justifying the proposed procurement of 4237 MW of solar power. The projected deficit of 404 MU for 2023-24 in 'load generation balance' submitted by the DISCOMs has turned out to be absolutely unrealistic, with the projected availability of surplus 13441 MU for the same FY. The above-mentioned additional availabilities and additional availability of 4237 MW of solar would be added, if the scheduled CODs are declared, during 2024-25 also to some extent. As such, in addition to the projected availability of energy for the next financial year, there will be further addition during 2024-25 also. As such, the deficits of 2183 MU for 2024-25, 1571 MU for 2025-26 and 1219 MU for 2026-27 projected in the 'load generation balance' would turn out to be unrealistic and contrary to availability of surplus

power, with projected addition of the new capacities and projected trends of growth in purchase and sale of power. While considering need for additional power and entering into PPAs and giving consents to the same, mechanical reliance on the load forecast and procurement plan considered or approved leads to unwarranted consequences with resultant problems, both technical and financial. Experience underlines need for periodical review and appropriate modification of load forecasts and procurement plans based on experience and the existing ground reality, before considering and approving additional power procurement through long-term PPAs. The above-mentioned latest orders issued by the Commission, permitting the DISCOMs to procure 4237 MW of solar power, indicate that no review of the approved load forecast and the ground reality of availability of generation capacity under PPAs in force and likely addition from plants to be considered, leave aside ensuring ideal power mix to be in tune with fluctuating demand curve to the extent practicable, seems to have been made.

8. HIGHER FIXED AND VARIABLE COSTS FOR CENTRAL GENERATING STATIONS AND TS GENCO THERMAL STATIONS: Availability of power from central generating stations and fixed and variable costs increase as projected and given below:

	Availability MU	Fixed costs	Variable costs (Rs.crore)
2022-23	**18481**	**2156**	**4136**
2023-24	**27011**	**3985**	**7162**
Hike%	**46.15**	**84.83**	**73.16%**

The DISOMs have taken these estimates as projected by the CGSs. Compared to the percentage of increase in availability of power from CGSs, the growth rates in fixed and variable costs to be paid for the available power are very high. Since the percentages of PLF for most of the CGSs show increase from 2022-23 to 2023-24, fixed costs per unit should come down. Have the DISCOMs included fixed costs to be paid to the CGSs for backing down their capacities as per merit order, in view of projected availability of abnormal quantum of surplus power for 2023-24? In view of projected availability of abnormal quantum of surplus power, what is the justification in considering availability from some stations, exceeding the threshold level of PLF? What is the basis for projecting abnormal hike in variable costs?

Similar is the case with thermal power stations of TS GENCO, with a difference in degree, as given below:

	Availability MU	Fixed costs	Variable costs (Rs.crore)
2022-23	**24819**	**4117**	**1671**

2023-24	**29774**	**5676**	**2280**
Hike%	**19.96%**	**37.88%**	**36.56%**

The above questions, as in the case of CGSs, apply in the case of thermal stations of TS GENCO also. What are reasons for increase in variable costs for Singareni TPP per unit from Rs.2.73 in 2021-22, to Rs.3.26 in 2022-23 and to the projected Rs.3.19 in 2023-24? We request the Hon'ble Commission to examine the issues and determine availability, fixed and variable costs of the CGSs and thermal stations of TS GENCO in a prudent way and in accordance with applicable terms and conditions in their respective PPAs.

9. **HIKE IN VARIABLE COST OF SEMBCORP : Wide fluctuations in variable costs of Sembcorp Energy India Ltd. (formerly Thermal Power Tech) are projected as received from its two units. While variable cost per unit of SEIL-I has come down from Rs.5.13 in 2021-22 to Rs.2.32 in 2022-23 and to Rs.2.31 in 2023-24, the same for SEIL-II has shown higher increase from Rs.2.59 to Rs.3.06 to Rs.3.86 for the same years, respectively. Why is the hike of 49.03% from 2021-22 to 2023-24 in variable cost for SEIL II considered?**

