

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

For perusal	JS
Secretary	19/4
Member/T	19/4
Member/F	19/4
Chairman	JS

TSERC, HYDERABAD INWARD
18 APR 2016
No. 673 Signature

April 18, 2016

Respected Sir,

Sub : Submission of suggestions and objections in O.P.No.10 of 2016 on PPA between NTPC Limited and TSSPDCL for supply of power for a period of 25 years from Telangana super thermal power project phase I with a capacity of 1600 MW (2X800 MW) at Jyoti Nagar in Karimnagar district.

With reference to your public notice and PPA signed between NTPC and SPDCL on 18.1.2016, I am submitting the following points for the consideration of the Hon'ble Commission:

1. In its letter dated 4.2.2016 to the Hon'ble Commission, submitting the subject PPA seeking its consent for the same, TSSPDCL has rightly pointed out that A.P. Reorganisation Act, 2014, mandated at 13th Schedule (infrastructure – clause -7) that "NTPC shall establish a 4000 MW power facility in the successor State of Telangana after establishing necessary coal linkages." It has further pointed out that, accordingly, NTPC is developing 4000 MW Telangana Super Thermal Power Project (TSTPP) in two phases, phase-I for 2X800 MW at Ramagundam and balance 3X800 MW under phase-II for the State of Telangana. TSSPDCL has made it clear that TSTPP "is wholly dedicated to Telangana State." When the entire capacity of 4000 MW of TSTPP is dedicated to Telangana State, there is no point in incorporating the clause in the PPA that "2.2.1 Allocation of capacity from the Station to the State of Telangana shall be as decided by GOI." NTPC is setting up the 4000 MW TSTPP as per the A.P.Reorganisation Act passed by the Parliament, not in normal course as a part and parcel of its planned activities. If at all there was any nagging doubt to NTPC about setting up this project to be dedicated to the State of Telangana, it should have got clarification and consent from the Government of India on the same before proceeding with the process of setting up the project. Since the Reorganisation Act came into force nearly two years back, NTPC had more than sufficient time to get required clarification and consent from the GoI on allocation of capacity from the project to the State of Telangana, leaving no scope for ambiguity or uncertainty about the same, simultaneously at the time of starting the process of setting up the project itself. That NTPC has not done so is the height of its irresponsibility and reflects its mischievous intent of keeping issues ambiguous and uncertain and leave scope for retaining a part of the installed capacity of the project for itself to be allotted to any other State by the GoI or for diverting to its trading wing NVVNL.
2. TSSPDCL, in its letter, has pointed out that "the clauses in the PPA are reported to have been vetted by the Legal Advisor at Central Government level and is also

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submitted to the Commission and made public in connection with public hearing on the subject PPA.

4. Clause 3.2 of the PPA says: "For timely and expeditious development of the required transmission system for evacuation of power from the said project to its various beneficiaries, NTPC shall initially make an application for Connectivity and Long-Term Access to the CTU, POWERGRID on behalf of the beneficiaries. The Procurer(s) hereby consents for NTPC to make the said application on its behalf. The Procurer(s) also agrees to subsequently sign all necessary agreements, including LTAA/TSA/BPTA, with POWERGRID/other transmission licensees developing the identified transmission system, corresponding to their share of allocated capacity from the project." These questionable clauses have the following serious implications with adverse impact on the interests of TSSPDCL and consumers of power in Telangana, among others:
- a) First, it is a deliberate mischief to mention "various beneficiaries" for evacuation of power from the said project, when TSSPDCL is and should be the sole beneficiary with entire capacity of the project to be allotted to it. It again indicates the devious intention of the GoI and NTPC not to allocate entire capacity of the project to TSSPDCL.
 - b) Second, when "it shall be the obligation and responsibility of Procurer(s) to make the required arrangement for evacuation of electricity from such delivery points of NTPC," TSSPDCL should make required arrangement for the same in time. Since the project is being set up in Telangana and power is going to be transmitted and supplied within Telangana, the network of TS Transco can be used for evacuation of power from TSTPP. Involvement of various transmission utilities, including central transmission utility, for this purpose is unwarranted and would unnecessarily increase the burden of wheeling charges and transmission and transformation losses to the Discom and its consumers of power.
 - c) Third, when NTPC talks of "timely and expeditious development of the required transmission system for evacuation of power from the said project," it should categorically specify the date of commercial operation (COD) of TSTPP so that the required transmission system can be planned and put in place in time a few months before declaration of COD of the station, as is the standard practice, to start evacuation of infirm power also. As such, COD from the date of signing the PPA or from the date of financial closure, which also should be categorically specified, should be incorporated in the PPA.
 - d) Fourth, when clause 3.2 says that TSSPDCL as procurer has to sign all necessary agreements with transmission licensees developing the identified transmission system "corresponding to their share of allocated capacity from the project," it shows the need for specifically confirming the share of TSSPDCL in the capacity of TSTPP so that the latter can make an application for connectivity

