

**SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LTD.**

**&**

**NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LTD.**



**RESPONSES TO OBJECTIONS / SUGGESTIONS**

**On**

**Determination of Additional Surcharge for H2 of FY 2023-24**

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**1. Response to IEX**

S.No	Summary of Objections / Suggestions	Response of the Licensee
1	<p>The State Distribution Companies of Telangana i.e. TSSPDCL &amp; TSNPDCL (hereinafter referred to as 'Licensees' or 'Petitioners' or 'Discoms') have filed the present Petitions before the Hon'ble Telangana State Electricity Regulatory Commission (hereinafter referred to as 'Hon'ble Commission') for determination of Additional Surcharge (ASC) of Rs. 3.43/ unit for HI of FY 2023-24. The proposed ASC is too high to be reflective of the stranded obligations of the Distribution Companies and if imposed may lead to disproportionately high recoveries.</p>	<ul style="list-style-type: none"> <li>The Additional Surcharge is computed for H2 of FY 2023-24 based on the proposal for amendment to the existing methodology addressed to the Hon'ble commission vide Lr.dt. 24.04.2023 in addition to the directions issued in the AS order for H1 of FY 2023-24 by Hon'ble TSERC dated 20.03.2023.</li> </ul>
2	<p><b>ASC computation Methodology- Need to align with previous Additional Surcharge Order of the Hon'ble Commission dated 20.03.2023</b></p> <p>2.1. In the present Petitions, the Discoms have aligned the computations of their claim with the directives issued by the Hon'ble Commission vide Order dated 20.03.2023 that:</p> <p><i>“a) to reflect the stranded capacity after netting off short-term purchases, if any, in the corresponding time-block; and b) to reflect the distribution charges for only HT network (i.e., other than LT network) viz., 11 kV and 33 kV;”</i></p> <p>2.2. However, in the computations, the Petitioners have not considered to reduce the "Demand charges collected by the TSDISCOMs from open access consumers" from the "Transmission and distribution charges payable by open access consumers" while arriving at the "Transmission charges to be paid by the Open Access consumers". As a result, the amount already paid by the consumers as demand charges are not being adjusted in the computations. This approach contravenes the approach and methodology adopted by the Hon'ble Commission in the past orders.</p> <p>2.3. The Hon'ble Commission in the past Additional Surcharge orders vide O. P. No. 23 of 2020 dated 18.09.2020 has defined the methodology for computation of Additional Surcharge and further vide O.P.No.48 of 2021, O.P.No.49 of 2021, O.P.No.50 of 2021, O.P.No.51 of 2021 dated 24.12.2021, O. P. No. 61 of 2021 , O. P. No. 62 of 2021 dated 22.03.2022, O.P.No.55 of 2022, O.P.No.56</p>	<ul style="list-style-type: none"> <li>The TS Discoms have requested the Hon'ble Commission to revise the existing methodology vide Lr.dt. 24.04.2023 for computation of Additional Surcharge as there has been substantial divergence from the original methodology approved in the OP No.23 of 2020 dated 18.09.2020 in the orders passed in OP.No.s 75&amp;76 of 2022 for H1 of FY 2023-24.</li> <li>TS DISCOMs are of the opinion that as per the RST orders issued by the Hon'ble Commission regularly, the entire fixed costs commitments of Generation, Transmission and Distribution systems are not being recovered through Demand Charges from HT Consumers &amp; Fixed Charges from LT Consumers, but major portion is being recovered through energy charges from the consumers. In the Past orders regarding Additional Surcharge issued by the Hon'ble Commission, considered “under recovery of demand charges from the open access consumers” does not reflect DISCOMS entire liability towards fixed cost payments towards generators, transmission cost and distribution cost.</li> <li>While determining AS for H1 of FY 2023-24, the Hon'ble TSERC did not considered the distribution charges for LT Network for determination of A.S. even though these charges are to be considered as per the approved methodology. This deviation from methodology caused substantial financial loss to the TS DISCOMs.</li> <li>The entire Distribution Network/ system (33 KV, 11 KV &amp; LT) ought to be considered as a single unit, for consideration of distribution fixed cost approved in the wheeling tariff order.</li> </ul>

