

Reg. No. ER.772/86

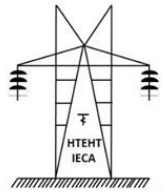


BEFORE THE HON'BLE KERALA STATE ELECTRICITY REGULATORY COMMISSION, Thiruvananthapuram

OBJECTIONS BY THE KERALA HT&EHT INDUSTRIAL ELECTRICITY CONSUMERS' ASSOCIATION

**IN THE MATTER OF
KSEBL PETITION TO LEVY OF FPA CHARGES FOR
Oct - Dec 2017**

3rd July 2018

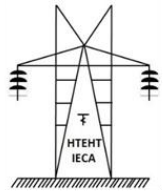


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PETITION – LEGAL & PROCEDURAL ASPECTS

KSERC Tariff Regulations 2014

- 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, we came to know about the FPA petition from the 'Schedule of KSERC hearing for the month of June 2018'. The KSEBL FPA petition was uploaded in the KSERC web site only on our request on 4th June 2018.
- This petition appeared in KSEBL's web site on 11th June 2018 only.

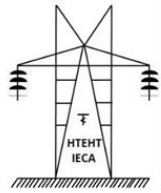


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FPA PETITION – LEGAL & PROCEDURAL ASPECTS

KSERC Tariff Regulations 2014

- The FPA petition should have been submitted on or before 30th Jan 2018. Even though KSEBL has improved in submitting the petition, the point to be noted here is that KSEBL has never complied with specified timelines. We do not find any condonation for the delayed submission. Habitual default is a serious offence and the Hon'ble Commission is requested to view it in that perspective and take necessary corrective actions.
- We would like to submit before the Hon'ble Commission that, in spite of our repeated requests, KSEBL never mentions the date of submission in their petitions.



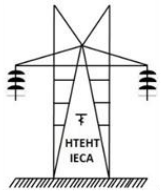
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ANALYSIS OF KSEBL PROPOSAL

Computation of FPA charges

KSEBL in their petition has stated

- *"As per order dated 17.04.2017 Hon'ble Commission had approved the power purchase cost of KSEBL as Rs.7339.34 Crore and the quantum of generation and power purchase as 25292.45 MU, for the year 2017-18. Honourable Commission vide order dated 24.01.2018 on petition OA 16/2017 has approved the monthly schedule submitted by KSEBL vide additional submission dated 29.11.2017. Hence KSEBL has prepared this petition based on the variation in fuel cost from the approved quantum & cost from approved sources for the third quarter".*
- In the order dated 24-01-2018 on petition No. 16/2017, the monthly schedule of power purchase for the months April, May and June 2017 are given. But for the other months of 2017 – 18, the details of power purchase are not available.

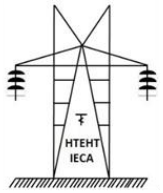


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ANALYSIS OF KSEBL PROPOSAL

Computation of FPA charges

- 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. Also, on several occasions, whenever a similar thing happened, KSEBL had sought a split up from the Commission and the Commission had given it promptly.
- 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.

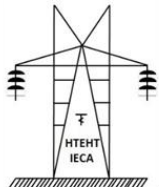


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ANALYSIS OF KSEBL PROPOSAL

Computation of FPA charges

- 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 not fully followed the formula



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Anomaly in calculation

Table 1 - Central Generating Stations

Month	Energy purchased at ex bus			Variable cost of power Purchase at ex bus		Additional Liability	
	Approved	Actual	Admissible for FPA	Approved	Actual	Actual	Admissible
	(MU)	(MU)	(MU)	(Rs/kWh)	(Rs/kWh)	(Rs. Cr)	(Rs. Cr)
1.1 NTPC-RSTPS Stage I & II							
Oct-17	145.37	159.77	145.37	2.63	2.36	-4.19	-3.82
Nov-17	140.68	147.76	140.68	2.63	2.40	-3.32	-3.16
Dec-17	145.37	131.43	131.43	2.63	2.33	-3.96	-3.96
Total	431.43	438.96	417.49	2.63	2.37	-11.47	-10.94
1.5 NLC-TPS-II Stage-2							
Oct-17	45.43	52.87	45.43	2.42	2.75	1.76	1.52
Nov-17	43.97	49.67	43.97	2.42	2.98	2.79	2.47
Dec-17	45.43	50.56	45.43	2.42	2.98	2.84	2.55
Total	134.84	153.09	134.84	2.42	2.90	7.39	6.53

