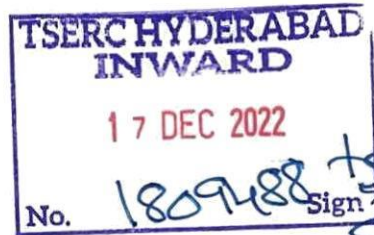


BEFORE THE HONOURABLE TELANGANA STATE ELECTRICITY REGULATORY
COMMISSION

Office at 5th Floor, Singareni Bhavan, Red Hills, Hyderabad - 500 004



FILING NO. _____/2022

CASE NO. 90 /2022

In the matter of:

Filing of the Power Purchase True-up application for Retail Supply Business for the FY 2017-18 in accordance with the "Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 4 of 2005" and its first amendment Regulation 1 of 2014 thereof by (adopted by TSERC) the Northern Power Distribution Company of Telangana Limited ('TSNPDCL' or 'the Company' or 'the Licensee') as the Distribution and Retail Supply Licensee

In the matter of:

NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED

... Applicant

The Applicant respectfully submits as under: -

1. Consequent to the formation of Telangana State on 02-06-2014 as per the Andhra Pradesh Reorganisation Act, 2014, a separate Telangana Electricity Regulation Commission was constituted on 03-11-2014. TSERC vide Telangana Official Gazette has issued its first regulation, Regulation No. 1 of 2014 on 10.12.2014 (Adoption of Previously Subsisting Regulations, Decisions, Directions or Orders, Licences and Practice of Directions) wherein clause 2 states that:

"All regulations, decisions, directions or orders, all the licences and practice directions issued by the erstwhile Andhra Pradesh Electricity Regulatory Commission (Regulatory

Commission for States of Andhra Pradesh and Telangana) as in existence as on the date of the constitution of the Telangana State Electricity Regulatory Commission and in force, shall mutatis-mutandis apply in relation to the stakeholders in electricity in the State of Telangana including the Commission and shall continue to have effect until duly altered, repealed or amended, any of Regulation by the Commission with effect from the date of notification as per Notification issued by the Government of Telangana in G.O.Ms.No.3 Energy(Budget) Department, dt.26-07-2014 constituting the Commission ”

2. This filing is made by the **NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED (TSNPDCL)** under Section 62(4) of the Electricity Act 2003 for determination of the Power Purchase True-ups for the Retail Supply Business for the period **FY 2017-18** in accordance to the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 4 of 2005” and its first amendment Regulation 1 of 2014 thereof(adopted by TSERC vide Regulation No. 1 of 2014).
3. Accordingly, the Licensee in this filing submits the following Proposal of final Power Purchase True-ups for **FY 2017-18** in accordance to APERC Regulation No. 1 of 2014 as adopted by TSERC vide Regulation No. 1 of 2014: -
4. **Power Purchase True-up:**
 - i. As per the directions of the Hon`ble Commission, the Licensee had submitted provisional true up cost for the FY 2016-17 as a part of additional information in the filing of ARR for Retail Supply Business for FY 2017-18. Accordingly, the Hon`ble Commission had approved the final true-up for the FY 2015-16 and provisional true-up for the FY 2016-17 in Retail Supply Tariff Order for the FY 2017-18 (Ref: Page 67-68 of the Tariff Order).
 - ii. It is to further submit that the Licensee in the ARR filing for the FY 2018-19 requested the Hon`ble Commission to allow to file the provisional true-up for the FY 2017-18 & final true-up for the FY 2016-17 separately in view of high degree of uncertainty involved in estimating the trueing up for FY 2017-18 due to 24 hours supply to agricultural consumers w.e.f. 01.01.2018 as well as energization of Lift Irrigation (LI) schemes.

- iii. Further, the Licensee has submitted an application to the Commission for making amendments to the Principal Regulation No. 4 of 2005 on 16.08.2017 wherein the licensee has requested the Hon'ble Commission to amend the regulation on True-up by allowing the actual agricultural sales in arriving Power Purchase cost True-ups so as to allow the DISCOMs to pass on the excess Power purchase cost in the ARR of Retail Supply Business.
- iv. Hence, to avoid any undue burden on the consumers, the licensees requested the Commission for filing of trueing up in the ensuing year (*Ref: Pg 44 of RST for the FY 2018-19*)
- v. In accordance to the APERC Regulation 1 of 2014 as adopted by TSERC vide Regulation 1 of 2014 dated 10.12.2014, the Licensee herewith submits the Power Purchase True-up arrived considering the actual 24x7 Agricultural consumption for consideration and then restricting the Agricultural sales as stipulated in the Regulation.

| Year | Power Purchase True-up as arrived by TSNPDCL (in Rs. Crs) | |
|------------|--|---|
| | Considering actual agriculture sales | Considering agriculture sales as per the Regulation |
| FY 2017-18 | 1,530.17 | 672.26 |

5. Treatment of True-up:

- i. It is to submit that as mentioned in the Para supra, the licensee has True-up claim of **Rs. 1,530.17 crores after considering the actual agriculture sales for the FY 2017-18** showing the impact of 24*7 supply of power supply given to agriculture.
- ii. It is pertinent to mention that, the licensees had prayed before the Hon'ble Commission at various junctures to include the same in the relevant regulations or review the approved sales. However, the same has been declined by the Hon'ble Commission stating that submissions of the TSDISCOMs would be treated as

suggestion/input as and when the Commission initiates the process of adding to or amending or varying regulation.