10. **GETTING SHARE OF TS DISCOMS FROM MACHKUND AND TUNGABHADRA HYDEL POWER STATIONS: In response to the direction of the Hon'ble Commission to the DISCOMs to actively pursue the matter with APGENCO/APTRANSCO for availing the share of power of Telangana in the MACHKUND and TUNGABHADRA inter-state hydel power projects, DISCOMs have submitted that the issue is continuously pursued with APGENCO for extension of PPA and scheduling of power from the two hydel projects in Karnataka and that the report is submitted to the Hon'ble Commission. What is the latest position?**

11. **AGREEMENTS WITH I&CAD FOR SUPPLY OF POWER TO LIFT IRRIGTION SCHEMS : The DISCOMs have shown requirement of power for lift irrigation and agriculture in HT as given below:**

DISCOM	2022-23	2023-24	MU
TS SPDCL	**1821.45**	**3786.40**	
TS NPDCL	**1490.56**	**4297.86**	
TOTAL	**3312.01**	**8084.26**	

It works out to an increase of 144%. After taking this highest growth rate, among growth rates of other categories, into account, abnormal availability of surplus energy is shown. Details of long-term load forecast, procurement plan, etc., are not being made public by the DISCOMs. No public hearings are held on the same, despite repeated requests. Whatever data given in some of the orders of the Hon'ble Commission is very brief. How many lift irrigation schemes are coming up and

when, their requirement for power from which dates, to meet the same additional generation capacity contracted by the DISCOMs, addition of capacities of transmission and distribution networks, etc., are not being made public. If the said lift irrigation schemes are not completed as per schedule, the addition of generation capacities, capacities of transmission and distribution networks intended for supplying power to those schemes remain idle during the period of delay in executing the said lift irrigation schemes. In such a situation, on whom the burdens of surplus power and idle transmission and distribution network capacities created for those schemes are being, or will be, imposed? Have the DISCOMs entered into agreements with the department of irrigation and command area development, imposing the condition that it should bear the applicable charges during the period when the said lift irrigation schemes cannot consume power as per contracted demand and use transmission and distribution networks due to delay in execution of those schemes? If so, what are the details thereof? The DISCOMs have explained that "licensee has considered the expected additional loads and energy requirement for FY 2023-24 based on the information received from the I&CAD, which was further duly analyzed and moderated considering the licensee's experience of the historical consumption along with other allied factors." **If the lift irrigation schemes shown in the submissions of the DISCOMs come into operation as "moderated" by them, the problems of surplus power, transmission and distribution capacities remaining idle proportionately on account of that may not arise. After 2023-24, demand for power from lift irrigation schemes may not show increase at abnormal level like 144% shown for the next financial year. As the DISCOMs have pointed out, due to uncontrollable factors like rainfall, water levels in reservoirs, floods, etc., variations in operation of LI pumps may take place, leading to considerable reduction in need for consumption of power like the negative growth rate recorded in the first half of 2022-23.**

RETHINKING ON 24 HRS POWER SUPPLY TO AGRICULTURE : It is submitted that sale of power to LT agriculture has shown a drop of 6.13% for NPDCL and of 0.17% for SPDCL in the FY 2021-22. While NPDCL has expressed the view that "the agricultural consumption would not further increase and remain at the level of estimated sales for FY 2022-23," **SPDCL has expressed the view that** "the agricultural consumption would come down from the level of sales recorded in FY 2021-22. Keeping in view the additional loads to be added through Lift Irrigation schemes in FY 2022-23 and FY 2023-24, it is expected that the agricultural consumption would not further increase given the fall in use of borewells and arise in canal-based cultivation." **Both the DISCOMs have submitted that,** "in case the actual sales, despite the LI Scheme operations, emerge to be higher than anticipated, the same may be considered by the Hon'ble Commission in the true-up exercise." **While NPDCL has projected sales to agricultural would remain 7290.39 MU for 2023-24 as in 2022-23, SPDCL has projected a reduced growth rate of 4% for 2023-24 compared to the sales in 2022-23. The need for supply of power to agriculture throughout the day and throughout the year has been rightly questioned on various grounds when the scheme was announced by GoTS. Directive No.24 issued by the Hon'ble Commission that** "the DISCOMs to explore the possibility of arriving at a consensus among its agricultural consumers regarding the hours of supply for its peak load management" **indicates rethinking on continuing the scheme as announced. So also, the reply of SPDCL that, while it is meeting agricultural demand during morning peak hours,** "a consensus is arrived with agriculture consumers and awareness is already created among them to avoid using 3-Ph supply during the evening peak hours and the agriculture consumers are now habituated to use 1Ph supply during the evening peak hours and TSSPDCL is successfully meeting the evening peak hours demand" **confirms need for prudent change. That the DISCOM has further instructed SEs/Operation** "to take the consensus of the agriculture consumers once again regarding the actual hours of supply required to them" **confirms rethinking on the scheme and validates by implication some of the objections raised on the scheme. On similar lines, NPDCL has replied that it is conducting awareness programmes with agriculture consumers regarding utilization of supply to agriculture in day time, instead of peak load hours and that they were motivated to remove the automatic starters to use the supply whenever required and to avoid the peak demand on the system. The rethinking on the scheme shows need for prudent practices in supplying power to agriculture.**

