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## **The Federation of Telangana Chambers of Commerce and Industry**

(Formerly known as FTAPCCI)

Empowering Industry, Commerce & Trade

Registered under the Companies Act, 1956

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Statement of objections

In the matter of

### **SUO-MOTO APPROVAL OF PPA'S BETWEEN TSDISCOMs and TSGENCO**

Taken on record by TSERC

In OP Nos 15 to 19 of 2021

June 24, 2021

## **Objections of FTCCI**

- 1. Provisions for Suo-Moto approval of PPA entered between Generating companies and the Distribution Licensees** Section 62 and Section 86(1)(b) of the Electricity Act 2003 require TSERC to determine the Tariff for supply for supply of electricity by a Generating entity to a Distribution Licensee and to regulate electricity purchase and procurement process of the DISCOM including the price at which electricity shall be procured ,from the Generating entities or Licensees or from other sources through agreements for purchase of power for distribution with the state .Section 61 of the Act requires the Commission to specify the terms the terms and conditions for such determination of Tariff. Regulation No 1 of 2019 of TSERC (Terms and Conditions of Generation Tariff) dated 04-01-2019 defines the powers and enabling provisions.

We note that OP-15 of 2021 is for approval of PPA dated 19-03-2018 between KTPS VII

And DISCOMS, OP –16 /2021 is for approval of PPA dated 1-04-2019 between KTPS-ABC and DISCOMS, similarly OP-17 /2021 is for a PPA dated 17-09-2019. OP-18/2021 is for a PPA dated 27-01-2016. Even the latest PPA between YTPS & DISCOMs IS 11-03-2020.

All the above PPAs were entered into between 15 months to 5 years 6 months ago. We are unable to understand the reasons for such abnormal delay in filing a petition with TSERC, seeking an approval for the PPAs, as they are mandated to do so by Regulation. While this Honorable Commission has the powers to grant

Suo-Motu approval. We humbly state that it would have been more appropriate if such extreme need to exercise Suo-Motu were not necessitated. We request the Honorable Commission to permit us to know if any reasons for delay were given by either DISCOMS or TSGENCO.

We objectors are deeply concerned to note that our DISCOMS, appear to be reluctant or worse perhaps pliant Respondents. This we noted in the matter of OP-5 & 6 /2021, even as the main RESPONDENT, they had no response to the TSGENCO petition. A regulatory framework can be effective only if the regulated entities and we consumers have a healthy deliberation during a hearing. We pray that this Honorable commission continues as always continues to facilitate

## **2. Some Observations on the OP-15 to OP-19**

**2.1 OP-15: PPA for KTPS VII (1\*800 MW).** This agreement dated 19-03-2018 should be amended for clarity by incorporating TSERC (Terms & conditions for determination of Generation Tariff) Regulation 2019. Paragraph 4 of this PPA should be read as ***“The terms and conditions of the power purchase agreement are as per prevailing Regulations (TSERC Regulations 2019 for Terms and conditions for determination of Tariff) and any changes in TSERC regulations that may occur in future shall be applicable for all operating norms and other parameters. “***The CODas we understand from TSGENCO’S Petitions of OP-5 & 6/2021 IS 26.12.2018 AND G.F.A as on 1-04-2019 is Rs. 4605.058 crores as claimed, but awaiting TSERC ORDERS.

2.2 We request the Honorable Commission to direct the DISCOMS and TSGENCO to upload relevant acceptance and certification of clauses 1.13,1.14 ,1.18 & 1.24.in the PPA between TSGENCO AND TSDISCOMS and other statutory authority

as applicable as per the requirement defined in paragraph 5 in pages 25 to 30 of the 2019 Tariff determination Regulation of TSERC.

