OBJECTIONS TO THE PETITIONS OF KSEBL BEFORE KSERC

BEFORE THE HON'BLE KERALA STATE ELECTRICITYREGULATORY COMMISSION, THIRUVANATHAPURAM

IN THE MATTER OF:

Proposal to recover the additional cost incurred during the period Jan - Mar 2018 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:

THE KERALA HIGH TENSION AND EXTRA HIGH TENSION INDUSTRIAL ELECTRICITY CONSUMERS' ASSOCIATION, PRODUCTIVITY HOUSE, JAWAHARLAL NEHRU ROAD, KALAMASSERY 683104, ERNAKULAM DISTRICT

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03-July-2018

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A1: BACKGROUND

OBJECTIONS OF THE KERALA HT & EHT INDUSTRIAL ELECTRICITYCONSUMERS' 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 JANUARY TO MARCH 2018.

The Objector is Kerala HT & EHT Industrial Electricity Consumers' Association, comprising of 166 member consumers, including 29 major industries of which 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 January to March 2018. KSEBL has requested to pass on Rs.69.94Cr 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 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.

2.2 The FPA petition should have been submitted on or before 30th April 2018. Even though the 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.

2.3 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.

A3: ANALYSIS OF KSEBL PROPOSALS

Computation of FPA charges

3.1 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 16/2017has 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”.

3.2 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.

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. Even though KSEBL followed the fuel surcharge formula, there are anomaly in calculation. KSEBL has shown the admissible quantity of energy as per formula but the actual energy considered for computing the additional liability or benefit is not the same figure some samples are captured under for the kind perusal of Hon’ble commission.

Table 1 - Central Generating Stations								Admissible Energy considered	Actual liability
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									
Jan-18	145.37	100.23	100.23	2.63	2.51	-1.15	-1.15	95.83	- 1.20
Feb-18	131.30	144.42	131.30	2.63	2.48	-2.17	-1.98	132	- 1.97
Mar-18	145.37	163.11	145.37	2.63	2.49	-2.24	-2.00	142.85	-2.04
Total	**422.05**	**407.77**	**376.91**	**2.63**	**2.49**	**-5.56**	**-5.12**		-5.2
1.5 NLC-TPS-II Stage-2									
Jan-18	45.43	49.25	45.43	2.42	2.96	2.68	2.48	45.92	2.45
Feb-18	41.04	45.69	41.04	2.42	2.92	2.31	2.08	41.6	2.05
Mar-18	45.43	62.03	45.43	2.42	2.93	3.19	2.33	45.68	2.32
Total	**131.91**	**156.96**	**131.91**	**2.42**	**2.94**	**8.18**	**6.89**		6.82

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. 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.

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.

Procurement from Short term market and Traders

3.6 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

(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.

3.7 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.

3.8 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.

3.9 But the decision of the Hon 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.

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.

3.10 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 As per Regulation-88 of the Tariff Regulations, 2014, there is no provision to factor the additional quantum on short term power purchase over approved level. Therefore the claim of KSEBL for Rs.3.09 Crores as per table 4.3 is not eligible and relevant. Even though KSEBL has not included the same on fuel surcharge liability. The same amount cannot be considered for truing up process also.

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.

4.4 Additional liability on account of power purchase from above stations, amounts to Rs 3.09 crores, as detailed in table 4.3 below.

Table 4.3 Summary of additional liability on account of power purchase from Jindal Jhabua and JITPL contracted under Bid 2 through DBFOO basis

	Energy purchased at Kerala periphery			Rate of power purchase at Kerala periphery		Addl Liability	
	Approved	Actuals	Admissible for FPA	Approved	Actuals	Actual	Admissible
Month	(MU)	(MU)	(MU)	(Rs/kWh)	(Rs/kWh)	(Rs. Cr)	(Rs. Cr)
Jan-18		237.97	237.97	4.33	4.31	-0.47	-0.47
Feb-18		187.10	187.10	4.33	4.53	3.67	3.67
Mar-18		179.26	179.26	4.33	4.32	-0.11	-0.11
Total		604.33	604.33	4.33	4.38	3.09	3.09

3.12 As per order dated 17.04.2017 Hon'ble Commission had approved the T& D loss for KSEBL for 2017-18 as 13.65%, where as in this petition KSEBL has considered T&D loss as 13.83%, 13.48% and 13.67% respectively for January, February and March 2018. The actual energy requirement worked out based on the approved loss level comes to 6163.95 MU against the projection of **6165.06** MU by KSEBL. There is a difference of 1.11 MU. This is to be considered while computing the additional liability for the period Q4 of 2017-18.

Month	Retail sale MU	T&D Loss % Approved	Energy Input MU	Projected by KSEBL MU	Difference MU
January 18	**1719.31**	**13.65**	**1991.10**	**1995.36**	**4.26**
February 18	**1647.11**	**13.65**	**1907.48**	**1903.84**	**-3.64**
March 18	**1956.15**	**13.65**	**2265.37**	**2265.85**	**0.48**
Total	**5322.58**	**13.65**	**6163.95**	**6165.06**	**1.11**

3.13 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.