Admissible
Energy
considered

141.48

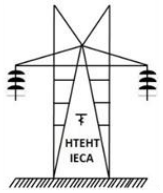
137.39

132

46

44.1

45.53



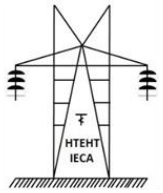
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ANALYSIS OF KSEBL PROPOSAL

Procurement from Short Term Market and Traders

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, 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.....



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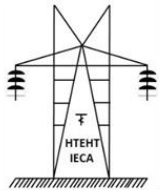
ANALYSIS OF KSEBL PROPOSAL

Procurement from Short Term Market and Traders

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

(i) 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.

- 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.

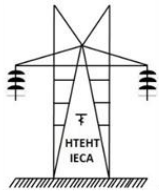


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ANALYSIS OF KSEBL PROPOSAL

Procurement from Short Term Market and Traders

- 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, KSEBL has stated as below
- Further Honourable Commission in the order dated 24.01.2017 on Petition No. OA 16/2017 has clearly specified that as per the Regulation-88 of the Tariff Regulations, 2014, there is no provision to factor the additional liability on short term power purchase on account of increase in short term power purchase rate over approved level.*



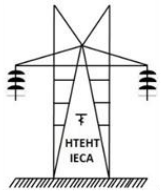
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ANALYSIS OF KSEBL PROPOSAL

Procurement from Short Term Market and Traders

- But the decision of the Hon'ble Commission in this matter as mentioned in Para 38 of order dated 24 Jan 2018 is reproduced below

- *As per the Regulation-88 of the Tariff Regulations, 2014, there is no provision to factor the additional liability on short term power purchase on account of **increase** in short term power purchase rate over approved level.*



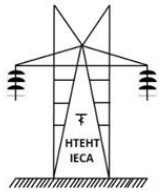
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ANALYSIS OF KSEBL PROPOSAL

Procurement from Short Term Market and Traders

We would like to mention that the Commission has referred to **increase** in short term power purchase rate only. But the **decrease** in power purchase cost due to decrease in short term power purchase rate has to be taken in to account.

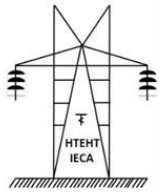
As mentioned earlier, as per section 88. (2). (ii), the variation in power purchase cost due to difference in short term power purchase rate has to be considered while determining FPA charges.



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Analysis of KSEBL Petition

- If The Hon. Commission once fixed the upper price limit for Power from short term Market , Traders, Energy Exchange has to be maintained by the licensee in all respect.
- There is no provision to recover the extra cost over and above the commission fixed rate through fuel surcharge route or even through truing up mechanism.
- Whereas if the short term procurement cost is less than the commission fixed rate it must pass to consumers along with fuel surcharge working on each quarter

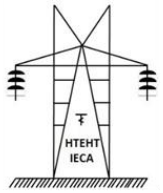


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ANALYSIS OF KSEBL PROPOSAL

Procurement from Short Term Market and Traders

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 the same in our computations for FPA Charges.

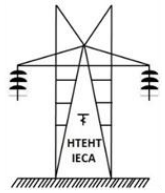


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ANALYSIS OF KSEBL PROPOSAL

Procurement from Short Term Market and Traders

- The KSEBL has misinterpreted the order of the Commission dated 24.01.2017 on petition No. OA16/2017 to cover up the advantage on the short term power purchase cost to the tune of Rs.22.01 Cr.
- The above order of the Commission is a well thought-out order from the Commission in favour of the consumers of KSEBL.
- We place on record our objection towards this attitude of the KSEBL to deny the consumers the benefit of lower power purchase cost and request the Commission to factor the savings made in the short term power purchase while deciding the FPA.