- iii. **Hence, in view of the above, the licensee is adhering to the Regulation 1 of 2014 adopted by the Hon'ble TSERC in claiming the true-ups for relevant period strictly limiting the agricultural sales as per the Regulation.**
- iv. Additionally, it is to mention that Government of Telangana has already infused the equity of INR 389.48 Cr., in addition to the subsidy, which is improving the cash flows of Discoms.
- v. In addition to the above subsidy, Loss funding amounting to Rs. 156.05 Crores provided by Government of Telangana (vide G.O. Ms. No. 15 dated 18.06.2022) is added up for the FY 2017-18.
- vi. Thus, TS Discoms request the Hon'ble Commission to consider the Net Power Purchase True up after deducting the equity infusion and loss funding provided by the Government of Telangana from the total Power Purchase True up as per the regulation.
- vii. **The below tables briefs about the Power Purchase true up for TSNPDCL calculated in line with the regulatory provisions of Sub clause 12.5 of APERC Regulation 1 of 2014.**

| FY 2017-18 | Power Purchase True up as per Regulation (Rs. Crs) |
|--|---|
| True-up amount | 672.26 |
| Additional Support provided by GoTS | 389.48 |
| Loss funding | 156.05 |
| Net True-up | 126.73 |

- viii. The licensee proposes to recover the Net Power Purchase true up amount of Rs. **126.73** crores from the Consumers in the form of additional ARR in the ensuing Tariff Order.

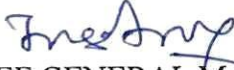
6. Based on the information available, the applicant has made sincere efforts to comply with the Regulation of the Hon'ble Commission and discharge its obligations to the best of its abilities. However, should any further material information become available in the near

future, the applicant reserves the right to file such additional information and consequently amend/ revise the application.

7. In the aforesaid facts and circumstances, the Applicant requests that this Hon'ble Commission may be pleased to:
- a) Admit the net Power Purchase True Up Petition filed by the Licensee, in accordance with Sub clause 12.5 of APERC Regulation 1 of 2014 for the FY 2017-18
 - b) Approve the net Power Purchase True Up cost as submitted in the Petition in order to recover financial losses of the licensee.
 - c) Allow the impact of net Power Purchase True up to be passed on, in the subsequent Tariff Orders to be issued by Hon'ble Commission
 - d) Grant suitable opportunity to TSNPDCL within a reasonable time frame to file additional material information that may be subsequently available;
 - e) Consider and approve TSNPDCL's net power purchase True-up application including all requested regulatory treatments in the filing;
 - f) Pass such order as the Hon'ble Commission may deem fit and proper in the facts and circumstances of the case.

NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED
(APPLICANT)

Through


CHIEF GENERAL MANAGER
IPC&RAC/TSNPDCL

Place: Hanumakonda,

Dated: 16 -12-2022.

**BEFORE THE HONOURABLE TELANGANA STATE ELECTRICITY REGULATORY
COMMISSION**

Office at 5th Floor, Singareni Bhavan, Red Hills, Hyderabad - 500 004

FILING NO. _____/2022

CASE NO. _____/2022

In the matter of:

Filing of the Power Purchase True-up application for Retail Supply Business for the FY 2017-18 in accordance with the “Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 4 of 2005” and its first amendment Regulation 1 of 2014 thereof (adopted by TSERC) by the Northern Power Distribution Company of Telangana Limited (‘TSNPDCL.’ or ‘the Company’ or ‘the Licensee’) as the Distribution and Retail Supply Licensee

In the matter of:

NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED

... Applicant

**AFFIDAVIT OF APPLICANT VERIFYING THE APPLICATION ACCOMPANYING
FILING AS PER TERMS AND CONDITIONS OF TARIFF FOR WHEELING AND
RETAIL SALE OF ELECTRICITY**

I, Sri. T. Madhusudhan, son of Sri T. Laxmipathi, aged 57 years working for gain at the Northern Power Distribution Company of Telangana Limited do solemnly affirm and say as follows:

- 1 I am the Chief General Manager/IPC&RAC of TSNPDCL., the Licensee that has Licence No. 14 of 2000, vide the Hon'ble Commission's approval in proceedings No. APERC/Secy/Engg/No.6 dt.31.3.2000, been granted the distribution and retail supply functions that Transeo was authorised to conduct or carry out under the Act and the license, with respect to the business of distribution and retail supply of electricity in the Northern

distribution zone in Telangana. On December 27, 2000, the Hon'ble Commission has awarded a Distribution and Retail Supply Licence to TSNPDCL effected from April 1, 2001.

- 2 I am competent and duly authorised by TSNPDCL to affirm, swear, execute and file this affidavit in the present proceedings.
- 3 I submit that I have read and understood the contents of the appended application of TSNPDCL. The facts stated in the application are true to the best of my knowledge, which are derived from the official records made available and certain facts stated are based on information and advice which, I believe to be true and correct.
- 4 I submit that for the reasons, and facts stated in the appended application this Applicant pray that the Hon'ble Commission may be pleased to:

- Admit the net Power Purchase True Up Petition filed by the Licensee, in accordance with Sub clause 12.5 of APERC Regulation 1 of 2014 for the FY 2017-18
- Approve the net Power Purchase True Up cost as submitted in the Petition in order to recover financial losses of the licensee.
- Allow the impact of net Power Purchase True up to be passed on, in the subsequent Tariff Orders to be issued by Hon'ble Commission
- Grant suitable opportunity to TSNPDCL within a reasonable time frame to file additional material information that may be subsequently available;
- Consider and approve TSNPDCL's net power purchase True-up application including all requested regulatory treatments in the filing;
- Pass such order as the Hon'ble Commission may deem fit and proper in the facts and circumstances of the case.


