



TELANGANA STATE POWER GENERATION CORPORATION LIMITED

Vidyut Soudha, Hyderabad-500082

From
The Chief Engineer,
Coal & Commercial,
TSGENCO, Vidyuth soudha,
Khairatabad,
Hyderabad-500082.

To
The Commission Secretary,
TSERC, 5th Floor,
#11-4-660, Singareni Bhavan,
Red Hills, Lakdi-ka-pul,
Hyderabad-500004.

Lr.No: TSGENCO/CE (Coal & Comml) / SE(C&C)/BP&CIP: 2019-24/ D.No: 132/23, Dt. 12.07.2023

Sir,

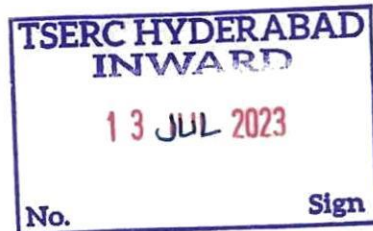
Sub: -TSGENCO-Objections and Suggestions from Sri M. Venugopala Rao, Senior Journalist & Convener, Center for Power Studies, Hyderabad, Dt: 28.06.2023, relating to Business Plan and Capital Investment Plan Petitions for 5th Control Period (FY: 2024-25 to FY: 2028-29) - TSGENCO Replies-furnished-Reg.

Ref: - E-Mail, Dt. 28.06.2023 received from Sri M. Venugopala Rao.

Vide ref. cited above, E-Mail on Objections and Suggestions received from Sri M. Venugopala Rao, Senior Journalist & Convener, Center for Power Studies, Hyderabad and sought clarification, on Business Plan and Capital Investment Plan Petitions (O.P.No. 11 of 2023 and O.P.No. 10 of 2023 respectively) for 5th Control Period (FY: 2024-25 to FY: 2028-29) filed by TSGENCO, dated: 01.04.2023.

The responses of TSGENCO are herewith furnished as per the enclosures and the responses are also sent to the above objector through E-mail.

Encl: As above



Yours faithfully

[Handwritten signature]
12/7/2023
Chief Engineer / Coal & Commercial
TSGENCO/Vs/HYD

→ Copy to

Sri M. Venugopala Rao, Senior Journalist & Convener, Center for Power Studies, H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Hyderabad - 500 032.

Sl.No	Objections/suggestions	TSGENCO REPLY
1	<p>TSGENCO is not a licensee of the Hon'ble Commission. As such, business plan and capital investment plan of GENCO are not within the purview of the Hon'ble Commission. As and when PPAs are entered into with TSGENCO by TSDISCOMs and submitted to the Hon'ble Commission for its consideration, the latter examines the same after holding public hearings and gives its orders. The Hon'ble Commission determines permissible capital cost and tariff for the power plant concerned in the regulatory process, considering applicable regulations and norms. Business plan and capital investment plan of TSGENCO are an internal matter of the utility and the Hon'ble Commission has nothing to do with them. In other ERCs, especially in APERC, there is no such regulation providing for submission of business plan and capital investment plan of APGENCO for the consideration of the Commission. The clause in TSERC Regulation 1 providing for the said arrangement is unwarranted and without jurisdiction for various reasons. Similarly, TSDISCOMs have nothing to do with business plan and capital investment plan of TSGENCO and vice versa in terms of the regulatory process of the Hon'ble Commission. Similar is the case with private power generation companies with whom TSDISCOMs enter into PPAs and the Hon'ble Commission has nothing to do with business plan and capital investment plan of those private power generation companies. As such, the Hon'ble Commission is once again requested to examine the legal position and dispense with the questionable provisions in its regulation concerned which is providing for submission to and consideration of business plan and capital investment plan of TSGENCO by the Hon'ble Commission. As entities of the Government of Telangana state, TSGENCO, TS TRANSCO and TSDISCOMs can have internal arrangement for taking a holistic view and work out plans for development of power sector in the state as per the policies and directions of GoTS. The Hon'ble Commission is considering long-term load forecast, procurement plan and investment plan of TSDISCOMs and TSTRANCO as its licensees and issuing multi-year</p>	<p>In accordance with the TSERC Regulations 1 of 2019, TSGENCO has filed the business plan and capital investment plan on 1st April, 2023 for the 5th control period (FY 2024-25 to FY 2028-29).</p> <p>Clause No.7 of TSERC (Terms and Conditions of Generation Tariff) Regulations, 2019 (Regulation No.1 of 2019) specifies that the applicant shall file a business plan along with capital investment plan for its Generation Business on or before 1st April of the Year preceding the first Year of the Control Period for a duration at least the entire Control Period.</p>