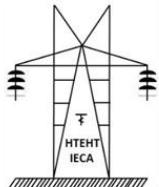


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ANALYSIS OF KSEBL PROPOSAL

Cost Saving due to T & D Loss variance

- approved T&D loss for the year 17-18 is 13.65%, were KSEBL in its petition in Format-1 details of energy billed for Q3 17-18 is 5076.21 MU and with T&D loss of 13.77 %, the energy input works out to be 5886.60 MU
- Association has reworked energy input based on the approved T&D loss of 13.65%, the input energy requirement works out to be 5878.63 MU
- This will reduce the energy requirement 7.96 MU, considering the marginal cost of power purchase for Q3 from energy exchange at average rate of Rs 5.16/kwh the there will be a reduction of Rs 4.11 Cr in power purchase cost.

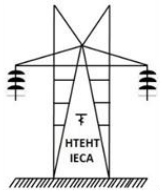


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ANALYSIS OF KSEBL PROPOSAL

Energy requirement based on the approved loss level

Month	Retail sale MU	T&D Loss % Approved	Energy Input MU	Projected by KSEBL MU	Difference MU
Oct 17	1709.35	13.65	1979.56	1983.16	3.6
Nov 17	1677.03	13.65	1942.13	1944.27	2.14
Dec 17	1689,82	13.65	1956.94	1959.16	2.22
Total	5076.21	13.65	5878.63	5886.59	7.96

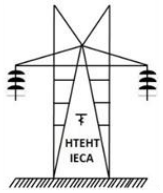


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ANALYSIS OF KSEBL PROPOSAL

Procurement from Short Term Market and Traders

- KSEBL has entered into power purchase contract under DBFOO mechanism for buying 865 MW of power. Out of this, Hon'ble Commission approved 415 MW of power. We understand that the Hon'ble Commission is yet to approve the rate for 450 MW of power.
- Further, KSEBL has contracted for power from RGCCPP for the year 2017-18 without the approval of the Commission. In the Q3 FPA petition, KSEBL has requested the Commission to approve Rs. 51.78 Cr towards the fixed charges already remitted.



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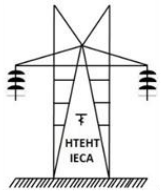
ANALYSIS OF KSEBL PROPOSAL

Procurement from Short Term Market and Traders

The Commission has been empowered to regulate the power purchase of the distribution licensees as per clause (b) of sub section (1) of section 86 of the Electricity Act, 2003, which is quoted hereunder

Section 86(1) The State Commission shall discharge the following functions, namely: -

(b) regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other source through agreements for purchase of power for distribution and supply within the State”

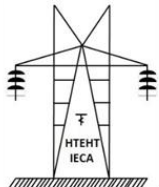


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ANALYSIS OF KSEBL PROPOSAL

Procurement from Short Term Market and Traders

- It is apparent from the statements given in Para No. 12 of KSEBL Petition that the Commission had to accord the DBFOO contract pre-dated.
- Also, KSEBL has requested approval for an expenditure of Rs 51.78 Cr towards the unapproved contract with RGCCPP. This is gross violation of the EA 2003 and irreverence towards the Hon'ble Commission.
- We humbly and respectfully request the Hon'ble Commission to take these matters with due seriousness and disallow the claim of KSEBL summarily.



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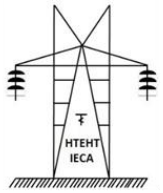
ANALYSIS OF KSEBL PROPOSAL

Procurement from Short Term Market and Traders

4.4 Additional liability on account of power purchase from above stations, amounts to Rs 3.45 crores, as detailed in table 4.3 below.