DEPONENT
Chief General Manager
IPC & RAC TSNPDCL.
Waranga..

VERIFICATION:

I, the above named Deponent solemnly affirm at Hanumakonda on this ¹²16 Day of December 2022 that the contents of the above affidavit are true to my knowledge, no part of it is false and nothing material has been concealed there from.


DEPONENT

**Chief General Manager
IPC & RAC TSNPDCL,
Warangal.**

Solemnly affirmed and signed before me.



**General Manager
IPC & RAC, TSNPDCL
Warangal.**

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1 Power Purchase True-up

1.1 Introduction

Regulatory Provisions:

Sub clause 12.5 of APERC Regulation 1 of 2014 stipulates as follows:

"12.5 True-up for Retail Supply Business

a. The Distribution Licensee shall include the power purchase cost variation over the previous year Power Purchase cost in the Tariff Order as expense (in the event of incurring excess cost)/rebate (in case of cost saving) in the ARR as special item with relevant details. To arrive the power purchase cost variation, the least of the following power purchase quantity is to be considered:

i) Actual power purchase quantity procured by the Discoms for its consumers.

ii) Power purchase quantity computed based on actual sales except LT Agriculture sales. LT Agricultural sales will be limited to Tariff Order quantity. These aggregated sales will be grossed up with approved losses for the relevant year in the MYT orders.

b. Since the complete information of cost actually incurred relating to previous year will not be available at the time of filing of ARR for a particular tariff year, the Licensee may include provisional cost variation for the previous year in ARR filings which will be subject to final correction by the Commission as and when final accounts for that year become available.

c. The Licensees shall also include in the ARR the amounts to be collected on final basis being the difference between the cost incurred based on audited annual accounts report and costs provisionally approved by the Commission in the Tariff Order for the year immediately preceding the previous year."

As per the Regulation, the Licensee is now filing the Power Purchase True up for the FY 2017-18.

It is to submit that the Licensees in the ARR filing for the FY 2018-19 requested the Hon'ble Commission to allow to file the provisional true-up for the FY 2017-18 & final true-up for the FY 2016-17 separately in view of high degree of uncertainty involved in estimating the trueing up for FY 2017-18 due to 24 hours supply to agricultural consumers w.e.f. 01.01.2018 as well as energization of Lift Irrigation (LI) schemes.

Further, the Licensee has submitted an application to the Commission for making amendments to the Principal Regulation No. 4 of 2005 on 16.08.2017 wherein the licensee has requested the Hon'ble Commission to amend the regulation on True-up by allowing the actual agricultural sales in arriving Power Purchase cost True-ups so as to allow the DISCOMs to pass on the excess Power purchase cost in the ARR of Retail Supply Business. The matter was still under consideration by the Hon'ble Commission at that juncture.

Hence, to avoid any undue burden on the consumers, the licensees requested the Commission for filing of trueing up in the ensuing year. (Ref: Pg 44 of RST for the FY 2018-19).

Eventually, the licensee has submitted the petition for ARR for Retail Supply Business for FY2019-20, FY2020-21 and FY2021-22 before the Hon'ble Commission dated 31.03.2021 with a request to condone the delay in filing the aforementioned petition within the stipulated timeline due to certain unavoidable situations that are beyond the control limit of the licensee viz., enforcement of Model Code of Conduct in view of elections to the Parliament, State Legislature, local bodies; non-operational of the Hon'ble commission for a certain period and further imposition of lockdown in the country in view of outbreak of pandemic COVID-19.

It is pertinent to mention that, the licensee has once again filed the petition for Amendment of Regulation No. 4 of 2005 on 30.09.2019 requesting the Hon'ble Commission proposing certain additions to the uncontrollable items in the ARR and modifications to the existing uncontrollable items viz., considering actual Agriculture Sales, actual T&D losses etc., for passing through the gains or losses of the licensees to cope up with the present day situations.

In view of the aforementioned proposals, the licensee could not file the power purchase true-ups for FY2016-17 to FY2020-21 along with the filings of ARR for Retail Supply Business of the licensee for FY2019-20 to FY2021-22 dated 31.03.2021.

Eventually, the Hon'ble Commission dismissed the petition vide order in J.P.(S.R.) No:37 of 2019 dated 02.06.2021 stating that the regulation which is termed a subordinate or delegated legislation, cannot be amended or varied by invoking power either through the adjudicatory proceedings or inherent rule making power at the instance of any of the stakeholders and further opined that the submissions of the TSDIS/OMs would be treated as suggestion/input as and when the Commission initiates the process of adding to or amending or varying regulation.

The licensee could not file the power purchase true-ups in the ARR filings for FY22-23 to avoid undue burden on the consumers in view of proposed tariff hike. Hence, the licensee proposed to file the power purchase true-ups separately to pass-on the burden in the ensuing tariff order.

Further, the licensee had received loss funding pertaining to the FY 2017-18 (as per the Clause 8.1 of UDAY guidelines communicated by Ministry of Power vide letter dated 20.11.2015) from Government of Telangana in June 2022

Due to the aforementioned reasons, the licensee could not file the power purchase true-ups in the stipulated timeline. Hence, the licensee humbly requests the Hon'ble Commission to condone the delay in filing the present petition. The licensee is also herewith submitting the petition for condonation of delay along with the present petition.