	<p>tariff order for transmission business and distribution business, after holding public hearings, for the control period concerned. There is no such arrangement in the case of TSGENCO, except considering renewal of its PPAs with TSDISCOMs periodically, considering all relevant factors, as decided by the Hon'ble Commission in its orders.</p>	
2.	<p>TSGENCO has submitted that the impact of notification dated 31.12.2021 of the Ministry of Environment, Forest and Climate Change is to be studied in detail and that the expenditure involved will be submitted to the Hon'ble Commission separately. Those relate to installation of flue gas desulfurization (FGD) and upgradation of electrostatic precipitators (ESP) for its power plants concerned. As such, GENCO's capital investment plan is confined to other works, including renovation and modernisation, of its proposed plants during the fifth control period.</p>	<p>As per the MOEF &CC Notification dated. 31.12.2021 various issues regarding 100% ash utilization need to achieved by thermal power plants by transportation of ash for construction and other activities and back filling of mine voids, manufacturing of ash based products etc., which requires detailed study regarding requirement of capital investments. Hence the same could not be factored in the proposed capital investment plan.</p> <p>The capital expenditure projected in the capital investment plan includes the capital expenditure towards meeting the New emission Norms of Ministry of Environment, Forest and Climate Change, at an estimated cost of Rs.2586.79 Crs. This cost is estimated based on the technical field study report submitted by M/s BHEL for complying with the New Emission Norms and implementation of Flue gas De-sulphurisation (FGD), selective catalytic Reactor (SCR) and addition of Electro Static Precipitator (ESP) in respect of KTPS-V&VI Stages, KTPP-I&II at an estimated cost of Rs. 1231.04 Crs and 1325.75 Crs respectively.</p> <p>In this regard it is to inform that, clause No. 7.19.1 (I) of TSERC Regulations 1 of 2019 specifies that "an additional capital expenditure for complying with statutory norms for Environment in accordance with the appropriate notifications of Ministry of Environment, Forest and Climate Change may be admitted by the Commission".</p>

3.	<p>For 16 of its existing and ongoing power plants with a total installed capacity of 10484.26 MW, TSGENCO has projected a capital investment of Rs.14130.37 crore proposed to be incurred from a period ranging from one year to five years in case of different plants during the fifth control period. While the projected cost for BTPS (1080 MW) is Rs.641 crore and for YTPS (4000 MW) is Rs.9571.66 crore.</p>	<p>In the total expenditure proposed in the capital investment plan of Rs 14130.37 Crs, the expenditure proposed for the new stations is of Rs. 10212.84 Crs and for the existing stations towards Automation & technological upgradation amounting to Rs. 3917.53 Crs.</p> <p>As per clause No. 2.23 of TSERC Regulations 1 of 2019, cut-off date for the project declared commercial operation in the last quarter of a year shall be 31st March of the Year ending after three years of the start of commercial operation. Accordingly the cut-off date of BTPS shall be 31st March 2025. Against a total proposed capital cost of Rs. 641.18Crs. for BTPS most of the proposed expenditure i.e., of Rs. 592.41Crs is proposed during the FY 2024-25 are under original scope of project cost.</p> <p>During the FY 2023-24 two units of YTPS are scheduled to be Commissioned and the balance three units scheduled to be commissioned during FY 2024-25 (5th control period). The expenditure to be incurred is proposed in the capital investment plan for 5th control period.</p> <p>As per the MOEF & CC guidelines and notifications issued from time to time, the estimated capital expenditure towards the FGD, SCR and addition of ESP of KTPS-V&VI, KTPP I&II and KTPS-VII Stations is of Rs. 2586.79Crs. included in the Capital Investment Plan, to meet the New emission norms. The proposed expenditure is admissible as per the clause No. 7.19.1 (l) of TSERC Regulations 1 of 2019.</p> <p>The expenditure proposed towards the R&M works of existing stations is of Rs. 1300.73 Crs. The R&M works are proposed due to aging wear & tear of the equipment and to improve the efficiency of operation and the same may be admissible by the Hon'ble Commission as per the Clause No. 7.19.1 (k) of the</p>
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		TSERC Regulations 1 of 2019.
4.	<p>Going by the proposed capital investment plan of TSGENCO, during the 5th control period it will not be taking up any new project. There has been impermissible delay in execution of some of its ongoing projects like BTPS and YTPS, leading to escalation in capital cost, including interest during construction. Prolonged delay in execution of the projects does not contribute to declaration of COD and starting generation and supply of power as originally scheduled, with attendant problems to the DISCOMs and their consumers of power.</p>	<p>BTPS last Unit is commissioned on 9th January, 2022. In this connection, TSGENCO has already made its submissions to the Hon'ble Commission during Multi Year tariff Filing and Mid-term Review filing during the 4th control period. Hon'ble Commission has thoroughly examined the submissions of TSGENCO and accorded the approval for capital cost.</p> <p>New super critical thermal power station YTPS (5X800 MW) 2 units are expected to be commissioned by December-2023 and the remaining 3 units of 800 MW each are expected to be commissioned by December- 2024. The delay in commissioning of the project is mainly due to the force majeure conditions prevailed due to COVID pandemic.</p>
5	<p>With TSDISCOMs projecting availability of abnormal quantum of surplus power every year during the fifth control period, and no addition of generating capacity, despite projected growth in demand, delay in execution of power plants of TSGENCO has various implications. In general, procurement of power by the DISCOMs on such an unwarranted scale is unwarranted. Arrangement for procurement of power should have been done in a phased manner gradually to be in consonance with growing and fluctuating demand. Procurement of power should have ensured ideal power mix to meet fluctuating demand to the extent possible, leaving no scope for availability of unwarranted and avoidable surplus power. Going by the capital costs, delay in execution of power plants, likely tariffs, which have been the power plants with which the TSDISCOMs entered into long-term power purchase agreements and whether power plants of TSGENCO also are included in that list need to be examined. Despite delay in implementation of power plants by TSGENCO, that there has been so far and will be during the fifth control period no shortage for power raises a question mark against need for power from some of the plants of GENCO. Backing down power plants of GENCO under merit order dispatch also confirms the kind of unwarranted</p>	<p>TSGENCO has planned capacity addition to ensure 24X7 quality, reliable and affordable power supply to all Domestic, Commercial, Agriculture and Industrial consumers in line with the policies of Govt. of Telangana. The Bhadradri TPS (4X270MW) and Yadadri TPS (5X800 MW) are part of capacity addition.</p> <p>Further PLF of all Thermal Stations of TSGENCO is around 71.84% which is higher than National average of 64.15%.</p>