4.3 Total additional liability on account of power purchase from Jindal, Jhabua and JITPL contracted under Bid 2

Month	Energy purchased at Kerala periphery			Rate of power purchase at Kerala periphery		Additional Liability	
	Approved	Actual	Admissible for FPA	Approved	Actual	Actual	Admissible
	(MU)	(MU)	(MU)	(Rs/kWh)	(Rs/kWh)	(Rs. Cr)	(Rs. Cr)
Oct-17		181.43	181.43	4.33	4.25	-1.47	-1.47
Nov-17		208.67	208.67	4.33	4.53	4.17	4.17
Dec-17		206.65	206.65	4.33	4.37	0.76	0.76
Total	596.75	596.75	596.75	4.33	4.39	3.45	3.45

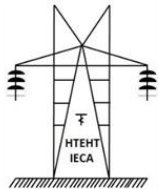


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ANALYSIS OF KSEBL PROPOSAL

Procurement from Short Term Market and Traders

- The KSEBL has declared that the hydel generation of Q3 was greater by 255.71 MU and the demand decreased by 283 MU which in turn decreased the power purchase from various sources.
- We feel that KSEBL miserably failed to manage power purchase cost despite increased share of hydel generation and 6% reduction in power demand. A better management would have totally avoided the collection of additional burden of 6Ps from the consumers.

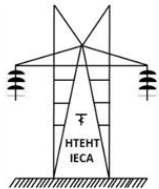


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Association's Calculation on Admissible Quantum of Additional Power Purchase Cost - CGS

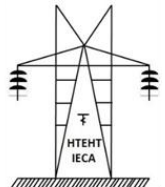
	October-2017	Energy Purchase (MU)			Variable cost (Rs/kWh)		
SL No.	Name of the Station	Actual	Approved	Eligible Qty	Actual	Approved	Fuel Cost Adjustment (Rs Cr)
1	RSPTS I & II	159.77	145.37	145.37	2.36	2.63	-3.92
2	RSPTS III	42.27	36.57	36.57	2.31	2.69	-1.39
3	Talcher Stage II	246.86	254.63	246.86	1.34	1.48	-3.46
4	Simhadri TPS Stage II	35.31	54.41	35.31	2.84	2.73	0.39
5	NLC Stage I	32.72	31.8	31.8	2.74	2.42	1.02
6	NLC Stage II	52.87	45.43	45.43	2.75	2.42	1.5
7	NLC I Exp	44.39	37.06	37.06	2.55	2.28	1
8	NLC -II Exp	21.65	35.15	21.65	2.53	2.3	0.5
9	Vallur STPS	17.84	29.89	17.84	2.94	2.07	1.55
10	NTPL	29.52	43.44	29.52	3.24	2.09	3.39
11	NTPC-KUDAGI	20.01	19.27	19.27	3.57	2.69	1.7
	SUB TOTAL CGS	703.21	733.02	666.68	2.17	2.13	2.28

Association's Calculation on Admissible Quantum of Additional Power Purchase Cost - Private



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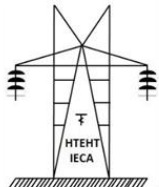
Oct-17		Energy Purchase (MU)			Variable cost (Rs/kWh)		
Sl. No.	Station Name	Actual	Approved	Eligible Qty	Actual	Approved	Fuel Cost Adjustment (Rs Cr)
1	DVC Raghunathpur	1.73	28.87	1.73	2.69	2.3	0.07
2	DVC Mejia	23.19	59.92	23.19	2.23	2.3	-0.16
3	Maithon Power I ER	84.14	88.69	84.14	2.02	2	0.17
4	Maithon Power II ER	84.14	88.69	84.14	2.02	2	0.17
5	JPL Stage II	123.86	114.35	114.35	1.16	0.81	4
6	Jhabhua SGPLNLR,TPCL DBFOO	37.15	66.06	37.15	1.72	1.66	0.22
7	BALCO-DBFOO	57.09	57.07	57.07	1.04	1	0.23
	SUB TOTAL PVT	411.3	503.65	401.77	1.61	1.62	4.7



Summery of Association's Calculation on Admissible Quantum of Additional Power Purchase Cost

October 2017

October-2017	Energy Purchase (MU)			Variable cost (Rs/kWh)		
Station Name	Actual	Approved	Eligible Qty	Actual	Approved	Fuel Cost Adjustment (Rs Cr)
SUB TOTAL STOA and TRADERS (As per KSEBL Petition)	56.29			4.33		-6.36
Sub Total CGS and Private	1114.51	1236.7	1068.45			6.97
Total CGS, Private and STOA	1170.8	1236.7	1068.45			0.61