The Licensee, TSNPDCL, hereby submits the Power Purchase true up for FY 2017-18 calculated separately first after considering the Actual Agriculture sales and then limiting the Agricultural sales as per the Regulation along with this filing. A summary of Power Purchase True up arrived by TSNPDCL, in this Petition is provided in the table below:

| Year | Power Purchase True-up as arrived by TSNPDCL (in Rs. Crs) | |
|------------|--|--|
| | Considering actual agriculture sales | Considering agriculture sales as per Regulation |
| FY 2017-18 | 1,530.17 | 672.26 |

The Licensees in the state of Telangana purchase power from TSGENCO generating thermal and hydro stations, Central generating stations and other sources such as, Solar and other RE sources, IPPs, viz. Singareni, Thermal Power Tech and CSPDCL, and short-term sources to meet the energy requirement of the State.

1.2 Power Purchase True up for the FY 2017-18 at the State level

1.2.1 Key Developments in FY 2017-18 and its implications:

- The Government of Telangana (GoTS) took a remarkable decision in FY 2017-18 by announcing 24 * 7 power to agricultural consumers. Telangana is the pioneer state in India to have announced 24 * 7 power to agricultural consumers.
- As per the policy of GoTS, the Licensees started supplying 24 * 7 power to agricultural consumers w.e.f. January 1, 2018. Prior to full-fledged roll out for the entire state, 24 * 7 was rolled out in 3 major agriculturally inclined districts of Nalgonda, Medak and Karimnagar, from July 1, 2017 onwards. This consequently resulted in a substantial increase in the power demand vis-à-vis projected Sales of the Licensees. The trend of maximum demand registered by the state is as shown below:

| S. No. | Financial Year | Maximum demand (in MW) | Date and time |
|--------|----------------|------------------------|-------------------------|
| 1 | 2014-15 | 6,755 | 28 March @ 0000 Hrs |
| 2 | 2015-16 | 6,849 | 16 October @ 1100 Hrs |
| 3 | 2016-17 | 9,191 | 31 March @ 1235 Hrs |
| 4 | 2017-18 | 10,284 | 8 March @ 0746 Hrs |
| 5 | 2018-19 | 10,818 | 11 September @ 0731 Hrs |

- From the above table, it is quite evident that the maximum demand has grown over 1.5 times in past 5 years, which can also be observed in the growth in consumption. A peak demand of 9500MW was recorded at state level on 13th September, 2017 due to the pilot project.
- The Licensees would like to submit that, on the basis of normative loss level specified in the tariff regulations, the Hon'ble Commission in its Tariff Order dated August 26, 2017 had determined the Energy requirement of 36,658.23 MUs for TSSPDCL and 15,587.16 MUs for TSNPDCL, aggregating to 52,245.39 MUs for the Telangana State for the FY 2017-18.

- The Licensees had filed a review petition on the Tariff Order for the FY 2017-18. The Licensees sought reconsideration on certain issues including approval of lower sales of agriculture over previous year's approved numbers. Further, the Licensees had submitted that the approved sales for the FY 2017-18 are substantially lower in view of higher sales recorded for the FY 2016-17 i.e. 8767.64 MU (recorded YoY growth of 34.5%), implying a significant financial impact on the DISCOMs.
- The Hon'ble Commission vide its order dated 17.02.2018 had rejected the Licensees prayer, noting that they had failed to visualize the requirement of power supply to the agricultural consumers in light of Government policy.
- The Licensees now, present before the commission, the impact of providing 24*7 supply to all agricultural consumers, as the actual sales are now available with the Licensees. The Table below shows the increase in sales over approved figures for the FY 2017-18.

| Category wise Approved v/s Actual Sales FY 18 | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Consumer Category | TSSPDCL | | TSNPDCL | | Total | |
| | Approved | Actuals | Approved | Actuals | Approved | Actuals |
| Total LT Category | 18,530.25 | 22,800.94 | 9,257.87 | 11,220.01 | 27,788.11 | 34,020.95 |
| Category V Irrigation & Agriculture | 6,824.00 | 11,318.87 | 4,941.00 | 6,922.49 | 11,765.00 | 18,241.37 |
| HT Category at 11 kV | 4,837.34 | 4,928.97 | 1,539.57 | 1,687.96 | 6,376.92 | 6,616.93 |
| HT Category at 33 kV | 4,892.77 | 4,328.29 | 407.40 | 289.52 | 5,300.18 | 4,617.81 |
| HT Category at 132 kV | 3,497.28 | 3,530.66 | 2,162.56 | 1,739.71 | 5,659.84 | 5,270.37 |
| Total | 31,757.65 | 35,588.86 | 13,367.40 | 14,937.19 | 45,125.05 | 50,526.05 |

- From the above table, it can be inferred that the major variation in the approved and actual sales is contributed by the **change in Agriculture consumption, which is to the tune of 55%**. This was a direct outcome of providing 24*7 supply to this consumer category on a pilot basis since July 1 2017 in three districts and for the full state from January 1, 2018 and a major contributor to additional power purchase.