deemed as available to the extent of DC declared by the station for any time period:
a. Failure on account of Bulk Power Customer(s) to transmit and wheel electricity from the Ex-Bus of the Station. b. Any other reason not attributable to NTPC restricting scheduling and dispatch of capacity at the Ex-Bus of the Station.” These clauses have the following implications, among others:

- a) As per the regulations of the Central Electricity Regulatory Commission, the threshold level of plant load factor (PLF) for coal based thermal power stations is 85%, i.e., full fixed costs have to be adjusted and paid for power generated with a PLF of 85%. If the declared capacity is less than that, NTPC should pay penalty to TSSPDCL, as has been the standard practice relating to various PPAs. As such, a clause to this effect should be incorporated in the PPA specifying that NTPC should pay penalty equivalent to the tariff for reduction of generation and supply of power below the threshold level of PLF, keeping in view the fact that during such period TSSPDCL will have to pay wheeling charges to the transmission utility concerned for that part of contracted capacity not utilised.
- b) Just as “failure on account of Bulk Power Customer(s) to transmit and wheel electricity from the Ex-Bus of the Station” the Station shall be “deemed available to the extent of DC declared by the Station for any time period,” meaning that TSSPDCL should pay tariff for the power not evacuated by it from the ex-bus of TSTPP, the failure of the project of NTPC to generate and supply power at threshold level of PLF also should put the obligation on the NTPC to pay penalty to TSSPDCL equivalent to tariff for such lesser generation of power. If NTPC has to backdown its generation and cannot supply that power to any other customer to the extent TSSPDCL cannot evacuate it and the Discom has to pay capacity charges for the same, as incorporated in the PPA, the Discom also has to buy power from market sources at higher tariffs, if available, to meet its scheduled demand or else it will have to impose power cuts, if TSTPP generates and supplies power below the threshold level of PLF.
- c) Clause 4.2 b that notwithstanding “any other reason not attributable to NTPC restricting scheduling and dispatch of capacity at the Ex-Bus of the Station,” the Station shall be deemed as available to the extent of DC declared by the Station for any time period is too sweeping and unjustified, because it can be interpreted that for any other reason not attributable to TSSPDCL restricting scheduling and dispatch of capacity at the Ex-Bus of the Station, the Station shall be deemed as available to the extent of DC declared by the Station for any time period and as such TSSPDCL should pay tariff for capacity declared but power is not generated and evacuated. Therefore, a sub clause that, if, for any other reason not attributable to TSSPDCL, scheduling and dispatch of capacity at the Ex-Bus of the Station is restricted, then the Station shall not be deemed as available to the extent of DC declared by the Station for any time period, should be incorporated in the PPA.

Discoms and Chattisgarh Discom, in response to our request for a copy of long-term load forecast report, SPDCL maintained that the same would be submitted along with ARR and tariff revision proposals for the year 2016-17. But no such report was submitted to the Commission along with ARR and tariff revision proposals, except what is termed resource plan for the last four years of the second control period. Such a resource plan cannot be considered as long-term load forecast plan, as its purpose was confined to submissions for multi-year tariff for the second control period. The reasons for TS Discoms not submitting long-term load forecast plan and the casual approach and inaction of the Commission in not directing them to submit and make long-term load forecast plan public are inexplicable and cannot be justified. Such failures of inaction cannot ensure transparency and accountability which are the bedrock of a meaningful, purposeful and effective regulatory process and public participation in it. Therefore, I once again request the Hon'ble Commission to direct TSSPDCL to submit and make public long-term load forecast plan and provide us a copy of the same.

9. I request the Hon'ble Commission to direct the parties to the PPA to send their responses to the above submissions and hold a public hearing, provide me an opportunity to make further submissions in person after studying their responses, and consider the above points, among others, before issuing its order.

Thanking you,

Yours sincerely,



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