12. **REQUIREMENT OF SUBSIDY FOR FREE SUPPLYOF POWER TO AGRICULTURE: NPDCL has shown LT agriculture requirement of power for 2023-24 as 7290 MU and cost of service for unit as Rs.9.93. For free supply of this power, subsidy requirement works out to Rs.7238.97 crore. Similarly, for free supply of 10,591 MU to LT agriculture with a cost of service of Rs.8.47 projected by SPDCL, subsidy requirement works out to Rs.8970.57 crore. Since subsidy being provided by the GoTS for free supply of power to agriculture is far less than requirement, we request the Hon'ble Commission to show in the retail supply tariff order how much subsidy is being provided by the GoTS and how much cross subsidy is being factored category/slab wise and also direct the DISCOMs to show the same in the power bills being issued to the consumers.**

13. **ABNORMAL HIKE IN TRANSMISSION CHARGES VIS A VIS CONTRACTED CAPACITY : The DISCOMs have shown contracted capacity and transmission charges for three years as given hereunder:**

FY	Contracted capacity (MW)	Transmission charges (Rs.crore)
TSSPDCL		
2021-22	14989.8	2008.87
2022-23	15344.68	2383.64
2023-24	15331.58	2670.27
TSNPDCL		
2021-22	6324.33	847.56
2022-23	6472.46	1005.43
2023-24	6466.71	1126.29

The contracted capacity of both the DISCOMs increased from 21315.13 MW in 2021-22 to 21798.29 MW in 2023-24, i.e., by just 2.27%. But, transmission charges during the same period increased from Rs.2856.43 crore to Rs.3796.56 crore, i.e., by 32.91%. Moreover, though the contracted capacity decreased slightly from 2022-23 to 2023-24, transmission charges increased substantially. How has the contracted capacity come down from the current financial year to 2023-24, when higher demand for power and addition of generation capacities under PPAs are taking place? What are the reasons, as well as justification, for abnormal increase in transmission charges vis a vis contracted capacity during the three FYs? We request the Hon'ble Commission to review the same thoroughly, since the DISCOMs have submitted that they have adopted the transmission charges and transmission capacity approved in the 4th MYT tariff order for the projected transmission charges for the FY 2023-24. The DISCOMs have not made it clear whether requirement of contracted capacity is in tune with transmission capacity approved in the 4th MYT tariff order.

14. IRRATIONAL REGULATIONS OF CERC AND HIGHER BURDENS OF PGCIL CHARGES : The DISCOMs have shown Power Grid Corporation of India Ltd. (PGCIL) charges as given below:

2021-22	2022-23	2023-24	
1558	1601	1532	(In Rs.crore)

They have not given the total contracted capacity considered for working out PGCIL charges. The DISCOMs have explained that as per regulations and fixed charges determined by CERC for a period of 5 years, PGCIL has been recovering the full fixed charges through point of connection (POC) rates, subject to reconciling the entire amount on a pro-rata basis of payments in every quarter and if recovery of fixed charges are made lesser or higher side by PGCIL in every month. Apart from the CGSs, CSPDCL and Sembcorp capacities which they get, and power being procured from IEX have been considered for working out PGCIL charges, the DISCOMs have explained. I request the Hon'ble Commission to consider the following points, among others:

a) As per the Connectivity and General Network Access to the inter-state Transmission System Regulations, 2022, notified by the CERC, with effect from 15.10.2022, the criteria of levy of ISTS charges is shifted from long-term access (LTA) to General Network Access (GNA). The GNA quantum is determined based on actual ISTS drawls in the past three years which include short-term purchases in the market by DISCOMs. As a result, the deemed GNA quantum for Andhra Pradesh is notified as 4516 MW, with a meagre addition of capacity of 6.4 MW for 2023-24, while the present level of LTA is 1750 MW. This shows the irrationality and arbitrariness of the latest ISTS regulations issued by the CERC. What was the LTA contracted capacity of TS DISCOMs under ISTS regulations before they have come into force from 15.10.2022 and the monthly charges paid by them. What is

their LTA contracted capacity now, with additions of capacities made after 15.10.2022 and whether the deemed GNA quantum is taken into consideration.

b) **With the said change, the PGCIL charges to be paid by AP DISCOMs increased by 49.42%. Since the TS DISCOMs have stated that the estimated PGCIL charges are subject to revision later, it implies that additional amounts may be imposed on them by PGCIL which, in turn, would lead to their claiming the same under true-up from the consumers.**

c) **Short-term market purchases, by their very nature, are temporary. To transmit power under short-term purchases from one state to another, PGCIL uses existing transmission capacity only; it cannot add additional capacity for that purpose. If spare transmission capacity is not available, it cannot transmit power from one state to another state under short-term purchases. Therefore, treating short-term purchases for the last three years as the basis for determining the so-called deemed GNA quantum is an absurdity.**

d) **The new 800 KV HVDC line commissioned between Raigarh in WR-Pugulur in Southern Region is placed in the regional component of ISTS. The commercial operation of the line was declared in September, 2022, and the monthly additional commitment on account of this line is being imposed on the DISCOMs of southern states as per the tariff determined recently by the CERC. Adding a new 800 KV line in the regional component of ISTS charges, irrespective of contracting a part of that capacity by a state under the GNA regulations, is equally irrational. When a state or states in a particular region do not require additional transmission capacity on a long-term basis, addition of unwarranted transmission capacity by PGCIL as it decides and adding the burden of charges for the same on a state, which does not require that capacity, is questionable, in principle. What is the impact of such an irrational arrangement on the TS DISCOMs?**

e) **In the name of adding and maintaining spare transmission capacity to facilitate transmission of power under inter-state short-term purchases and imposing ISTS charges annually based thereon, irrespective of the quantum of power under such short-term purchases or no short-term purchases, is inequitable. Deemed GNA quantum is nothing but introduction of a variant of payment of fixed charges for deemed generation of power in the inter-state transmission system, thereby imposing unjust burdens on consumers of power.**

f) **If less than contracted capacity of PGCIL is utilised by the DISCOMs for any reason, that unutilised capacity can be, or is being, utilised for transmission of power under inter-state transmission of short-term power. As such, to the extent such unutilised capacity is utilised for transmission of short-term power by the DISCOMs which contracted the capacity on long-term basis, no ISTS charges should be collected for that capacity. Otherwise, it would be tantamount to charging ISTS charges twice for the same capacity.**

g) Addition of transmission capacity by PGCIL should be done in a planned manner to meet requirements of the states and such capacities should be apportioned to the DISCOMs based on their long-term contract of the required capacity. It is arbitrary to impose ISTS charges on the capacities which DISCOMs have not contracted for and are not using.

h) Basically, the failures of the GoI in ensuring supply of fuels like coal and natural gas allocated by it to the power plants concerned are leading to scarcity for power to the DISCOMs and their dependence on short-term market purchases, including from the exchanges. So also, the obligations being forced on the DISCOMs by the GoI under RPPO, leading to purchase of high-cost, must-run and unwarranted renewable energy, which cannot meet peak requirements, are also forcing the DISCOMs to back down thermal power and pay fixed charges therefor and also go in for market purchases on short-term basis. For its failures of commission and omission, the GoI is penalising the consumers of the DISCOMs by imposing ISTS charges under the deemed GNA quantum arbitrarily and irrationally. The GoI should reimburse the avoidable additional expenditure being incurred by the DISCOMs for purchasing high-cost RE, for paying fixed charges for backing down thermal power and for purchasing thermal power at higher costs in view of the generation plants being forced by the GoI to use costly imported coal. The GoTS should demand the GoI accordingly.