- Further, Year on Year (FY 18 over FY17) growth in TSSPDCL sales is 15.36%, whereas that in TSNPDCL is 15.89%. The increase in sales hence reflected in increase in energy requirement of the State which increased by 7% over the approved value of 52,245 MUs, in the tariff order dated August 28, 2017, against which the actual energy dispatched was 58,371 MUs in FY 2018.
- The Licensees submit that, based on annual audited accounts and approved distribution losses, the actual power purchase cost (including transmission charges) stands at Rs.19,790.14 Cr for TSSPDCL and Rs.8,654.49 Cr for TSNPDCL, aggregating to Rs. 28,444.63 Cr for the state of Telangana for the FY 2017-18, as shown in the table below:

| PP Cost Variation for the state of Telangana for the FY 18 | | | | | | | | | | | |
|--|-------------------|---------------|---------------|---------------|---------------|---------------|------------|------------|----------------------|---------------|--------------|
| Category | Energy Dispatched | | Fixed cost | | Variable cost | | Other cost | | Total INR Cr. Impact | | |
| | Appr. | Act. | Appr. | Act. | Appr. | Act. | Appr. | Act. | Appr. | Act. | Diff. |
| Genco Thermal | 13,559 | 17,849 | 2,759 | 2,651 | 3,100 | 4,832 | - | - | 5,859 | 7,483 | 1,624 |
| Genco Hydel | 2,153 | 1,419 | 1,095 | 1,045 | - | - | - | - | 1,095 | 1,045 | (50) |
| CGS | 12,662 | 11,386 | 1,450 | 1,309 | 2,791 | 3,344 | - | - | 4,241 | 4,652 | 411 |
| APGPCL and IPPS Gas | 62 | 105 | 4 | 8 | 13 | 25 | - | 48 | 17 | 81 | 64 |
| NCE | 4,202 | 4,201 | - | - | 2,455 | 2,492 | - | - | 2,455 | 2,492 | 38 |
| IPPS Others | 19,607 | 20,979 | 4,245 | 4,500 | 3,144 | 3,917 | - | - | 7,389 | 8,418 | 1,028 |
| Market | - | 4,150 | - | - | - | 1,685 | - | 195 | - | 1,880 | 1,880 |
| Sale of surplus energy | - | (1,718) | - | - | - | (588) | - | - | - | (588) | (588) |
| D-D purchase | - | - | - | - | - | - | - | - | - | - | - |
| Interest on Pension Bonds | - | - | 636 | 540 | - | - | - | - | 636 | 540 | (96) |
| Miscellaneous | - | - | - | - | - | - | - | 287 | - | 287 | 287 |
| Transmission cost | - | - | - | - | - | - | - | - | 2,231 | 2,153 | (78) |
| Total | 52,245 | 58,371 | 10,188 | 10,054 | 11,504 | 15,707 | - | 531 | 23,923 | 28,445 | 4,521 |

*Other cost pertains to prior period payments, STOA charges

1.2.2 Reasons for deviation in Power Purchase Quantum and Cost for the State

The actual energy dispatched at the State level is 11.72% more than the energy dispatch approved by the Hon'ble Commission. This is majorly attributed to 24 * 7 power supply to agricultural consumers in the state, which has been explained in detail in the previous section.

Owing to the increase in Sales, the actual cost incurred by the Licensees for the FY 2017-18 is more than the costs approved by the Hon'ble Commission. The detailed explanations for variations have been discussed below:

i) Deviations in Energy Dispatch:

- **Hydel Power:** The State of Telangana has witnessed significantly lower rainfall levels for the second year in a row, across the state during the FY 2017-18. As the recorded rainfall is low, a quantum amounting to only 1419 MUs was generated from hydel power stations during the year.
 - The actual hydel generation, thus achieved in the FY 2017-18, is 34% lesser than the energy dispatch as approved by the Hon'ble Commission which stands at 2,153 MUs
- **Central Generating Stations (CGS):** There was a delay in the commissioning of one unit of NTPC Kudigi in the FY 2017-18. Further, there was lower dispatch from NTPC stations as compared to approved dispatch. This led to the decrease in energy received from CGS stations by 1,276 MUs (10% decrease) from the approved energy dispatch by the Hon'ble Commission.

The Licensees, having committed to supply continuous and reliable supply in the state, had managed to procure the shortfall in energy dispatch, from various other sources as detailed below:

- **State GENCO - (Thermal):** Post Bifurcation, the power sharing ratio between Andhra Pradesh and Telangana was modified during this year (i.e FY 2017-18), resulting in plants located in each state supplying 100% power to their respective states.
 - To make up for the shortfall in generation and provide for the additional demand arising due to supply of 24*7 power to all consumers including agricultural consumers, the Licensees have procured additional energy required from Thermal stations of TSGENCO
 - An additional 4,290 MUs have been procured from TSGENCO Thermal stations during the FY 2017-18, which is 32% higher than the approved dispatch by the Hon'ble Commission.

