

### ***Commission's View***

- 3.4.8 The analysis and conclusion on determination of Additional Surcharge for H1 of FY 2023-24 is dealt in Chapter-4.

### **3.5 PRUDENCE CHECK REQUIRED**

#### ***Stakeholder's Submission***

- 3.5.1 In the absence of reconciliation statement & relevant audited accounts, the veracity of the said claims of Petitioners could not be checked.

#### ***Response of TSDISCOMs***

- 3.5.2 TSDISCOMs have computed the Additional Surcharge in consonance with the methodology in O.P.No.23 of 2020.
- 3.5.3 There shall be an yearly statutory audit report confirming the financials including costs and revenues of the TSDISCOMs and the same will be submitted after the due process of completion of statutory and C&AG Audit to the Commission.

#### ***Commission's View***

- 3.5.4 The submissions of the stakeholders and TSDISCOMs are taken note of.

### **3.6 CLARIFICATION ON INTEREST ON PENSION BONDS**

#### ***Stakeholder's Submission***

- 3.6.1 The Objector has considered the Interest on Pension Bonds to the tune of Rs.627.51 crore (i.e., approved Rs.1255.01 crore for FY 2022-23) in accordance with TSGENCO MYT Order for 4<sup>th</sup> control period (i.e., from FY 2019-20 to FY 2023-24) dated 22.03.2022 as against the Petitioner's claim of Rs.653.72 crore.

#### ***Response of TSDISCOMs***

- 3.6.2 TSERC has approved Rs.1255.01 crores towards interest on pension bonds and Rs.52.43 crore towards water charges in TSGENCO MYT order for FY 2022-23, which adds up to Rs.1307.44 crore for FY 2022-23.
- 3.6.3 Accordingly for half year, 50% of the total amount (Rs.1307.44 crore), i.e., Rs.653.72 crore has been considered.

#### ***Commission's View***

- 3.6.4 The submissions of Stakeholders and TSDISCOMs are taken note of.

### 3.7 STRANDED CAPACITY

#### ***Stakeholder's Submission***

- 3.7.1 TSDISCOMs continuously showing stranded capacity, even though open access sales quantum keep on decreasing.
- 3.7.2 TSDISCOMs purchase energy from exchange despite having stranded capacity.

#### ***Response of TSDISCOMs***

- 3.7.3 The stranded capacity is reduced due to reduction in open access sales. The stranded capacity considered for the respective periods is as given below:

Particulars	Units	AS order for H1 of FY 2022-23	AS order for H2 of FY 2022-23	AS order for H1 of FY 2023-24
OA Sales	MU	645.9	370.3	213.3
Stranded Capacity	MW	222.2	119.4	78.1

- 3.7.4 Due to variation in load demand, TSDISCOMs have to purchase power from the short-term markets to meet additional consumer demand. This is also done to ensure that low-cost power is purchased to optimize power purchase cost against the high-cost power plants available. Purchasing of cheaper power from exchanges is in consumer interest as it reduces cost of power purchases. TSDISCOMs have provided detailed information of all purchases made by TSDISCOMs from the exchanges under the 'additional information' requirement of the Commission.

#### ***Commission's View***

- 3.7.5 The analysis and conclusion on determination of Additional Surcharge for H1 of FY 2023-24 is dealt in Chapter-4.

### 3.8 FIXED CHARGES

#### ***Stakeholder's Submission***

- 3.8.1 The Fixed charges claimed by petitioners is incorrect. TSDISCOMs have claimed the Fixed Cost for H1 of FY 2022-23 of Rs.5589.64 crore. The Objector has worked out the allowable Fixed Charges as Rs.5414.46 crore as against Rs.5589.64 crore.
- 3.8.2 No break-up of Fixed Charges elements provided for various generating stations, to confirm that no charge on the account of DPS or any non-fixed

cost is considered. No plant availability linkage provided in calculations of Additional Surcharge. Actual Fixed Cost as part of Actual Power Purchase Cost, ought to be subjected to strict prudence check.

- 3.8.3 No clarity about the Fixed Charges paid towards the NCE power procurement.
- 3.8.4 No capacity allocation for NTECL Vallur TPS and NLC Tamil Nadu Power Limited as per Commission's directives in RST Orders for FY 2017-18 and FY 2018-19. Accordingly, no fixed charges to be paid to these generators.