i) For the year 2023-24, the projected availability of total surplus power is 13441MU. Experience over the years confirms that, even when huge surplus power was available, the DISCOMs could not sell it, except a meagre quantum. For the year 2023-24, the DISCOMs have not proposed to sell surplus power outside the state. In other words, for the FY 2023-24, the DISCOMs do not require any additional transmission capacity from the CTU to transmit their surplus power, though the ISTS charges for any supply of surplus power outside the state will have to be borne by the purchaser. The DISCOMs have proposed purchases of 136 MU from the market on short-term basis for the next financial year. Even then, the DISCOMs will be saddled with the burden of ISTS charges based on the deemed GNA quantum determined by PGCIL as per the latest regulations of CERC. In other words, even when the DISCOMs do not sell their power outside the state and do not purchase or purchase a meagre quantum of power in the market from outside the state, CERC's regulations impose avoidable burdens of ISTS charges under the deemed GNA quantum for which the transmission capacity of the CTU is not utilised by the DISCOMs, but deemed to have been utilised based on their short-term market purchase in the last three years.

j) The GNA regulation issued by the CERC confirms the hypocrisy being exhibited in the so-called reforms under the Modi dispensation. It confirms that the exemption of inter-state transmission charges to solar power plants set up during the specified period is a pro-corporate and anti-consumer jugglery of the Modi government to hoodwink the people that it is giving such a benefit in the interest of the consumers of power, while, in reality, it is intended to show that the price of solar power from

the plants of corporate houses like the Adani group is relatively lower, but, in practice, it is recovering the costs of such make-believe exemption from the consumers of power in the form of higher ISTS charges for the GNA deemed quantum. The period for such exemption is being extended by the GoI keeping in view non-completion of the solar power units by the corporate companies of its choice. If the Modi government has even a wee bit of sincerity, it should reimburse the full ISTS charges to PGCIL which the GoI has exempted for transmission of solar power from the plants set up during the period specified by it till completion of the period of such exemption granted by it and dispense with the arrangement of imposing unjustified burden on consumers in the form of the ISTS charges for the deemed GNA quantum. GoTS should demand the Modi government accordingly. We request the Hon'ble Commission to give an appropriate piece of advice in this regard.

k) It is not known whether the TS DISCOMs raised any objections before CERC during the course of regulatory process of the latter for issuing the GNA regulations. At least now, they should seek a review of the irrational and imbalanced regulations, instead of coolly seeking the permission and approval of the Hon'ble Commission to allow them to impose all these questionable burdens on, and collect the additional charges from, their consumers by including the same in the retail supply tariffs or claiming under true-up later.

15. DISTRIBUTION COSTS AND DISTRIBUTION LOSSES: The DISCOMs have shown increases in distribution costs as approved in the MYT for the 4th control period as given below:

DISCOM	Distribution costs for 2022-23	2023-24 Rs. crore
TSSPDCL	4670.72	5168.36
TSNPDCL	3601.25	4081.42

There is slight decrease in contracted capacities (SLDC) from the current financial year to the next financial year. NPDCL has shown revised estimation of distribution losses, including EHT sales, of 9.50% against 8.6% approved for the year 2022-23, while SPDCL has shown the estimate for the same year as 8.44%. Despite various steps the DISCOMs have explained as being taken for strengthening distribution system, especially in the light of claimed reduction in consumption of power for LT agriculture, we request the Hon'ble Commission to review the situation and take appropriate decisions on the percentage of reduction in distribution losses tobe achieved by the DISCOMs.