- Further, one unit of 60 MW of KTPS A was decommissioned during this year, resulting in lesser than approved dispatch from this station.
- **Short-Term Power:** The Licensees, after exhausting all their sources, have resorted to procure power from short term market for the FY 2017-18.
 - The Licensees submit that the power was procured to meet the sudden increase in power demand in the state for the FY 2017-18 due to the policies adopted by the GoTS, as explained in detail in the earlier section.
 - To meet the power demand, the Licensees had purchased a total of 4,150 MUs from the Short-term market for the State of Telangana for the FY 2017-18.
 - The Hon'ble Commission in its earlier Order had not made any provisions for the purchase of power from the short-term market. The Licensees submit that they have made enormous effort to procure power from long term sources. However, due to paucity of time, it was not possible to find a long-term Power purchase source in FY 2017-18.
 - The Licensee has made continued efforts in this regard and has executed power purchase agreements with long term sources (in CGS and NCES) during the FY 2018 -19 & FY 2019-20 to meet the rising demands in the state. These Plants are expected to commission by FY 21/22.
 - In this context, the Licensees humbly requests the Hon'ble Commission to allow the Short-term power purchase quantum for the FY 2017-18.
- ii) **Deviations in Power Purchase Cost:** The deviations in power purchase cost is further classified into two categories (fixed cost and variable cost) and is discussed below in detail:
 - **Variations in Fixed Cost (FC):** There was an overall decrease in the fixed costs from the approved Rs. 9,552 Cr. to an actual Rs. 9,513 Cr. (0.4% decrease from approved value) incurred by the Licensees during the FY 2017-18. This is mostly attributable to delay in commissioning of few Thermal power units and decrease in overall fixed costs of TSGENCO (Thermal & Hydel) and CGS stations.

- **Variations in Variable cost (VC):** Variable Costs has increased to the tune of Rs. 4,203 Cr. from the approved costs. The reason for such increase can be mostly attributed to the increase in VC of TSGENCO Thermal power stations. And procurement from Short term market to meet the 24 * 7 power supply initiative to the agricultural consumers in the state. The details have been further explained below:
 - For Thermal Stations, at the time of issuance of order, the cost assumptions considered by the Hon'ble Commission were provisional, but due to increase in cost of Coal and levy of Green CESS, the variable cost of thermal stations has increased significantly. While TSGENCO recovers the deviation in actual variable cost on a quarterly basis from the licensees, the same is not passed on to the consumers by the DISCOMS.
 - **TSGENCO Thermal Stations:** The variable costs of the TSGENCO stations increased by 18% from the approved Rs 2.29/kWh to Rs. 2.71/kWh. With the increase in power procurement from these stations, the overall Variable cost has increased by Rs. 1732 Cr for the FY 2017-18.
 - **CGS Stations:** The Variable cost has increased significantly by 33% from the approved costs by the Hon'ble Commission (from Rs. 2.20/kWh to Rs. 2.94/kWh). This has led to an increase in the VC of CGS by Rs. 552 Cr.
 - **IPPs (Others):** The Licensees humbly submit that there was an overall increase in VC by 16% (from the approved Rs.1.60/kWh to the actual Rs. 1.87/kWh) from the approved value from the power procured from other IPPs (TPCIL, Singareni, CSPDCL)
 - The increase in per unit cost combined with increase in quantum has resulted in a net increase of Rs. 773 Crores in the Variable costs.
 - In May 2017, the Hon'ble CERC had issued an order for compensation to be provided by beneficiary to Security constrained economic dispatch (SCED) generators for Un-requisitioned energy of beneficiary below 85% of its entitlement from ISGS Stations.

- Following the Hon'ble Commission's directives as per the said Order, the Licensees in the state of Telangana had paid Rs. 108.71 Cr. to NTPC Simhadri I and II, NTECL Vallur STPS and NTPL generators.
- The Licensees had paid Liquidated damages to Lanco Kondapalli (Gas) to the tune of 48 Cr. as per the supreme court order dated 16.10.2015.
- The Licensees had also paid Rs 296 Cr. to Thermal Power Tech Unit II towards POC charges remittances. Further, the Licensees have paid 195 Cr. to PTC towards short term open access charges. These other costs have resulted in total increase of cost to the tune of Rs. 539 Cr.
- The Licensee submits that these charges have been included in the Power Purchase cost submitted above and are explained here for the purpose of understanding.

1.2.3 Power Purchase True-up for TSNPDCL for the FY 2017-18

- The Licensee TSNPDCL for the FY 2017-18 had incurred few miscellaneous expenses as explained below:
 - Prior period expenses of Rs. 319 Cr. were paid by the Licensees under the head miscellaneous charges. TSNPDCL secured income from this category. Following table shows the breakup of miscellaneous charges for TSNPDCL

| Miscellaneous expenses for TSNPDCL | |
|---|---------------------------|
| Item/Particular | Amount (Rs. Crore) |
| 2016-17 IBSS | 240.46 |
| Other income Dr Tr to PP cost | 118.26 |
| LANCO LD Dr Tr to PP cost | 17.29 |
| 2017-18 NCE Provisional | 17.16 |
| Differential VC 14-15 | 5.11 |
| UI-SRPC/Deviation charges | 1.28 |
| Reactive | 0.91 |
| Wheeling TNEB/Asset Maintenance | 0.06 |
| Wheeling KPTCL | 0.04 |
| Thermal Incentive & Others | (45.76) |
| Other Cost | (23.58) |
| STOA refund from TSTRANSCO to TATA | (4.31) |
| 2016-17 STOA Prov Reversal | (6.02) |
| One-time vendor NCEs Solar provision | (1.43) |

| Miscellaneous expenses for TSNPDCL | |
|------------------------------------|--------------------|
| Item/Particular | Amount (Rs. Crore) |
| Total | 319.46 |