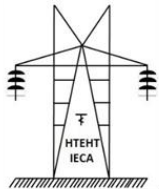


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Association's Calculation on Admissible Quantum of Additional Power Purchase Cost - CGS

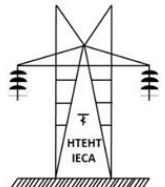
November-2017		Energy Purchase (MU)			Variable cost (Rs./kWh)		
SL No.	Station Name	Actual	Approved	Eligible Qty	Actual	Approved	Fuel Cost Adjustment (Rs Cr)
1	RSPTS I & II	147.76	140.68	140.68	2.4	2.63	-3.24
2	RSPTS III	40.06	35.39	35.39	2.35	2.69	-1.20
3	Talcher Stage II	273.51	246.41	246.41	1.4	1.48	-1.97
4	Simhadri TPS Stage II	49.16	52.65	49.16	2.76	2.73	0.15
5	NLC Stage I	23.49	30.77	23.49	2.98	2.42	1.32
6	NLC Stage II	49.67	43.97	43.97	2.98	2.42	2.46
7	NLC I Exp	39.11	35.86	35.86	2.74	2.28	1.65
8	NLC -II Exp	31.94	34.02	31.94	2.7	2.3	1.28
9	Vallur STPS	20.94	28.93	20.94	3.03	2.07	2.01
10	NTPL	39.23	42.04	39.23	3.23	2.09	4.47
11	NTPC-KUDAGI	18.44	18.65	18.44	3.69	2.69	1.84
	SUB TOTAL CGS	733.31	709.37	685.51	2.23	2.13	8.77

Association's Calculation on Admissible Quantum of Additional Power Purchase Cost - Privet



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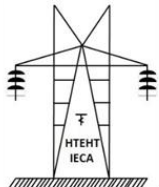
November-2017		Energy Purchase (MU)			Variable cost (Rs/kWh)		
Sl. No.	Station Name	Actual	Approved	Eligible Qty	Actual	Approved	Fuel Cost Adjustment (Rs Cr)
1	DVC Raghunathpur	9.68	27.94	9.68	2.69	2.3	0.38
2	DVC Mejia	29.04	57.99	29.04	2.23	2.3	-0.20
3	Maithon Power I ER	46.24	85.83	46.24	1.95	2	-0.23
4	Maithon Power II ER	46.24	85.83	46.24	1.95	2	-0.23
5	JPL Stage II	132.3	110.66	110.66	1.16	0.81	3.87
6	Jhabhua SGPLNLR,TPCL DBFOO	61.46	63.93	61.46	1.75	1.66	0.55
7	BALCO-DBFOO	68.28	55.23	55.23	1.04	1	0.22
	SUB TOTAL PVT	393.24	487.41	358.55	1.53	1.62	4.36



Summery of Association's Calculation on Admissible Quantum of Additional Power Purchase Cost

November 2017

November-2017	Energy Purchase (MU)			Variable cost (Rs/kWh)		
Station Name	Actual	Approved	Eligible Qty	Actual	Approved	Fuel Cost Adjustment (Rs Cr)
SUB TOTAL STOA and TRADERS (As per KSEBL Petition)	41.92					-7.82
Sub Total CGS and Private	1126.55	1196.78	1044.06			13.13
Total CGS, Private and STOA	1168.47	1196.78	1044.06			5.31

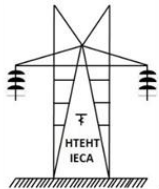


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Association's Calculation on Admissible Quantum of Additional Power Purchase Cost - CGS

