SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED

RESPONSES TO OBJECTIONS / SUGGESTIONS

On

ARR & Tariff Filings Proposals of Retail Supply Business for FY 2023-24

and

Power Purchase True-Ups for FY 2016-17 to FY 2022-23

Response to the Objections of Sri. S. Surya Prakasa Rao

S.No.	Summary of Objections / Suggestions	Response of the Licensee
1.	Discoms have not proposed any increase in Tariffs except minor changes like segregating 'Wholly Religious Places' category and introducing parallel operation charges for captive generating units, etc which are not controversial in general. Thus the consumers are spared from any rate shock, while the Revenue gap with existing tariffs is indicated as Rs.3211 Crs for SPDCL and Rs.7324 Crs for NPDCL. It's expected that the State Government will grant required subsidy in exercise of its powers u/s 65 of the Act to bridge the Revenue gap and to ensure full recovery of ARR as may approved by the Hon'ble Commission	For the FY 2022-23, TSERC approved INR 7912.88 Crs towards Subsidy from GoTS to TS Discoms (INR 1610.89 Crs to TSSPDCl and INR 6301.99 Crs to TSNPDCL) to bridge the revenue deficit of the Discoms. For FY 2023-24, TS Discoms have claimed a revenue gap of INR 10,535 Crs and are expecting to meet the revenue deficit through the financial support of Government of Telangana State through subsidy.
3	I take this opportunity of public consultation process on ARR/Tariff filings to provide my observations as follows on the recently issued Reg.no.1 of 2023 on Fuel Cost Adjustment (FCA) charge which forms part of Tariff and is relevant to the Retail Tariff proceedings of 2023-24.	TS Discoms submit that Regulation No. 1 of 2023 are finalized after the completion of stakeholder consultation by the Hon'ble Commission. However, TS Discoms are replying to the objections raised here considering that FCA forms part of tariff.
3.i	While Sec.62(4) of the Act empowers the Commissions to specify the formula for Fuel Surcharge, it is not clear whether they can permit automatic recovery without prior check and without following the procedure specified u/s 64	In 2021, Ministry of Power, Government of India notified **Electricity (Timely Recovery of Costs due to Change in Law) Rules, 2021**, which allowed Discoms to claim any variation in costs within 30 days and provided a formula for adjustment. Also, through a letter dated 9th Nov 2021 (No. 23/23/2021-R&R), The Ministry of Power (MoP) instructed State Commissions to place a mechanism in operation with immediate effect that allowsauto pass through of fuel and power purchase cost to ensure that there is timely recovery of cost due to variation in fuel costs.

		The State Commission is bound by laws to implement rules and guidelines laid down by the MoP.
3.ii	Though the components of the FCA formula are arithmetical in nature, the parameters for arriving at the numbers need scrutiny, i.e, coal quality w.r.t coal supply agreements, PPAs terms, load forecasts, long-term and short-term power procurement plans, demand side management, etc are involved in arriving at the value of the components. Hence, it's imperative that there should be a check by the Hon'ble Commission before passing on the FCA burden to the consumers either monthly or quarterly	TS Discoms submit that the FCA mechanism aims to recover/refund the variation in the actual fuel costs from the approved fuel costs and the parameters used in FCA formulae are defined to avoid pass through of any higher costs. Further, the FCA claims are subject to quarterly check and annual true up of TS Discoms.It is further to be noted that the Generation companies are also subject to true up in which the parameters leftout in Discoms true up are taken care of.
3.iii	The Regulation no.1 of 2023 specifies automatic monthly pass through, subject to quarterly check and again annual true up. Some concerns on this Regulation are brought to kind notice of the Hon'ble Commission here under: (a) Sub-clause 12.5.2 (c) specifies that FCA shall be passed on to all categories of consumers except LT- V Agricultural. It's presumed that State government consented to grant subsidy for that category only. (b) Sub-clause 12.5.3 (e) requires Discoms to publish the FCA charges along with gist of its computation within 45 days of the end of the relevant month, failing which the claims will not be allowed. Forfeiture of claims for delay may be arbitrary/unfair, especially when the FCA is to be billed in N+3 rd month without prior approval by the Commission. (c) Sub-clause 12.5.5 (a) requires publication of FCA charges along with gist of computation in 5 daily News papers at huge cost	(a) As per the Regulation no. 1 of 2023, TS Discoms have toclaim the FCA of LT V Agricultural consumers from GoTS. Accordingly, the TS Discoms shall approach GoTS. (b) TS Discoms agrees with the view of the Objector in the matter of forfeiture of claims for delay and had made submissions regarding the same in the proceedings for finalization of the Draft Regulations.TS Discoms requests Hon'ble Commission to make suitable amendments or atleast provide relief by allowing such claims, if any in the trueup filings. (c) TS Discoms shall abideby the directives given by the Hon'ble Commission.

	which also accounts for revenue expenditure and is recoverable through Tariffs. If in a particular month the FCA charge is so meagre that it’s not worth incurring expenditure for publication etc, Discoms may be given option to claim the same in the quarterly filings and the shortfall may be allowed to be recovered in the next quarter. (d) Sub-clause 12.5.2 (b) rightly specifies ceiling on FCA for automatic pass through, but 30 paise/unit appears on high side especially for subsidized domestic subcategories. (e) The amendments under para 5.1 and 5.2 on Repeal and Savings, may have to be inserted under a new Clause 24-A after Clause 24 of the Principal Regulation.	(d) The auto pass through component of FCA of 30 paise is on lower side in comparison with the FCA guidelines of some other states. In States such as Rajasthan and HaryanaFCA auto pass component is limited at 15% of approved weighted average power purchase cost, which would work out to be significantly more than 30 paise. (e) The comment/ suggestion is under the purview of Hon’ble Commission
4	Hon’ble Commission may please examine the following aspects after hearing the stakeholders during the public consultation process of the Tariff Order for 2023-24. i. The comfort derived by Discoms in managing the working capital requirement due to automatic monthly pass through will cause undue hardship to crores of consumers and is contrary to the consumers interests mandated u/s 61(d) of the Act. ii. The instructions issued by MOP in its letter dated 9th Nov 2021 has no sanction of law and the Rule 14 of the Electricity (Amendment) Rules, 2022 notified by Central Government on 22nd Dec 2022 is ultravires the Electricity Act 2003. ii. If however monthly recovery is expedient, a committee comprising of consumer’s organizations nominated by the Hon’ble Commission may be allowed to scrutinize the data before publication in news papers, by extending the 45 days period to 60 days.	(i) The applicablity of FCAconsequently saves cosumers against any claims towards increased working capital requirement of Discoms for a prolonged period. Effectively, FCA safeguards consumers against the interest costs that Discom would have to pay for to meet revenue requirements toclear bills ofpower generation companies caused by variations in fuel prices. It is also to be noted that FCA mechanism also refunds the consumers in case there is a decrease in the cost of fuel. (ii) to (iv) The objections are under the purview of the Hon’ble Commission.

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