3.14 Further, KSEBL has contracted for power from RGCCPP for the year 2017-18 without the approval of the Commission. In the Q4 FPA petition, KSEBL has requested the Commission to approve Rs 51.78 Cr towards the fixed charges already remitted.

3.15 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*;".

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.

3.16 The KSEBL has misinterpreted the order of the Commission dated 24.01.2017 on petition no. OA 16/2017 to cover up the advantage on the short term power purchase cost to the tune of Rs.19.44 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.

3.17 The KSEBL has declared that the power demand for Q4 decreased by 716 MU which in turn decreased the power purchase from various sources. We feel that KSEBL miserably failed to manage power purchase cost in spite of a12% reduction in power demand. A better management would have totally avoided the KSEBL demand for collection of additional burden of 13 Ps from the consumers.

3.18 The Association has calculated the admissible quantum of additional power purchase **cost as given in the table below.**

Jan-18		ENERGY PURCHASE (MU)			VARIABLE COST (Rs/Kwh)		
Sl.No.	Name of the Station	ACTUAL	APPROVED	ELIGIBLE QUANTITY	ACTUAL	APPROVED	FUEL COST ADJUSTMENT (Rs Cr)
1	RSPTS I & II	100.23	145.37	100.23	2.51	2.63	-1.203
2	RSPTS III	32.68	36.57	32.68	2.47	2.69	-0.719
3	Talcher Stage II	291.39	254.63	254.63	1.53	1.48	1.273
4	Simhadri TPS Stage II	57.1	54.41	54.41	2.92	2.73	1.034
5	NLC Stage I	26.63	31.8	26.63	2.96	2.42	1.438
6	NLC Stage II	49.25	45.43	45.43	2.96	2.42	2.453
7	NLC I Exp	28.92	37.06	28.92	2.7	2.28	1.215
8	NLC -II Exp	36.62	35.15	35.15	2.71	2.3	1.441
9	Vallur STPS	16.96	29.89	16.96	2.93	2.07	1.459
10	NTPL	29.65	43.44	29.65	3.31	2.09	3.617
11	NTPC-KUDAGI	19.83	19.27	19.27	3.63	2.69	1.811
	SUB TOTAL CGS	689.26	733.02	643.96	2.27	2.13	13.82
1	DVC Raghunathpur	8.23	28.87	8.23	2.14	2.3	-0.132
2	DVC Mejia	44.24	59.92	44.24	2.23	2.3	-0.310
3	Maithon Power I ER	94.15	88.69	88.69	1.94	2	-0.532
4	Maithon Power I I ER	94.26	88.69	88.69	1.94	2	-0.532
5	JPL Stage II	129.03	114.35	114.35	1.24	0.81	4.917
6	Jhabhua SGPLNLR,TPCL DBFOO	81.28	66.06	66.06	1.85	1.66	1.255
7	BALCO-DBFOO	61.85	57.07	57.07	1.13	1	0.742
	SUB TOTAL PVT	513.04	503.65	467.33	1.68	1.62	5.41
	SUB TOTAL STOA and TRADERS	19.83					-4.820
	Sub Total CGS and Private	1202.3	1236.67	1111.29			19.23
	Sub Total CGS, Private and STOA	1222.13	1236.67	1111.29			14.41

	Feb-18	ENERGY PURCHASE (MU)			VARIABLE COST (Rs/Kwh)		
Sl. No.	Name of the Station	ACTUAL	APPROVED	ELIGIBLE QUANTITY	ACTUAL	APPROVED	FUEL COST ADJUSTMENT (Rs C)
1	RSPTS I & II	144.42	131.3	131.3	2.48	2.63	-1.9695
2	RSPTS III	32.47	33.03	32.47	2.43	2.69	-0.84422
3	Talcher Stage II	257.69	229.99	229.99	1.56	1.48	1.83992
4	Simhadri TPS Stage II	51.82	49.14	49.14	2.82	2.73	0.44226
5	NLC Stage I	31.05	28.72	28.72	2.92	2.42	1.436
6	NLC Stage II	45.69	41.04	41.04	2.92	2.42	2.052
7	NLC I Exp	37.56	33.47	33.47	2.71	2.28	1.43921
8	NLC -II Exp	20.82	31.75	20.82	2.7	2.3	0.8328
9	Vallur STPS	16.3	27	16.3	3.08	2.07	1.6463
10	NTPL	36.11	39.24	36.11	3.26	2.09	4.22487
11	NTPC-KUDAGI	35.38	34.81	34.81	3.63	2.69	3.27214
	SUB TOTAL CGS	709.31	679.49	654.17	2.35	2.15	14.37
1	DVC Raghunathpur	8.59	26.08	8.59	2.61	2.3	0.26629
2	DVC Mejia	58.8	54.12	54.12	2.19	2.3	-0.59532
3	Maithon Power I ER	92.5	80.11	80.11	1.98	2	-0.16022
4	Maithon Power I I ER	92.5	80.11	80.11	1.98	2	-0.16022
5	JPL Stage II	106.3	103.29	103.29	1.24	0.81	4.44147
6	Jhabhua SGPLNLR,TPCL DBFOO	54.98	59.67	54.98	1.87	1.66	1.15458
7	BALCO-DBFOO	55.36	51.55	51.55	1.15	1	0.77325
	SUB TOTAL PVT	469.03	454.93	432.75	1.74	1.62	5.72
	SUB TOTAL STOA and TRADERS	32.87					-6.360
	Sub Total CGS and Private	1178.34	1134.42	1086.92			20.09
	Sub Total CGS, Private and STOA	1211.21	1134.42	1086.92			13.73