### **3. OP-16, OP-17, OP-18 and OP-19 ALL OF 2021**

We note the terms and conditions of the PPA cited in the above Petitions are same expect for obvious citation of capacity, plant location and PPA date. Our request in paragraph 2 this petition explained above is equally applicable and we request the Honorable commission to direct TSGENCO AND TSDISCOMS suitably

**4. Addition of An EXPLANATORY ANNEXURE as part of all the PPA s.** For clarity and specific applicability for station wise Tariff determination, FCA or True –ups or True-downs, as required to be done station wise as per Regulation, we request that the PPA should have an annexure detailing for the specific Generating station the NORMATIVE STANDARDS AND PERFORMANCE PARAMETERS. This is to assess specific station's performance as required in the regulation.

**5. Controllable and uncontrollable costs assessments** These costs are arguably the most important factors deciding the tariffs for we final consumer of electricity. The Regulation 2019 is well defined and clear. Our submission is to ensure more data and information transparency. This Honorable Commission is aware that their intervention was required to get the annual reports of TSGENCO and we are still awaiting annual reports of TSTRANCO.

**6 Lack of Station wise Details in the annual reports** We have verified the Annual Report FY 2019-20 of TSGENCO and we note that cost of materials consumed as showed in the P & L statement in page 61 is purported to be given as Note 28 in page 108. This is consolidated total of expenditure (Rs 5114.54 crores) for the cost of coal and oil consumed. This is a little over 50% of the

TSGENCO revenue. There is no station wise consumption in quantity or cost. This is a Regulatory account statement required as per the regulation to arrive at the variable cost for each station. In fact, as per the Regulation the regulation the quarterly fuel cost finalization is based on these details. Periodic joint sampling & testing of coal to assess GCV, moisture (surface & inherent) and uploading the same information on the webpage is a Regulatory requirement. For the Honorable Commission too the information we have requested in this paragraph is necessary for arriving of variable cost. We presume this information is available with the Honorable Commission and we request the same be displayed in the TSGENCO webpage as well the regulatory required information.

7. **Reliance on P & L accounts by ERC.** Amongst the latest Recommendations minutes in the most recent 75<sup>th</sup> Forum of Regulators meeting on 30<sup>th</sup> April 2021, chairperson of UPERC opined **“that the ERC s should rely on the regulatory accounts of the DISCOMs and not on their P& L Accounts. The regulatory account takes into normative parameters fixed by the ERC ----- “**

8 **Performance Incentives to TSGENCO.** The PPA defined Rs 0.50 to Rs 0.25 is too high without a clause disincentive for non-performance. This in plants were TSERC have increased SHR Considering vintage of the plant, reduced availability & PLF to 70 %, higher auxiliary consumption. The Consumers are already burdened with a high PPA from these plants. We therefore urge this Honorable commission to disallow such claims of incentives in the PPA s

9 **Why 25 YEARS PPA:** Understandably Thermal generating stations are capital intensive and so a longer PPA has become a norm. Our submission is as the depreciation is front loaded, in all the cases of GENCOS repayment is settled in 15

YEARS if Availability, PLF and financial prudence is the managerial culture. So why should after capital cost recovery and in these times of technological obsolescence, the accumulated depreciation not to be TRUED DOWN in Tariff for the Consumers.

**10. Role of SLDC.** The PPA in paragraph 2.3 .1 have defined the important role of SLDC. ***“TSGENCO shall directly provide capacity notice to the TSSLDC, denoting the unit wise hourly MW Availability (00.00-24 Hours) on day ahead basis. TSSLDC shall in turn intimate the same day by 16.00 hrs. the Generation schedule to TSGENCO for the following day in respect to all the units of the Project that have declared capacity notice.” Further 2.3.2 states that TSGENCO shall follow the TSSLDC directives to back down, increase or resume generation, decrease generation at times of day, provided that such directives are consistent with the technical limits of the facility -----”***

As we consumers perceive the information from SLDC is the key in establishing AVAILABILITY FACTOR, PLF. This in turn has a direct bearing on the fixed cost chargeable by GENCO. UNDER THESE CIRCUMSTANCES WE URGE THAT SLDC HAS AN INDEPENDENT STATUS AND WE CONSUMERS HAVE INFORMATION RELATED ACCESS

We have a few other observations, which we are trying to crystallize and request that we be permitted to present orally and in written during the virtual public hearing.

Place: Hyderabad

Date: 24/06/2021