#### ***Response of TSDISCOMs***

- 3.8.5 TSDISCOMs considered the Fixed Cost paid as per the actuals of H1 of FY 2022-23 for computing Fixed charges per MW in conformity with the methodology for Additional Surcharge computation in O.P.No.23 of 2020 in accordance with the same methodology as considered by the Commission for computing AS for H1 & H2 of FY 2022-23 and H2 of FY 2021-22.
- 3.8.6 The licensees have already provided the complete breakup of the individual fixed cost of each generating station that has been considered in the determination of AS for H1 of FY 2023-24. All the details regarding plant availability and schedules and respective calculation sheets provided and the details are hosted at TSDISCOMs website for access to the objectors/ stakeholders.
- 3.8.7 The fixed charges paid to the generators are based on the availability of power plants as per the terms & conditions of the PPA. The fixed charges paid to NTECL Vallur TPS and NLC Tamil Nadu Power Limited are based on the allocation by Central Government and availability of power plants.
- 3.8.8 TSDISCOMs submitted a requisition to Ministry of Power (MoP), Government of India (GoI) expressing its willingness to surrender the share of Telangana State from NTECL Vallur TPS and NLC Tamil Nadu Power Limited and it is under process.
- 3.8.9 The Commission in its order dated 18.09.2020 in O.P.No.23 of 2020 considered the actual cost commitments of the TSDISCOMs in arriving at the Additional Surcharge and hence, the TSDISCOMs have appropriately considered the actual figures in computation of Additional Surcharge.

#### ***Commission's View***

- 3.8.10 The Commission has considered the actual Fixed Charges in accordance with approved methodology after prudent check.

### **3.9 TRANSMISSION CHARGES**

#### ***Stakeholder's Submission***

- 3.9.1 ISTS & STU charges should not be considered for computation of Additional Surcharge.
- 3.9.2 Consumer availing Open Access from the ISTS system also pays its ISTS cost for the power procured through Open Access, the benefit of which accrues to the State in reduction of their Point of Connection (PoC) charges
- 3.9.3 Annual Performance Review (APR) filed by TSTRANSCO does not accrue until the final order is issued and such benefit does not pass directly to Open Access Consumers.
- 3.9.4 As per National Tariff Policy, Additional Surcharge is applicable only when the existing power purchase commitments have been stranded due to open access.
- 3.9.5 Additional Surcharge is to be levied only when existing power purchase commitment has been and continues to be stranded due to Open Access
- 3.9.6 Despite continuous decrease in open access volume in the past years, Additional Surcharge is continuously increasing.

#### ***Response of TSDISCOMs***

- 3.9.7 The Commission in its order dated 18.09.2020 in O.P.No.23 of 2020 (page 12) opined that the methodology of Additional Surcharge computation was approved in the Order dated 13.12.2017 (which considers both intra & inter state transmission charges) and the same has attained finality.
- 3.9.8 The Commission also considered the same for determination of AS for H1 & H2 of FY 2022-23 and H2 of FY 2021-22.
- 3.9.9 Long-term Power Purchase Agreements (PPAs) exist with both intra and inter-State generators, backing down of generation is not limited to intra-state generators alone.
- 3.9.10 The Commission passed the orders duly considering the benefits in reduction of the PoC charges for the State in the respective APRs filed by TSTRANSCO.
- 3.9.11 As per the Commission guidelines, the Additional Surcharge calculated after arriving the stranded capacity for each 15 minute time-block wise.
- 3.9.12 The stranded capacity has also reduced due to reduction in Open Access

sales. The Additional Surcharge is calculated by considering the fixed charges for the stranded capacity of the respective periods.

Particulars	Units	AS order H1 2022-23	AS order H2 2022-23	AS petition H1 2023-24
OA Sales	MU	645.9	370.3	213.3
Stranded capacity	MW	222.2	119.4	78.1

***Commission's View***

3.9.13 The Commission is in agreement with the replies given by TSDISCOMs.

**3.10 DISTRIBUTION CHARGES**

***Stakeholder's Submission***

3.10.1 Petitioners have considered the Distribution Cost/unit @ Rs.1.17/unit (HT+LT). Only Distribution cost of HT network ought to be considered (not to consider LT distribution cost) for computation of Additional Surcharge.

***Response of TSDISCOMs***

3.10.2 Distribution cost is computed according to the Commission order dated 18.09.2020 in O.P.No.23 of 2020 and order for Additional Surcharge FY 2017-18 dated 13.12.2017 and AS for FY 2018-19 dated 27.03.2018.

