

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 July 2017 to September 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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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 JULY TO SEPTEMBER 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 July to September 2017. KSEBL has requested to pass on Rs. 19.74 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 Like in 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 24th November, 2017 instead of 30th October, 2017 and come up with a condonation petition.
- 2.3 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.
- 2.4 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.

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 The Hon'ble commission, in its order dtd 24.01.2018 in the matter of Petition 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 through fuel surcharge. Hon'ble commission clearly shows the approved quantum for CGS stations month wise for April, May and June 2017. The Association has relied on those monthly approved quantum for working out the second quarter approved quantity.

Procurement from Short term market and Traders

- 3.7 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.

- 3.8 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.
- 3.9 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**"

3.10 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.**

3.11 Association's FPA Working for July to September 2017

July 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	140.62	165.3	140.62	2.25	2.63	-5.344
2	RSTPS III	35.37	38.95	35.37	2.21	2.69	-1.698
3	Talcher Stage - II	244.12	252.38	244.12	1.45	1.48	-0.732
4	Simhadri TPS Stage II	52.45	62.8	52.45	2.74	2.73	0.052
5	NLC - Stage-1	30.84	33.44	30.84	2.76	2.42	1.049
6	NLC - Stage-2	44.06	62.05	44.06	2.76	2.42	1.498
7	NLC- I Exp	35.94	44.82	35.94	2.52	2.28	0.863
8	NLC - II Exp	34.09	30.22	30.22	2.52	2.3	0.665
9	Vallur STPS	29.04	26	26	2.63	2.07	1.456
10	NTPL	41.86	49.48	41.86	3.16	2.09	4.479
11	NTPC-KUDGI	0.55	0.55	0.55	3.32	2.69	0.035
	SUB TOTAL CGS	688.94	765.99	682.03			2.322
1	DVC Raghunathpur	28.87	11.77	11.77	2.58	2.3	0.330
2	DVC Mejia	59.92	45.37	45.37	2.31	2.3	0.045
3	Maithon Power I ER	88.69	98.35	88.69	1.96	2	-0.355
4	Maithon Power II ER	88.69	98.35	88.69	1.96	2	-0.355
5	JPL Stage II	42.69	137.64	42.69	1.11	0.81	1.281
6	Jhabua SGPLNLR	65.64	57.37	57.37	1.88	1.66	1.262
	SUB TOTAL PVT.	374.5	448.85	334.58			2.208
1	PTC	126.48	0	0	0	3.33	0.000
2	TATA	165.36	0	0	0	4	0.000
3	IEX		88.43	88.43	3.1	4	-7.959
4	PXIL		7.79	7.79	3.88	4	-0.093
5	DSM		56.89	56.89	1.97	4	-11.549
	SUB TOTAL STOA & TRADERS	291.84	153.11	153.11			-19.601
	Subtotal CGS, Private	1063.44	1214.84	1016.61			4.531
	Subtotal CGS, Private & STOA	1355.28	1367.95	1169.72			-15.070

August 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	140.62	173.29	140.62	2.37	2.63	-3.656
2	RSTPS III	35.37	40.69	35.37	2.32	2.69	-1.309
3	Talcher Stage - II	244.12	222.02	222.02	1.36	1.48	-2.664
4	Simhadri TPS Stage II	52.45	52.28	52.28	2.83	2.73	0.523
5	NLC - Stage-1	30.84	49.02	30.84	2.71	2.42	0.894
6	NLC - Stage-2	44.06	50.84	44.06	2.72	2.42	1.322
7	NLC- I Exp	35.94	44.24	35.94	2.55	2.28	0.970
8	NLC - II Exp	34.09	12.56	12.56	2.52	2.3	0.276
9	Vallur STPS	29.04	23.92	23.92	2.59	2.07	1.244
10	NTPL	41.86	51.87	41.86	3.11	2.09	4.270
11	NTPC-KUDGI	30.52	30.52	30.52	3.46	2.69	2.350
	SUB TOTAL CGS	718.91	751.25	669.99			4.220
1	DVC Raghunathpur	28.87	10.28	10.28	2.59	2.3	0.298
2	DVC Mejia	59.92	34.44	34.44	2.31	2.3	0.034
3	Maithon Power I ER	88.69	104.35	88.69	1.93	2	-0.621
4	Maithon Power II ER	88.69	104.35	88.69	1.93	2	-0.621
5	JPL Stage II	42.69	120.25	42.69	1.11	0.81	1.281
6	Jhabua SGPLNLR	65.64	59.8	59.8	1.69	1.66	0.179
	SUB TOTAL PVT.	374.5	433.47	324.59			0.551
1	PTC	126.48	0	0	0	3.33	0.000
2	TATA	165.36	0	0	0	4	0.000
3	IEX		143.46	143.46	3.92	4	-1.148
4	PXIL		46.32	46.32	3.85	4	-0.695
5	DSM		58.32	58.32	1.98	4	-11.781
	SUB TOTAL STOA & TRADERS	291.84	248.1	248.1			-13.623
	Subtotal CGS, Private	1093.41	1184.72	994.58			4.771
	Subtotal CGS, Private & STOA	1385.25	1432.82	1242.68			-8.852