16. WHY PREPAID METERS? : The Hon'ble Commission has directed the DISCOMs to take steps for installation of prepaid smart meters with latest technology for "all interested consumers." At the same time, the Commission also directed the DISCOMs to submit "a time bound action plan for replacement of existing meters

with prepaid smart meters with two way communication in the interest of reveue realisation of the DISCOMs." If prepaid meters are to be installed for "all interested consumers," it is left to the discretion of the consumers. Then, where is the need for a time-bound action plan for replacement of existing meters with prepaid smart meters? SPDCL has replied that compliance report has been submitted to the Hon'ble Commission vide letter dated 9.6.2022. What are the details of the compliance report? NPDCL has explained that "As per the Gazette notification by the Central Electricity Authority (CEA), Ministry of Power Dt:17.08.2021 it is mandatory that all the existing meters (other than Agriculture Consumers) are to be replaced with Prepaid Smart Meters with the following timelines. All electrical Divisions having more than 50% consumers in Urban areas with AT&C losses more than 15% in FY 2019-20, other electrical Divisions with AT&C losses more than 25% in FY 2019-20, all Govt. offices at Block level and above and all Industrial and Commercial consumers shall be metered with Smart meters working in pre-payment mode by December 2023. All other areas shall be metered with Smart meters working in pre-payment mode by March 2025. Accordingly, a draft DPR for Smart Prepaid Metering for all existing consumers (excluding Agriculture Consumers) and System Metering under RDSS has been prepared for an amount of Rs.3183.98 Cr. which is to be approved by Distribution Reforms Committee (DRC) and also by the Telangana State Cabinet in order to obtain final approval by MOP, GoI. b) The Govt. of India launched the Revamped Distribution Sector Scheme (RDSS) on Dt.29.07.2021, with an objective to reduce the AT&C losses to 12-15% (PAN India) and ACS-ARR gap to Zero. The scheme consists of two components — Metering and Distribution Infrastructure Works. As per RDSS guidelines the GoI grant for metering is Rs.900/- per meter. If Prepaid Smart Metering is taken up under RDS Scheme, the approximate cost of Rs.457.60 Cr., for the existing 50,84,524 consumers (other than AGL Consumers) in TSNPDCL as proposed in the DPR will be disbursed as GoI grant to the Discom by MoP. If TSNPDCL does not participate in RDS Scheme, the above amount i.e., Rs.900/per meter is to be borne by the Discom funds and the approximate financial commitment is Rs.457.60 cr." **What are the percentages of AT&C losses of TS DISCOMs? What would be the cost for prepaid meters required by TSSPDCL and their annual maintenance cost, once installed?**

We request the Hon'ble Commission to consider the following points, among others:

a) **This move is to be seen in the background of the so-called reforms being imposed on the states by the Modi government for privatising power sector, and in conjunction especially with privatisation of power distribution and implementation of the direct benefit transfer (DBT) scheme. Implementation of RDSS, including installation of pre-paid meters, is to benefit the private operators, who will be permitted to take up power distribution in areas of their choice, as proposed by the GoI.**

b) **It is obvious that, the purpose of installing pre-paid meters is to force the consumers of power to pay in advance for power to be consumed by them, contrary to the standard practice over the decades of paying power bills monthly/bi-monthly for the power consumed by them. What is wrong with the present post-paid arrangement**

and what is the benefit and to whom with pre-paid arrangement under the proposed smart meters is left unexplained by its sponsors.

c) **As proposed by the GoI, private operators will be permitted to use the existing transmission and distribution networks of the DISCOMs of the government, paying some nominal rentals for carrying on their distribution business. In other words, they need not invest the amounts required for establishing their own distribution network, make arrangements for its maintenance, etc.**

d) **Allowing private operators to use distribution network of the DISCOMs or rather, forcing the DISCOMs to allow private operators to use their network on lease, with DISCOMs themselves maintaining the network, is nothing but forcing the latter to lose a considerable part of their business, especially cross-subsidising component, to private operators, who get the opportunity to cherry-picking. Will the GoI apply this Tuglaquian approach to allow utilisation of such networks of private companies in this manner, for example, utilising the network of private telecom companies by others?**

e) **The protagonists of pre-paid meters are arguing that pre-paid arrangement is there for cell phones. Then, why not similar arrangement for power consumption also, they ask. First, there is post-paid arrangement for cell phones and landlines. Second, under pre-paid arrangement for a specific period, there is no limit on number of calls that can be made. In the case of power consumption, consumers have to pay for the entire power they consume in a month; they are not allowed to consume any number of units of power during a specified period, pre-paying a specified amount.**