3.10.3 The Commission had considered the approved Distribution cost of FY 2016-17, FY 2017-18 in arriving the distribution cost per unit in the orders for Additional Surcharge for FY 2017-18, FY 2018-19; Licensee had followed the same methodology. The Commission has also followed this methodology while determining AS for H1 of FY 2022-23 and H2 of FY 2021-22, i.e., by considering the total Distribution cost.

***Commission's View***

3.10.4 The Commission finds merit in the submission of stakeholder for considering only HT network distribution cost for computation of Additional Surcharge as Open Access consumers will not utilize the LT network. The details of distribution cost considered are dealt in Chapter-4.

**3.11 THE PROPOSAL IS AGAINST GREEN OPEN ACCESS RULES**

***Stakeholder's Submission***

3.11.1 The TSDISCOMs proposal is against MoP, GoI Electricity (Promoting Renewable Energy Through Green Energy Open Access) Rules, 2022. Request for not levying Additional Surcharge and other charges on Solar

plants.

***Response of TSDISCOMs***

3.11.2 The Section 42(4) of the Electricity Act, 2003 highlights the need of additional surcharge for compensating distribution licensees by levying additional surcharge in case consumers switches to alternate supplies under open access. The Electricity Rules cannot supersede the Electricity Act, 2003 passed by the Parliament and hence without appropriate modification to the Electricity Act, 2003 such Electricity Rules may not have legislative backing.

3.11.3 As identified by the policy makers through the mandates of the Electricity Act, 2003, removing additional surcharge would result in licensees having to bear excessive fixed costs associate with Power Purchase Agreement (PPA) signed for long-term duration (25 years) on account of stranded capacity due to switching of existing consumers. The additional surcharge helps in assuaging the TSDISCOMs financial worries. Removal of such charges would put TSDISCOMs under pressure.

***Commission's View***

3.11.4 The Commission has already come up with the Discussion Paper on Terms and Conditions of Open Access.



## Chapter-4

### Analysis and Conclusion on Determination of Additional Surcharge for H1 of FY 2023-24

#### 4.1 LONG TERM AVAILABILITY

4.1.1 The Commission after careful examination approves the long-term available capacity as 8648.04 MW as against 8651.85 MW as claimed by the TSDiscoms.

#### 4.2 CAPACITY STRANDED DUE TO OPEN ACCESS

4.2.1 On examination of 15-minute time-block data for the period from Apr'22 to Sep'22, the Commission noted that the TSDISCOMs have averaged the 15-minute time block data for the entire six (6) months period in accordance with the approved methodology. Further, the Commission observes that TSDISCOMs have purchased the energy under short-term purchases during certain time blocks when there is an availability of surplus capacity. The Commission opines that the short-term purchases during the availability of surplus capacity cannot be attributed to stranded capacity due to the open access consumers and accordingly the Commission approves the capacity stranded due to Open Access as 64.87 MW against 78.10 MW as detailed below:

**Table 19: Approved Stranded Capacity**

Particular (in MW)	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Average for six (6) months period
Available capacity	8832.59	8412.86	7799.79	7462.63	9381.17	10022.10	<b>8648.04</b>
Scheduled Capacity	8281.54	7473.97	7290.86	6421.27	7482.84	7610.34	<b>7421.87</b>
(Deficit)/Surplus	551.05	938.89	508.93	1041.36	1898.34	2411.76	<b>1226.17</b>
ST Purchase Capacity	1308.06	228.58	464.92	781.46	609.12	625.25	<b>667.44</b>
Deficit/(Surplus) after netting of ST purchases	-757.02	710.31	44.01	259.90	1289.21	1786.51	<b>558.73</b>
OA Scheduled Capacity	64.95	98.23	116.74	108.06	120.11	95.51	<b>100.73</b>
Approved stranded Capacity	<b>20.50</b>	<b>79.28</b>	<b>58.00</b>	<b>56.94</b>	<b>94.89</b>	<b>78.39</b>	<b>64.87</b>

**TSDISCOMs in their future Additional Surcharge filings are directed to reflect the stranded capacity after netting off short-term purchases, if any, in the corresponding time-block.**

#### 4.3 FIXED CHARGES FOR STRANDED CAPACITY

4.3.1 The TSDISCOMs have claimed the fixed charges paid as Rs.5589.64 crore

for the period from Apr'22 to Sep'22. The Commission on prudent check has considered the fixed charges paid as Rs.5589.64 crore and the long-term available capacity is 8648.04 MW. Thus, average fixed charges work out to Rs.0.65 crore/MW.