Mar-18		ENERGY PURCHASE (MU)			VARIABLE COST (Rs/Kwh)		
Sl. No.	Name of the Station	ACTUAL	APPROVED	ELIGIBLE QUANTITY	ACTUAL	APPROVED	FUEL COST ADJUSTMENT (Rs Cr)
1	RSPTS I & II	163.11	145.37	145.37	2.49	2.63	-2.03518
2	RSPTS III	42.74	36.57	36.57	2.43	2.69	-0.95082
3	Talcher Stage II	297.46	254.63	254.63	1.76	1.48	7.12964
4	Simhadri TPS Stage II	54.61	54.41	54.41	2.78	2.73	0.27205
5	NLC Stage I	42.7	31.8	31.8	2.93	2.42	1.6218
6	NLC Stage II	62.03	45.43	45.43	2.93	2.42	2.31693
7	NLC I Exp	45.45	37.06	37.06	2.72	2.28	1.63064
8	NLC -II Exp	17.01	35.15	17.01	2.71	2.3	0.69741
9	Vallur STPS	25.87	29.89	25.87	3.1	2.07	2.66461
10	NTPL	49.65	43.44	43.44	3.3	2.09	5.25624
11	NTPC-KUDAGI	49.29	38.54	38.54	4.02	2.69	5.12582
	SUB TOTAL CGS	849.92	752.29	730.13	2.48	2.15	23.73
1	DVC Raghunathpur	8.77	28.87	8.77	2.51	2.3	0.18417
2	DVC Mejia	66.62	59.92	59.92	2.48	2.3	1.07856
3	Maithon Power I ER	98.5	88.69	88.69	2.01	2	0.08869
4	Maithon Power I I ER	98.5	88.69	88.69	2.01	2	0.08869
5	JPL Stage II	71.82	114.35	71.82	1.26	0.81	3.2319
6	Jhabhua SGPLNLR,TPCL DBFOO	64.98	66.06	64.98	1.86	1.66	1.2996
7	BALCO-DBFOO	29.06	57.07	29.06	1.15	1	0.4359
	SUB TOTAL PVT	438.25	503.65	411.93	1.89	1.62	6.41
	SUB TOTAL STOA and TRADERS	54.23					-8.260
	Sub Total CGS and Private	1288.17	1255.94	1142.06			30.14
	Sub Total CGS, Private and STOA	1342.4	1255.94	1142.06			21.88

Summary of fuel cost adjustments January to March 2018 (Rs. Cr)

Source	Jan-18	Feb-18	Mar-18	Total
CGS	13.82	14.37	23.73	51.92
Private	5.41	5.72	6.41	17.54
Sub Total CGS & Private	19.23	20.09	30.14	69.46
Reduction on Account of T&D Loss Variation				-0.47
STOA & TRADERS	-4.82	-6.36	-8.26	-19.44
TOTAL	14.41	13.73	21.88	50.02
The benefit from change in T& D loss is not considered				

T & D loss approved by Hon'ble Commission for the year 17-18 was 13.65%, were KSEBL in its petition in Format -1 details of energy billed for Q4 17-18, Energy Sales was 5322.58 MU and with T & D loss of 13.67%, the energy input works out to be 6165.06 MU. Association has reworked energy input based on the Commission approved T&D loss of 13.65%, the input energy requirement works out to be 6163.95 MU. This will reduce the energy requirement 0.94MU, considering the marginal cost of power purchase for Q4 from energy exchange at average rate of Rs. 5.02/kwh then there will be a reduction of Rs. 0.47 Cr in power purchase cost.

3.19 After factoring the advantage in short term power purchase to the tune of Rs.19.44 Cr, the fuel surcharge works out to Rs.50.02Cr which translates to 9.3 Ps/kWh only. After factoring the advantage in short term power purchase to the tune of Rs.19.44 Cr, the fuel surcharge works out to Rs.50.02Cr which translates to 9.3 Ps/kWh only.

3.20 In this context, we request the Hon'ble Commission to consider the higher Hydel generation as well as the lower demand in Q4 when determining the FPA charges for Q4 of 2017-18 with due consideration to our submissions

A4. Prayer

The HT&EHT Industrial Electricity Consumers' Association most humbly request the Hon'ble Commission to consider the above submissions favourably and issue orders appropriately.