S.No	Summary of Objections / Suggestions	Response of the Licensee
	<p>of 2022 dated 27.09.2022 and O.P.No.75 of 2022, O.P.No.75 of 2022 dated 20.03.2023 has considered the reduction of demand charges paid by the Open Access Consumer to the Distribution Licensee for the energy consumed from the Discom.</p> <p>2.4. The change in methodology proposed by the Petitioners is not aligned with the methodology already approved by the Hon'ble Commission. Since, the embedded open access consumers are already paying demand charges, the effect of same ought to be included in the computations else it will lead to additional financial burden on the OA Consumers.</p> <p>2.5. In view of the above, the Hon'ble Commission is requested to consider the demand charge paid by the Open Access Consumer to the Distribution while computing Additional Surcharge.</p>	<ul style="list-style-type: none"> <li>In view of these regular deviations from the approved methodology, newer directions being issued to determine Additional Surcharge and increasing trend of Additional Surcharge mandate modifications. Hence the TS DISCOMs requested Hon'ble TSERC vide Lr. Dt. 24.04.2023 to amend/modify/substitute the existing approved methodology notified in the order passed in O.P.No. 23 of 2020 dated 18.09.2020.</li> </ul>
3	<p><b>Details of Fixed Charges of Power Purchase</b></p> <p>3.1.The Discoms in the present submission has considered Rs. 6574.36 Crore as the fixed charges for H2 of FY 2022-23 for computation of Additional Surcharge. Further, the Discoms have only provided the generator wise breakup of fixed charges with no clarity on consideration of any supplementary charges or late payment surcharge or discount availed by the Discom on payment to Generators.</p> <p>3.2. The Hon'ble Commission is requested to conduct a prudence check on the fixed cost submitted by the Discoms and also direct the Discoms to submit the detailed break up of generator wise fixed cost considered for computation of Additional Surcharge.</p>	<ul style="list-style-type: none"> <li>The licensees have already provided the complete breakup of the individual fixed cost of each generating station that has been considered in the determination of AS for H2 FY 23-24. The supplementary charges or late payment surcharge to Generators are not considered in fixed cost.</li> <li>The invoices received from the generators are being verified as per terms and conditions of PPA by internal audit team of TS Discoms and after their approval the bills will be passed for payments.</li> </ul>
4	<p><b>ISTS &amp; STU Charges should not be considered for computation of Additional Surcharge</b></p> <p>4.1. The Discoms for the computation of per unit transmission charges, considered the inter-state, intra-state transmission charges and SLDC charges. It is submitted that the inclusion of STU and ISTS charges while computing Additional Surcharge will lead to higher levy of ASC on the consumers.</p> <p>4.2. We submit here that the Hon'ble CERC in clause 11 (3) of the CERC (Sharing of Inter-State Transmission Charges and Losses)</p>	<ul style="list-style-type: none"> <li>The Hon'ble Commission in its order in OP No.23 of 2020 (pg 12) opined that the methodology of AS computation was approved in the Order dated 13.12.2017 in I.A.Nos.22&amp;23 of 2017 in O.P.Nos.22&amp;23 of 2016 respectively (AS Order for FY17-18) and the same have attained finality. The Commission while determining AS for H1 2023-24, H1 &amp;H2 2022-23, and H2 FY 2021-22 has also considered the ISTS.</li> <li>Hence, the licensee considered the transmission charges i.e., both intra-state &amp; inter-state transmission charges for computing per unit transmission charge in conformity with the aforementioned order.</li> </ul>