4.3.2 Accordingly, the fixed charges for stranded capacity have been computed as Rs.41.93 crore (i.e., 64.87 MW x Rs.0.65 crore/MW).

4.3.3 The TSDISCOMs requested the Commission to consider any variation in fixed charges for the period from Apr'22 to Sep'22, in the final audited accounts, in the ensuing filings of Additional Surcharge. The Commission allows the TSDISCOMs to separately indicate the variation in fixed cost for the period from Apr'22 to Sep'22, if any, in the ensuing filings of Additional Surcharge, and to submit the detailed justification for variation in fixed charges. The Commission shall take a view on considering the same based on the submissions.

#### 4.4 TRANSMISSION CHARGES AND ACTUAL ENERGY SCHEDULED

4.4.1 The TSDISCOMs have claimed the transmission charges of Rs.2373.76 crore for the period from Apr'22 to Sep'22 and scheduled energy for that period is 35288.87 MU. The Commission has considered the same. Accordingly, the transmission charges per unit have been worked out as Rs.0.67/kWh.

#### 4.5 DISTRIBUTION CHARGES

4.5.1 The Commission finds merit in the submission of the stakeholders that Distribution cost of HT network ought to be considered for Additional Surcharge computation. Hence the Commission has worked out the distribution charges of Rs.0.20/kWh by considering distribution charges of HT network (other than LT network) i.e., 11 kV and 33 kV as detailed below:

**Table 20: Approved Distribution Cost**

Description	Referred as	Particulars
Half (½) of the Distribution cost as per fourth MYT Distribution Tariff Order read with its amendment order dt 01.03.2021 by considering ARR less NTI. [voltage-wise apportion is LT Rs.6903.36 crore, 11 kV Rs.1328.24 crore and 33 kV Rs.86.18 crore]	(a)	Rs.4158.89 crore
Actual Energy Scheduled for FY 2022-23	(b)	35288.87 MU
Total Distribution charges as per Tariff Order	(c)=a/b	Rs.1.1785/kWh



Description	Referred as	Particulars
Distribution charges other than LT (i.e., 11 kV and 33 kV) as per MYT Distribution Tariff Order read with its amendment order	(d)	Rs.1414.42 crore
Percentage of other than LT distribution cost (i.e., for 11 kV and 33 kV) in total distribution cost as per MYT Distribution Tariff Order	$(e)=(\frac{1}{2} \times d)/a$	17.0048%
Distribution charges as per Tariff Order considered by Commission for AS calculation	$(f)=e \times c$	Rs.0.20/kWh

**TSDISCOMs in their future Additional Surcharge filings are directed to reflect the distribution charges for only HT network (i.e., other than LT network) viz., 11 kV and 33 kV.**

#### 4.6 DEMAND CHARGES TO BE ADJUSTED

4.6.1 The total transmission and distribution charges per unit work out to Rs.0.87/kWh. The energy consumed by Open Access consumers from the TSDISCOMs of 1970.66 MU as given in their additional information is considered and the transmission and distribution charges payable by the Open Access consumers work out to Rs.172.05 crore. The demand charges recovered by the TSDISCOMs from Open Access consumers is Rs.205.69 crore. Thereby the excess recovery is to the tune of Rs.33.64 crore.

#### 4.7 NET STRANDED CHARGES

4.7.1 Based on the above, the net stranded charges work out to Rs.8.29 crore (i.e., Rs.41.93 crore – Rs.33.64 crore).

#### 4.8 OPEN ACCESS SALES

4.8.1 The TSDISCOMs have claimed the Open Access sales of 213.29 MU pertaining to Open Access other than captive transactions for the period from Apr'22 to Sep'22. The Commission finds the same to be in order and hence considered the same.

#### 4.9 ADDITIONAL SURCHARGE FOR H1 OF FY 2023-24

4.9.1 Based on the above, the Additional Surcharge claimed by TSDISCOMs and approved by the Commission is as shown in the Table below:

**Table 21: Additional Surcharge for H2 of FY 2022-23**

Sl. No.	Particulars	Unit	Claimed	Approved
{A}	Long term available capacity	MW	8651.85	8648.04
{B}	Capacity stranded due to open access	MW	78.10	64.87