

OBJECTIONS TO THE PETITIONS OF KSEB BEFORE KSERC

**BEFORE THE HON'BLE KERALA STATE ELECTRICITY
REGULATORY COMMISSION, THIRUVANATHAPURAM**

IN THE MATTER OF:

Proposal to recover the additional cost incurred during the period April 2017 to June 2017 over approved level on Generation and Power Purchase due to variation in cost of fuel, from all consumers including Bulk Consumers and other Licensees.

OBJECTIONS FILED BY:

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OBJECTIONS OF THE KERALA HT & EHT INDUSTRIAL ELECTRICITY
CONSUMERS' ASSOCIATION ON THE KSEBL PROPOSAL TO LEVY FUEL PRICE
ADJUSTMENT CHARGES

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A1: BACKGROUND

OBJECTIONS OF THE KERALA HT & EHT INDUSTRIAL ELECTRICITY CONSUMERS' ASSOCIATION TO THE KSEBL'S PROPOSALS TO LEVY FUEL PRICE ADJUSTMENT CHARGES ON ALL CONSUMERS INCLUDING BULK CONSUMERS TO RECOVER THE ADDITIONAL FINANCIAL LIABILITY INCURRED OVER APPROVED LEVEL OF GENERATION AND POWER PURCHASE DURING THE PERIOD FROM APRIL TO JUNE 2017.

The Objector is Kerala HT & EHT Industrial Electricity Consumers' Association, comprising of 166 member consumers, including more than 29 major industries. Of the member HT & EHT industries about 31 industrial consumers have contracted for a maximum demand of more than 2000 KVA each with the Petitioner and more than 20 industries draw power at the EHT level from the Petitioner.

- 1.1 HT/EHT industries account for about 23% of the total energy requirement of Kerala State Electricity Board Limited (KSEBL). They also contribute about 31% to the total revenue from tariffs.
- 1.2 KSEBL has submitted this petition to recover fuel price adjustment charges from all consumers including bulk consumers to compensate the additional financial liability incurred over approved level of generation and power purchase during the period from April to June 2017. KSEBL has requested to pass on Rs. 74.6 Cr as Fuel Price Adjustment Charges.
- 1.3 Our objections and suggestions are given in the following pages and are placed before the Hon'ble Commission for favourable consideration.

A2: FUEL PRICE ADJUSTMENT – LEGAL & PROCEDURAL ASPECTS

KSERC Tariff Regulations 2014

- 2.1 KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2014 came into effect on 14th November 2014 and so far, KSEBL has been taking a stand that they have not 'adopted' it. They even went to the extent of challenging the Regulation in the Hon'ble High Court of Kerala.
- 2.2 Now it is very heartening to see KSEBL finally 'adopting' it.
- 2.3 While it is a welcome attitude taken by KSEBL, ironically it also exhibits KSEBL's inclination of 'Cherry Picking'.
- 2.4 Like in the earlier petitions, KSEBL has not complied with the Regulations fully, especially on timelines to be kept. As per Regulations, FPA petitions are to be submitted within 30 days of close of each quarter. In the present case, they have submitted the FPA petition on the 18th August, 2017 instead of the 30th July, 2017 and come up with a condonation petition.
- 2.5 Although, a few days delay is not a big issue, the point to be noted here is that KSEBL has never complied with specified timelines. Habitual default is a serious offence and the Hon'ble Commission is requested to view it in that angle and take necessary corrective actions.

KSEBL not filing FPA charges petition during certain quarters

- 2.6 As per KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2014, regulation 88(5) every Distribution Business/Licensee **shall**, within 30 days after the close of each quarter, submit to the Commission an application with all relevant details required for the approval of the amount of Fuel Surcharge to be adjusted from the consumers and of the rates and period of such adjustments.
- 2.7 The last FPA petition filed by KSEBL was for the period Jan-March 2015, that is the last quarter of 2014-15. What has happened in the two years in between? It, can't be the rule that KSEBL may submit an FPA petition whenever they like.