f) **The DISCOMs have a grace period of one month to pay bills to generators/suppliers of power for the power supplied by them and even rebate if they pay before the grace period. Under the existing arrangement, consumers are being given a period of 14 days from the date of issuing the bill for paying their bills for power consumed by them in a month. If payment of monthly bill is delayed, exceeding the due date, penalty is being collected by the DISCOMs, besides disconnecting the service. Moreover, all the permissible expenditure and return on equity for supplying power to consumers from the point of generation to end point is being passed through in the form of tariffs to be paid by the consumers. When such is the case, why should the consumers be forced to pay in advance for power to be consumed by them under the arrangement of pre-paid meters?**

g) **As per applicable Regulation, "security deposit amount shall be two months charges in case of monthly billing and 3 months charges for bi-monthly billing." In addition to collecting such a security deposit from the consumers, the DISCOMs also are collecting additional security deposit whenever the consumers exceed their contracted load. Then why should the consumers be forced to pay in advance for power to be consumed by them under the arrangement of pre-paid meters?**

h) Payment in advance for power to be consumed by the consumers is nothing but providing investment for private distribution company to purchase of power. Private distribution companies need not take loans for their working capital and they can retain the amount paid in advance by the consumers and use as they like till they have to pay for power purchased by them from generators/suppliers. In other words, private operators of distribution need not invest any amounts for developing and maintaining distribution network and for purchasing power. Arrangement of pre-paid meters is intended for bestowing this undue benefit to private operators.

i) The works proposed to be taken up under RDSS need to be, and are being, taken up by the DISCOMs as a part and parcel of expanding, strengthening and maintaining their distribution network. For that no conditionalities, as imposed under RDSS, are required. The grant component under RDSS is a ruse to impose conditionalities like installation of pre-paid meters to ensure undue benefits to private operators of distribution of power.

j) Whatever money the DISCOMs spend for purchasing and installing pre-paid meters is nothing but squandering public money, whether it is collected from the consumers concerned or spent from the grant under RDSS. The consumers have already spent their money for their existing meters. Forcing them to pay for pre-paid meters is nothing but imposing additional burden on them without any benefit to them.

k) The scheme of pre-paid meters benefits their manufacturers. Experience in power sector, as elsewhere in other sectors, shows that terms and conditions of bidding can be manipulated to select bidders of their choice by the powers-that-be. Bidding procedures and terms and conditions issued by the GoI have been found to be wanting in ensuring transparency and fair play, going by the way crony capitalism is being promoted and pampered. It is reported that crony capitalists, who have been promoted and pampered by the GoI, have already entered into manufacturing of pre-paid meters.

l) There will be practical problems to consumers for paying in advance for power to be consumed by them under the system of pre-paid meters. How much amount and how many times they have to pay in a month, keeping track of their consumption recorded in the pre-paid meter to avoid disconnection and mode of such payment will be problematic to the consumers.

m) Under smart pre-paid meter, if a consumer does not pay after the existing balance exhausts, his service connection will be disconnected automatically. If a consumer does not pay power bill before due date under the existing post-paid arrangement, his service will be disconnected. The DISCOMs are unable to disconnect service connections of offices of the government and its instrumentalities and local bodies, whatever be the reasons. Even under pre-paid meter system, there is no guarantee that the DISCOMs would not come under pressure not to disconnect services of

offices of the government, its instrumentalities and local bodies for their default in paying power bills. It is ironical that, when the GoTS is failing in getting power bills paid by its offices, its instrumentalities and local bodies in time and itself failing in paying the committed subsidy to the DISCOMs in time, it is decided to install pre-paid meters to service connections of power consumers.

n) When the GoTS is vehemently and rightly opposing the direction of the GoI for installing meters to all agricultural service connections, why are the DISCOMs moving in the direction of installing pre-paid smart meters to non-agricultural service connections?

o) We request the Hon'ble Commission to examine the above-mentioned submissions, among others, and responses of the DISCOMs thereto and direct them not to proceed with implementation of installation of pre-paid meters to service connections of consumers of power in the state.

17. We request the Hon'ble Commission to permit us to make further submissions, including on true-up claims of the DISCOMs before the due date and during public hearings on the subject issues, after receiving and studying responses of the DISCOMS.

Thanking you,

Yours sincerely,

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