**Reply to the Objections/suggestions raised by Sri. M. Venugopala Rao, Sr. Journalist & Convener, Centre for Power Studies, Hyderabad,
dt. 28.06.2023**

	<p>imbalance in power mix and unwarranted purchase of renewable power. Being the utility of GoTS, GENCO's plants should have been accommodated in power procurement plan for the state earlier, instead of going in for procuring private power, including unwarranted RE, and implemented in an efficient manner to stand competitive in all respects and justify preference for its plants.</p>	
6	<p>When the Hon'ble Commission is expected to apply normative parameters for determination of capital cost and tariff and for giving Consent to PPAs of generating plants, the need to "accept" or approve the capital investment plan of TSGENCO in advance based on projections, not on actual performance, is questionable and infructuous. It will be some kind of a fait accompli. Whatever be the decision of the Hon'ble Commission in considering business plan and capital investment plan of TSGENCO, we request the Hon'ble Commission not to make them the basis for determining permissible capital cost of its plants and tariffs based thereon. It is all the more important, because the Hon'ble Commission has not been examining how tenders are being invited and their terms and conditions and how bidders are being selected for purchases of materials and implementation of works concerned. In principle, public sector units should be encouraged. However, giving orders for implementation of power plants and other works to BHEL has not ensured benefits that would have accrued through real competitive bidding. Therefore, realistic normative parameters based on changing market trends and real competitive bidding giving scope for wider participation of bidders all over the country, with required comparative study, should form the basis for evaluation of various factors, including expenditure, performance, renovation and modernization, pollution control measures, etc., of power plants. Renovation and modernisation should be based on cost-benefit analysis. But no such analysis is provided by GENCO.</p>	<p>Capital Cost Determination: As per the prevailing regulations, capital cost of a project is determined as per Clause No. 7.9(c) to 7.23, of Hon 'ble TSERC Regulations 1 of 2019. There are no specific normative parameters for determination of Capital Cost. Only measure available is per MW Bench Mark Hard Cost, made available by CERC with December 2011 Base Indices, Dt.04.06.2012. Considering the same and escalating thereon, the capital cost of TSGENCO projects BTPS & YTPS are well below the bench mark. The same is explained by TSGENCO during Consent to PPAs, Multi Year Tariff filings, Mid Term Review. Considering the submissions Hon'ble TSERC has done prudence check and issued the orders. Further, the capital costs approved provisionally will be reviewed by the commission upon successful commissioning of the project and approves the final capital cost after due delegacy.</p> <p>Capital Works: TSGENCO has filed the business plan and capital investment plan in accordance with the TSERC Regulations 1 of 2019 for the 5th control period (FY 2024-25 to FY 2028-29). Major expenditure proposed in the Capital Investment Plan are for the balance works of YTPS, BTPS, FGD to meet the MOEF&CC orders.</p> <p>TSGENCO adopts the GoTS, terms and conditions for tendering</p>

		<p>process in purchasing materials and for execution of works.</p> <p>However, the capital works in respect of BTPS & YTPS are awarded to M/s.BHEL, which is a Maharatna Central PSU and has expertise in establishment of Thermal Power Stations across the country and also the only manufacturer of BTG in the Govt. sector.</p> <p>Renovation and modernization: Renovation and modernization of a project with a minimal investment is beneficial in improving the plant performance, efficiency and also to extend the useful life of the plant.</p> <p>However, the Regulation have provision for these nature of capital costs admissible as per clause No. 7.19.1 (k), 7.19.1.(l), 7.19.1 (m) and 7.19.4 of TSERC Regulations 1 of 2019.</p> <p>Hon'ble Commission may take a decision in respect of filing of capital investment plan and business plan in accordance with the appropriate regulations.</p>
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Keerj
12/7/2023
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