2.8 KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2014, regulation 88 (2) says

"Fuel surcharge is the amount approved by the Commission or for adjustment by the distribution Business/Licensee, by way of recovery from or by way of refund to the consumer, to enable the Distribution Business/Licensee to pass through to the consumer additional expenditure or savings due to, .."

This clearly means that there is a provision for paying back to the consumers the excess charges already collected. By not submitting FPA petitions on a regular basis as mandated by the Hon'ble Commission's Regulations, KSEBL has done an injustice to its own customers who are the basis for their own survival. Such an attitude by KSEBL is not correct and it should not be tolerated.

We, therefore, request the Hon'ble Commission to take appropriate action against KSEBL for wilful violation of the provisions of the Commission's Regulations.

A3: ANALYSIS OF KSEBL PROPOSALS

Prudence check

- 3.1 In the absence of details regarding power purchase from various stations we are not in a position to counter check the veracity of figures submitted by KSEBL in this petition. To safeguard the interest of the consumers it is necessary that the Commission do a prudence check on the details submitted by KSEBL. We trust that the Hon'ble Commission will kindly do that.

Computation of FPA charges

- 3.2 KSEBL in their petition has stated

"Even though the quantum of generation and power purchase was approved as 25292.45 MU for the year 2017-18, month wise schedule of each source was not specified in the order. Hence KSEBL has prepared this petition based on the variation in fuel cost on actual monthly power purchase from approved sources for the first quarter."

- 3.3 As per the Tariff Regulations (Annexure-X, Fuel Surcharge Formula) FPA charges are applicable on the actual monthly energy purchase or the approved monthly energy purchase whichever is less. In the present case KSEBL has taken the actual monthly energy purchase claiming that the Commission has approved the total purchase for the year but, did not give monthly split up of energy purchase.
- 3.4 We feel that the Commission should have given a monthly split up at the time of approval or should have given a split up subsequently as it has done several times in the past. In the past, on several occasions, whenever a similar thing happened, KSEBL had sought a split up from the Commission and the Commission had given it promptly.
- 3.5 Whatever be the case, an omission on the part of KSEBL or the Commission cannot be the reason for charging the consumer beyond what is permitted by law.
- 3.6 In these circumstances, as part of our effort to protect the rights of the stake holders, we have computed the FPA charges that can be permitted as per applicable law, regulations and past practice.

- 3.7 The Hon'ble Commission, in the past, apportioned the yearly quantum month wise on a pro rata basis and we also follow the same method. Based on such apportioned quantity 'as approved quantity' we have computed the FPA charges.

Procurement from Short term market and Traders

- 3.8 KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2014, provides in Regulation 88 as follows:

(2) Fuel surcharge is the amount approved by the Commission for adjustment by the distribution business/licensee, by way of recovery from or by way of refund to the consumer, to enable the distribution business/licensee to pass through to the consumer additional expenditure or savings due to,

(i) the difference between the actual cost of fuel and the cost of fuel approved in aggregate revenue requirement by the Commission for the generation of electricity in the generating stations owned by the distribution business/licensee; and

(ii) the difference on account of the change in cost of fuel, between the actual cost of power purchase and the cost of power purchase as approved by the Commission in the aggregate revenue requirement.

- 3.9 As can be seen from the above the relevant Regulations do not make any distinction between power purchase from short term market & traders and power purchase from other sources.
- 3.10 KSEBL in their petition has given details of procurement from short term market and Traders. But they have not considered the variation in power purchase cost due to the above in computation of FPA. Instead, they have made a simple statement " **Rates of purchase through short term contracts are within the approved limits**"
- 3.11 We do not understand the reason why KSEBL has not included power purchased from short term market in their FPA computations. **We submit that it is not correct and the impact of short term market purchases also should be included in the computation and we have included it in our computations.**