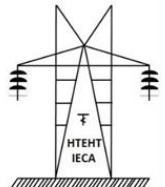
	December-2017	Energy Purchase (MU)			Variable cost (Rs/kWh)		
SL No.	Station Name	Actual	Approved	Eligible Qty	Actual	Approved	Fuel Cost Adjustment (Rs Cr)
1	RSPTS I & II	131.43	145.37	131.43	2.33	2.63	-3.94
2	RSPTS III	40.17	36.57	36.57	2.27	2.69	-1.54
3	Talcher Stage II	294.77	254.63	254.63	1.42	1.48	-1.53
4	Simhadri TPS Stage II	54.72	54.41	54.41	2.45	2.73	-1.52
5	NLC Stage I	24.69	31.8	24.69	2.98	2.42	1.38
6	NLC Stage II	50.56	45.43	45.43	2.98	2.42	2.54
7	NLC I Exp	35.99	37.06	35.99	2.74	2.28	1.66
8	NLC -II Exp	13.58	35.15	13.58	2.7	2.3	0.54
9	Vallur STPS	21.29	29.89	21.29	3.06	2.07	2.11
10	NTPL	40.82	43.44	40.82	3.17	2.09	4.41
11	NTPC-KUDAGI	18.62	19.27	18.62	3.73	2.69	1.94
	SUB TOTAL CGS	726.64	733.02	677.46	2.17	2.13	6.05

Association's Calculation on Admissible Quantum of Additional Power Purchase Cost - Privet



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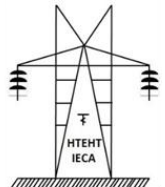
December-2017		Energy Purchase (MU)			Variable cost (Rs/kWh)		
Sl. No.	Station Name	Actual	Approved	Eligible Qty	Actual	Approved	Fuel Cost Adjustment (Rs Cr)
1	DVC Raghunathpur	10.48	28.87	10.48	2.14	2.3	-0.17
2	DVC Mejia	35.34	59.92	35.34	2.23	2.3	-0.25
3	Maithon Power I ER	52.35	88.69	52.35	1.98	2	-0.10
4	Maithon Power II ER	52.35	88.69	52.35	1.98	2	-0.10
5	JPL Stage II	134.43	114.35	114.35	1.17	0.81	4.12
6	Jhabhua SGPLNLR,TPCL DBFOO	75.97	66.06	66.06	1.75	1.66	0.59
7	BALCO-DBFOO	57.52	57.07	57.07	1.04	1	0.23
	SUB TOTAL PVT	418.44	503.65	388	1.57	1.62	4.31



Summery of Association's Calculation on Admissible Quantum of Additional Power Purchase Cost

December-2017

December-2017	Energy Purchase (MU)			Variable cost (Rs/kWh)		
Station Name	Actual	Approved	Eligible Qty	Actual	Approved	Fuel Cost Adjustment (Rs Cr)
SUB TOTAL STOA and TRADERS (As per KSEBL Petition)	37.73					-7.83
Sub Total CGS and Private	1145.08	1236.67	1065.46			10.36
Total CGS, Private and STOA	1182.81	1236.67	1065.46			2.53



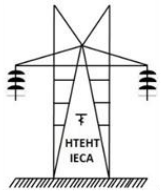
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SUMMARY OF FUEL COST ADJUSTMENTS

October to December 2017 (Rs. Cr)

AdrSource	Oct-17	Nov-17	Dec-17	Total cost
CGS	2.28	8.77	6.05	17.1
Private	4.7	4.36	4.31	13.37
Sub Total CGS & Private	6.98	13.13	10.36	30.47
Reduction on Account of T&D Loss Variation				-4.11
STOA & TRADERS	-6.36	-7.82	-7.83	-22.01
TOTAL	0.62	5.31	2.53	8.46

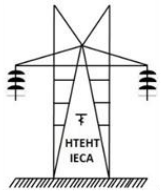
Cost reduction due to T& D loss is not considered for Fuel surcharge computation



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CONCLUSION

- After factoring the advantage in short term power purchase to the tune of Rs. 22.01 Cr, the fuel surcharge works out to Rs. 8.46 Cr which translates to 1.66 Ps/kWh only
- In this context, we request the Hon'ble Commission to reject the KSEBL proposal in total after considering a higher share of Hydel generation of 255.71MU and reduced demand of 283MU from plan during Q3 of 2017-18



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Prayer

The HT&EHT Industrial Electricity Consumers' Association most humbly request the Hon'ble Commission to consider the above submissions favourably and reject the KSEBL proposal for FP surcharge

THANK YOU