- Basis the above power purchase cost incurred at the State level for the FY 2017-18. TSNPDCL is allocated its share of the Power Purchase cost in the approved ratio of 29.45% and further additions for any additional energy required to meet demand
- The Power purchase true-up cost of the Licensee TSNPDCL for the FY 2017-18 is tabulated below:

| Power Purchase True up of TSNPDCL for the FY 2017-18 | | | | | |
|--|-------------------|--------------|----------------------|-------------|-------------|
| Category | Energy Dispatched | | Total INR Cr. Impact | | |
| | Approved | Actual | Approved | Actual | Difference |
| Genco Thermal | 3993 | 5257 | 1725 | 2204 | 478 |
| Genco Hydel | 634 | 418 | 322 | 308 | (15) |
| CGS | 3729 | 3353 | 1249 | 1370 | 121 |
| APGPCL and IPPS Gas | 18 | 31 | 5 | 24 | 19 |
| NCE | 1137 | 1329 | 658 | 752 | 94 |
| Others | 5774 | 6178 | 2176 | 2479 | 303 |
| Market | 0 | 1222 | 0 | 554 | 554 |
| Sale of surplus energy | 0 | (506) | 0 | (173) | (173) |
| D-D purchase | 301 | 0 | 126 | 0 | (126) |
| Interest on Pension Bonds | 0 | 0 | 187 | 159 | (28) |
| Miscellaneous | 0 | 0 | 0 | 319 | 319 |
| Transmission cost | | | 675 | 659 | (16) |
| Total | 15587 | 17282 | 7124 | 8654 | 1530 |

- The details of station wise deviations of power purchase cost are enclosed as **Annexure-B.**

The previous sections detail about the impact of 24*7 supply of power to agriculture on the power purchase cost. It is pertinent to mention that, the licensees had prayed before the Hon'ble Commission at various junctures to include the same in the relevant regulations or review the approved sales viz., Review petition filed by the licensees on Tariff Order for FY17-18 and Petition filed for Amendment to Regulation 4 of 2005.

However, the same has been declined by the Hon'ble Commission stating that submissions of the TSDISCOMs would be treated as suggestion/input as and when the Commission initiates the process of adding to or amending or varying regulation.

Hence, in view of the above, the licensee is adhering to the Regulation 1 of 2014 adopted by the Hon'ble TSERC in claiming the true-ups for relevant period strictly limiting the agricultural sales as per the Regulation. The below table briefs about the Power Purchase true up for TSSPDCL calculated in line with the regulatory provisions of Sub clause 12.5 of APERC Regulation 1 of 2014.

| FY | Power Purchase True up as per Regulation (Rs. Crs) |
|---------|--|
| 2017-18 | 672.26 |

The detailed station wise deviations of power purchase cost for the FY 2017-18 as per the Regulation is enclosed as Annexure-C.

Additional Support received from GoTS:

It is to mention that Government of Telangana has already infused the equity of INR 1,298 Cr., for FY2017-18 in addition to the subsidy, which is improving the cash flows of Discoms. The details of the equity infused in mentioned in the below table:

| Additional Support Provided by GoTS (Equity Infusion) (Rs. Cr) | | | |
|--|---------|---------|---------|
| Financial year | TSSPDCL | TSNPDCL | Total |
| 2017-18 | 908.79 | 389.48 | 1298.27 |

Loss takeover by GoTS as per UDAY MoU:

As per the Clause 8.1 of UDAY guidelines communicated by Ministry of Power vide letter dated 20.11.2015, States shall take over the future losses of DISCOMs in a graded manner and shall fund the loss. The previous year's actual losses will be used for calculation for each year instead of using current year's estimated losses. In line with the above, the GoTS vide G.O. Ms. No. 15 dated 18.06.2022 has sanctioned and later released Rs. 156.05 Crore towards takeover of 10% of losses for FY 2017-18.

Thus TS Discoms request the Hon'ble Commission to consider the Net Power Purchase True up after deducting the equity infusion and loss funding provided by the Government of Telangana from the total Power Purchase True up as per the regulation.

1.3 Amendment of Regulation 4 of 2005

The Licensee humbly submits that the present-day power sector depicts different set of conditions from the earlier days owing to the latest developments relating to the significant inclusion of clean energy sources, enlarging the energy market, supplying 24*7 power to all the consumers etc. All these developments have a significant impact on the cost implications of the distribution licensees.

However, Regulation No. 4 of 2005 viz., Terms and Conditions for Determination of Tariff for wheeling and Retail Sale of Electricity that was notified by the Hon'ble Commission suiting the earlier situations does not adapt to the present-day scenario (like incorporating certain provisions relating to banked energy, purchase from solar roof top, considering the actual sales, automatic fuel surcharge adjustment etc) impacting the financials of the licensees.

Further, the licensee submits that, the National Tariff Policy (NTP),2016 mentions that the solvency of distribution sector is key to the success of power sector reforms and hence mandates the Regulatory Commissions to strike the right balance between the requirements of the commercial viability of Distribution Licensees and the Consumer interest and the same is presented below:

*"8.0..... Making the **distribution segment of the industry efficient and solvent is the key to success of power sector reforms** and provision of services of specified standards. Therefore, **the Regulatory Commissions need to strike the right balance between the requirements of the commercial viability of distribution licensees and consumer interest.....**"*

Hence, timely revaluation of the Regulations or acts is highly essential in the interests of the stakeholders for the sustainability of the sector.

Recently, the Central Government in exercise of the powers conferred in Section 176 of the Electricity Act, notified "Electricity (Timely Recovery of Costs due to change in Law) Rules,2021" on 22.10.2021. In this connection a letter was received from the Joint Secretary to the Government of India on 09.11.2021 for taking necessary action.

The Central Government after detailed consultation with all the stakeholders made the above Rules for an automatic pass through of impact in cost due to change in

law automatically by a formula. These rules shall apply to a generating company and transmission licensee to recover costs due to change in Law from the Distribution companies on monthly basis.