April 2017		ENERGY PURCHASE (MU)			VARIABLE COST (Rs/ Kwh)		
Sl No	Name of the Station	APPROVED	ACTUAL	ELIGIBLE QUANTITY	ACTUAL	APPROVED	FUEL COST ADJUSTMENT (Rs. Cr.)
1	RSPTS I & II	136.08	142.67	136.08	2.41	2.63	-2.96
2	RSTPS III	34.23	41.26	34.23	2.36	2.69	-1.14
3	Talcher Stage - II	236.24	264.54	236.24	1.82	1.48	8.08
4	Simhadri TPS Stage II	50.75	45.77	45.77	3.06	2.73	1.51
5	NLC - Stage-1	29.84	40.42	29.84	3.27	2.42	2.55
6	NLC - Stage-2	42.64	57.73	42.64	3.27	2.42	3.64
7	NLC- I Exp	34.78	44.28	34.78	3.10	2.28	2.84
8	NLC - II Exp	32.99	36.71	32.99	2.97	2.30	2.23
9	Vallur STPS	28.10	31.83	28.10	2.93	2.07	2.41
10	NTPL	40.51	46.03	40.51	2.76	2.09	2.70
	SUB TOTAL CGS						21.87
1	DVC Raghunathpur	27.94	6.15	6.15	2.20	2.30	-0.06
2	DVC Mejia	57.99	68.22	57.99	2.03	2.30	-1.57
3	Maithon Power I ER	85.83	90.24	85.83	1.89	2.00	-0.94
4	Maithon Power II ER	85.83	77.61	77.61	1.89	2.00	-0.85
5	JPL Stage II	41.31	130.42	41.31	1.11	0.81	1.24
6	Jhabua SGPLNLR	63.52	78.33	63.52	1.82	1.66	1.02
	SUB TOTAL PVT.						-1.17
1	PTC	122.40	138.68	122.40	3.08	3.33	-3.06
2	TATA	160.03	72.99	70.78	3.33	4.00	-4.74
3	IEX		90.88	0.00	3.50	4.00	0.00
4	PXIL		25.21	25.21	3.09	4.00	-2.29
5	DSM		64.04	64.04	2.11	4.00	-12.10
	SUB TOTAL STOA & TRADERS						-22.20

May 2017		ENERGY PURCHASE (MU)			VARIABLE COST (Rs/ Kwh)		
SI No	Name of the Station	APPROVED	ACTUAL	ELIGIBLE QUANTITY	ACTUAL	APPROVED	FUEL COST ADJUSTMENT (Rs. Cr.)
1	RSPTS I & II	140.62	159.01	140.62	2.42	2.63	-2.92
2	RSTPS III	35.37	42.96	35.37	2.36	2.69	-1.17
3	Talcher Stage - II	244.12	254.20	244.12	1.87	1.48	9.58
4	Simhadri TPS Stage II	52.45	65.34	52.45	2.99	2.73	1.36
5	NLC - Stage-1	30.84	49.90	30.84	3.27	2.42	2.63
6	NLC - Stage-2	44.06	64.34	44.06	3.27	2.42	3.76
7	NLC - I Exp	35.94	26.84	26.84	3.09	2.28	2.17
8	NLC - II Exp	34.09	27.59	27.59	2.97	2.30	1.86
9	Vallur STPS	29.04	34.59	29.04	2.83	2.07	2.20
10	NTPL	41.86	42.84	41.86	2.74	2.09	2.71
	SUB TOTAL CGS						22.18
1	DVC Raghunathpur	28.87	34.17	28.87	2.01	2.30	-0.84
2	DVC Mejia	59.92	61.13	59.92	2.04	2.30	-1.56
3	Maithon Power I ER	88.69	96.72	88.69	1.86	2.00	-1.24
4	Maithon Power II ER	88.69	96.73	88.69	1.86	2.00	-1.24
5	JPL Stage II	42.69	132.32	42.69	1.06	0.81	1.07
6	Jhabua SGPLNLR	65.64	79.72	65.64	1.78	1.66	0.79
	SUB TOTAL PVT.						-3.02
1	PTC	126.48	144.26	126.48	3.08	3.33	-3.16
2	TATA	165.36	72.81	72.81	3.28	4.00	-5.24
3	IEX		121.14	30.56	3.39	4.00	-1.86
4	PXIL		3.51	0.00	3.48	4.00	0.00
5	DSM		61.99	61.99	2.04	4.00	-12.15
	SUB TOTAL STOA & TRADERS						-22.42