September 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	151.28	136.08	2.4	2.63	-3.130
2	RSTPS III	34.23	38.76	34.23	2.31	2.69	-1.301
3	Talcher Stage - II	236.24	233.92	233.92	1.33	1.48	-3.509
4	Simhadri TPS Stage II	50.75	25.88	25.88	2.62	2.73	-0.285
5	NLC - Stage-1	29.84	31.76	29.84	2.74	2.42	0.955
6	NLC - Stage-2	42.64	55.37	42.64	2.74	2.42	1.364
7	NLC- I Exp	34.78	41.59	34.78	2.57	2.28	1.009
8	NLC - II Exp	32.99	25.15	25.15	2.54	2.3	0.604
9	Vallur STPS	28.1	16.6	16.6	2.82	2.07	1.245
10	NTPL	40.51	17.48	17.48	3.13	2.09	1.818
11	NTPC-KUDGI	18.85	18.85	18.85	3.48	2.69	1.489
	SUB TOTAL CGS	685.01	656.64	615.45			0.260
1	DVC Raghunathpur	27.94	8.96	8.96	2.71	2.3	0.367
2	DVC Mejia	57.99	31.18	31.18	2.23	2.3	-0.218
3	Maithon Power I ER	85.83	100.72	85.83	2.01	2	0.086
4	Maithon Power II ER	85.83	100.72	85.83	2.01	2	0.086
5	JPL Stage II	41.31	120.28	41.31	1.08	0.81	1.115
6	Jhabua SGPLNLR	63.52	41.03	41.03	1.69	1.66	0.123
	SUB TOTAL PVT.	362.42	402.89	294.14			1.559
1	PTC	122.4	0	0	0	3.33	0.000
2	TATA	160.03	0	0	0	4	0.000
3	IEX		48.91	48.91	5.58	4	7.728
4	PXIL		1.69	1.69	6.72	4	0.460
5	DSM		51.47	51.47	2.41	4	-8.184
	SUB TOTAL STOA & TRADERS	282.43	102.07	102.07			0.004
	Subtotal CGS, Private	1047.43	1059.53	909.59			1.819
	Subtotal CGS, Private & STOA	1329.86	1161.6	1011.66			1.823

3.12 Summary of computations

SUMMARY OF FUEL COST ADJUSTMENTS				
July to September 2017 (Rs. Cr.)				
SOURCE	Jul-17	Aug-17	Sep-17	TOTAL
CGS	2.322	4.22	0.26	6.802
PRIVATE	2.208	0.551	1.559	4.318
Sub Total CGS & Private	4.530	4.771	1.819	11.120
Reduction on account of T&D loss variation				-4.320
STOA & TRADERS	-19.601	-13.623	0.004	-33.220
TOTAL	-15.071	-8.852	1.823	-26.420

3.13 The T & D loss approved by Hon'ble commission for the year 2017-18 was 13.65% whereas KSEBL in its petition in Format-1 Details of Energy billed for the second quarter. During the month of September 2017, Energy sales was 1619.45 MU and with a T & D Loss of 14%, the Energy input works out to 1883.14 MU. Association reworked the energy input for September 2017 based on the commission approved T & D Loss of 13.65 %. The input energy requirement works out to 1875.45MU. This will reduce the energy requirement by 7.69MU. Considering the marginal cost of power purchase in Sept 2017 from Energy Exchange at an average rate of Rs 5.62/kWh, there will be a reduction of Rs 4.32Cr in power purchase cost.

3.14 During the month of Sept 2017, KSEBL has made power purchase of 50.65MU at a cost of Rs 5.58/kWh from IEX and Rs 6.72/kWh from PXIL. We would like to point out that the Hon'ble Commission had approved a rate of Rs 4/kWh for procurement of power from short term market and traders. This is a violation to the tune of Rs 8.20 Cr and a burden to the consumers.

3.15 As can be seen from the summary above, the Fuel cost adjustment needed for July-September 2017 is negative Rs 26.42 Cr, which means that this amount has to be given back to the consumers of KSEBL.

- 3.16 The consumers are eligible to get a refund of 5ps /kWh as FPA charges. We request the Hon'ble Commission to take suitable decision based on our submissions.

Prayer

The HT&EHT Industrial Electricity Consumers Association most humbly requests the Hon'ble Commission to consider the above submissions and determine appropriate FPA Charges.