However, it is to submit that there is no such automatic pass-through mechanism of power purchase true-up applicable to the DISCOMs in the erstwhile APERC Regulation No. 4 of 2005 read with its 1st amendment in Regulation No.1 of 2014 as adopted by Hon'ble TSERC vide its Regulation No.1 of 2014. The implementation of the above said Rules by the Generating Company or transmission licensee on monthly basis without provision for the Distribution licensee to recover the same on monthly basis from the consumers shall have adverse impact on the financials of the DISCOM leading to huge working capital costs and also affect the entire value chain of the power sector.

Hence, in a similar way, the licensees humbly request the Hon'ble Commission to amend the Regulation No. 4 of 2005 adapting the present-day situations and in accordance to the Central Government Rules on "Electricity (Timely Recovery of Costs due to change in Law) Rules, 2021" thereby safeguarding the interests of the distribution licensees.

2 Treatment of True-up

2.1 The Context

- Cost true ups are warranted as tariff filings and tariff orders are issued based on futuristic projections of various revenue and cost elements. The variations in projections and actuals should ideally be due to unforeseen changes such as new regulations (increase in Taxes /Coal CESS), natural disasters leading to higher capital investments / operating expenses and other force majeure conditions.
- Efforts should be made by all the stakeholders involved to reduce such true ups of costs in business-as-usual scenarios. Higher true up costs will have an adverse effect on both the performance of utility (as the gap has to be funded through short term sources) and customers (tariff increases to recover such gaps with carrying costs).
- This leads to reduced financial capacity of the utility to raise long term finances at competitive rates. Current true ups and the carrying costs have to be borne by customers for future energy procurement.

2.2 Power Purchase True Up

- The Licensee has already elaborated the basis on which it claims the Power purchase true ups in the relevant sections of this Petition. However, it wants to place further emphasis on the concern of lower sales approvals leading to significant variation in approved vs actual power procurement cost, as listed below:

| FY | Power Purchase True up considering actual agri. Sales (Rs. Crs) | Approved ARR (in Rs. Crs) | True up as a % of ARR |
|---------|---|---------------------------|-----------------------|
| 2016-17 | 715 | 7,654 | 9% |
| 2017-18 | 1530 | 8,433 | 18% |

- The major reason for variation in agriculture sales is the non-recognition of 24 hours supply by the Commission. True up due to agriculture sales is not considered fully as per the prevailing regulations. The relevant regulation is reproduced below for ready reference of the Hon'ble Commission:

"The Distribution licensee shall include the power purchase cost variation over the previous year Power Purchase cost in the tariff order as expense (in the event of incurring excess cost/rebate (in case of cost saving) in the ARR as special item with relevant details. To arrive the power purchase cost variation, the least of the following power purchase quantity is to be considered:

Actual power purchase quantity procured by the DISCOSMs for its consumers.

Power purchase quantity computed based on actual sales except LT agricultural sales. LT agricultural sales will be limited to Tariff Order quantity. The aggregated sales will be grossed up with approved losses for the relevant year in the MYT orders”

- The variation in power purchase cost for the FY 2018-19 is around 23% of the total approved ARR. This clearly indicates that the Licensee had been undertaking the business with a deficit of around 23%, which adds to financial strain leading to short term borrowings.

In this petition the licensee has several times stressed upon considering the actual agricultural sales for calculating the true up. Licensee presented Power Purchase true up calculation after considering the actual agricultural sales. However, for the reasons mentioned in the earlier chapter, the licensee has also calculated the Power purchase true up by limiting the agriculture sales (10 Hrs. agriculture supply) as per the Regulation. The below table briefs about the Power Purchase true up for TSNPDCL calculated in line with the regulatory provisions of Clause 12.5 of APERC Regulation 1 of 2014 and also considering the additional support from Government of Telangana.

| FY 2017-18 | Power Purchase True up as per Regulation (Rs. Crs) |
|-------------------------------------|--|
| True-up amount | 672.26 |
| Additional Support provided by GoTS | 389.48 |
| Loss Funding | 156.05 |
| Net True-up | 126.73 |

3 Prayer

The Licensee requests the Hon'ble Regulatory Commission:

- To admit the net Power Purchase True Up Petition filed by the Licensee, in accordance with Sub clause 12.5 of APERC Regulation 1 of 2014
- To approve the Power Purchase True up cost as follows for the FY 2017-18

| FY 2017-18 | Power Purchase True up as per Regulation (Rs. Crs) |
|-------------------------------------|--|
| True-up amount | 672.26 |
| Additional Support provided by GoTS | 389.48 |
| Loss funding | 156.05 |
| Net True-up | 126.73 |

- To approve the deviation from the approved values for Power Purchase quantum and cost for as approved in the earlier Tariff Orders and to allow pass through of the same
- To allow the impact of net Power Purchase True up to be passed on, in the subsequent Tariff Order to be issued by Hon'ble Commission
- To pass any other order as the Hon'ble Commission may deem fit and appropriate under the circumstances of the case and in the interest of justice
- To condone any errors/omissions and to give opportunity to rectify the same
- To permit the Licensees to make further submissions, addition and alteration to this True-up as may be necessary from time to time.
- To Amend the Regulation 4 of 2005 adapting the present-day situations and in accordance to the Central Government Rules on "Electricity (Timely Recovery of Costs due to change in Law) Rules,2021".