June 2017		ENERGY PURCHASE (MU)			VARIABLE COST (Rs/ Kwh)		
SI No	Name of the Station	APPROVED	ACTUAL	ELIGIBLE QUANTITY	ACTUAL	APPROVED	FUEL COST ADJUSTMENT (Rs. Cr.)
1	RSPTS I & II	136.08	138.81	136.08	2.55	2.63	-1.05
2	RSTPS III	34.23	34.83	34.23	2.49	2.69	-0.69
3	Talcher Stage - II	236.24	265.72	236.24	1.65	1.48	4.07
4	Simhadri TPS Stage II	50.75	55.40	50.75	2.88	2.73	0.76
5	NLC - Stage-1	29.84	32.77	29.84	3.27	2.42	2.55
6	NLC - Stage-2	42.64	38.00	38.00	3.27	2.42	3.24
7	NLC- I Exp	34.78	38.34	34.78	3.01	2.28	2.53
8	NLC - II Exp	32.99	30.08	30.08	2.97	2.30	2.03
9	Vallur STPS	28.10	21.56	21.56	2.88	2.07	1.74
10	NTPL	40.51	24.29	24.29	2.79	2.09	1.69
	SUB TOTAL CGS						16.87
1	DVC Raghunathpur	27.94	14.58	14.58	2.51	2.30	0.31
2	DVC Mejia	57.99	64.10	57.99	2.12	2.30	-1.04
3	Maithon Power I ER	85.83	96.75	85.83	1.97	2.00	-0.26
4	Maithon Power II ER	85.83	96.78	85.83	1.97	2.00	-0.26
5	JPL Stage II	41.31	131.03	41.31	1.11	0.81	1.24
6	Jhabua SGPLNLR	63.52	78.60	63.52	1.85	1.66	1.21
	SUB TOTAL PVT.						1.19
1	PTC	122.40	139.89	122.40	3.08	3.33	-3.06
2	TATA	160.03	0.00	0.00	0.00	0.00	0.00
3	IEX		35.44	35.44	3.01	4.00	-3.51
4	PXIL		2.30	2.30	3.67	4.00	-0.08
5	DSM		52.93	52.93	1.85	4.00	-11.38
	SUB TOTAL STOA & TRADERS						-18.02

Summary of computations

SUMMARY OF FUEL COST ADJUSTMENTS				
April to June 2017 (Rs. Cr.)				
SOURCE	Apr-17	May-17	Jun-17	TOTAL
CGS	21.87	22.18	16.87	60.92
PRIVATE	-1.17	-3.02	1.19	-3.00
STOA & TRADERS	-22.2	-22.42	-18.02	-62.64
TOTAL	-1.5	-3.26	0.04	-4.72

- 3.12 As can be seen from the summary above, the Fuel cost adjustment needed for April-June 2017 is negative Rs 4.72 Cr which means that this amount has to be given back to the consumers of KSEBL.
- 3.13 Another important point to be noted here is that, if the actual quantum of energy purchase under Short term & Traders is considered, the gain KSEBL has made is huge. So, there is no reason for KSEBL to lament that they have incurred additional cost over the approved level for power purchase.
- 3.14 Since the amount involved is small ie. less than 1 paise per unit, we suggest that this amount may be carried forward to be adjusted in future FPA charges.

A4: PRAYER

- 1. The Objector most humbly requests the Hon'ble Commission to consider the above submissions and determine appropriate FPA Charges.**
- 2. We request the Hon'ble Commission to keep the amount as a carried forward quantity for future adjustments**