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	<p>Regulations, 2020 clarify that any consumer availing open access to the ISTS system also pays its ISTS cost for the power procured through open access, the benefit of which accrues to the State/ Discom in reduction of their ISTS charges. Relevant clause of the Regulation is provided below:</p> <p><i>"11. Transmission charges for Short Term Open Access</i>  .....  <i>(3) Transmission charges for Short Term Open Access paid by an embedded intra-State entity during a month shall be reimbursed in the following billing month to the State in which such entity is located. "</i></p> <p>4.3. Similarly, the embedded open access consumers are also paying STU charges as part of the fixed charges and additionally STU charges on all open access transactions.</p> <p>4.4. It is in view of the above that inclusion of ISTS &amp; STU charges again for computation of Additional Surcharge as claimed by the Petitioner, will lead to double levy of the same charge on open access consumers. Thus, we request the Hon'ble Commission to re-consider its view on allowing inclusion of ISTS &amp; STU charges in the ASC.</p> <p>In addition to the above, the Hon'ble Commission is requested to conduct the required prudence of the fixed costs claimed for HI- FY 23-24 while finalizing the Additional Surcharge to be levied on open access consumers.</p>	<ul style="list-style-type: none"> <li>• Further, there is no rationality in considering intra state transmission charges alone, as the Discoms have long term power purchase commitments with both intra and inter-state generators thereby utilizing the intra and inter-state transmission corridors. And further the backing down of generation is not limited to intrastate generators alone. Hence, the transmission charges that are considered in totality are justified in arriving at per unit transmission charge</li> <li>• TS Discoms understands that the ISTS cost paid by the consumer availing ISTS system, benefits in reduction of POC charges for the state. However, the same benefits have been passed on to the consumer through APR filed by TS TRANSCO and approved by the Hon'ble Commission as per the regulatory processes.</li> </ul>

**2. Response to [The Federation of Telangana Chambers of Commerce and Industry \(FTCCI\)](#)**

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1	<p><b>1.1 Violation in the Approach for Computing Additional Surcharge</b></p> <p>It is seen that the Petitioner in its O.P no 15 &amp; 16 of 2023 has completely violated the methodology approved by the Hon'ble Commission for computation of additional surcharge in its order dated 18.09.2020 in O.P No. 23 of 2020. The relevant extract from the order is provided below for your reference:</p> <table border="1" data-bbox="255 491 1352 1206"> <thead> <tr> <th>Additional Surcharge</th> <th>Unit</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>{A}</td> <td>Long term available capacity</td> <td>MW</td> </tr> <tr> <td>{B}</td> <td>Capacity stranded due to open access</td> <td>MW</td> </tr> <tr> <td>{C}</td> <td>Fixed Charges paid</td> <td>Rs. crore</td> </tr> <tr> <td><math>\{D\}=\{C\}\div\{A\}</math></td> <td>Fixed Charges per MW</td> <td>Rs. crore/MW</td> </tr> <tr> <td><math>\{E\}=\{D\}\times\{B\}</math></td> <td>Fixed Charges for stranded capacity</td> <td>Rs. crore</td> </tr> <tr> <td>{F}</td> <td>Transmission charges paid</td> <td>Rs. crore</td> </tr> <tr> <td>{G}</td> <td>Actual Energy scheduled</td> <td>MU</td> </tr> <tr> <td><math>\{H\}=\{F\}\div\{G\}</math></td> <td>Transmission charges per unit</td> <td>Rs./kWh</td> </tr> <tr> <td>{I}</td> <td>Distribution charges as per Tariff Order</td> <td>Rs./kWh</td> </tr> <tr> <td><math>\{J\}=\{H\}+\{I\}</math></td> <td>Total transmission and distribution charges per unit</td> <td>Rs./kWh</td> </tr> <tr> <td>{K}</td> <td>Energy consumed by open access consumers from the DISCOM</td> <td>MU</td> </tr> <tr> <td><math>\{L\}=\{K\}\times\{J\}</math></td> <td>Transmission and distribution charges to be paid by open access consumers</td> <td>Rs. crore</td> </tr> <tr> <td>{M}</td> <td>Demand charges recovered by the DISCOM from open access consumers</td> <td>Rs. crore</td> </tr> <tr> <td><math>\{N\}=\{M\}-\{L\}</math></td> <td>Demand charges to be adjusted</td> <td>Rs. crore</td> </tr> <tr> <td><math>\{O\}=\{E\}-\{N\}</math></td> <td>Net stranded charges recoverable</td> <td>Rs. crore</td> </tr> <tr> <td>{P}</td> <td>Open access sales</td> <td>MU</td> </tr> <tr> <td><math>\{Q\}=\{O\}\div\{P\}</math></td> <td>Additional Surcharge computed</td> <td>Rs./kWh</td> </tr> </tbody> </table> <p>However, Petitioner while computing the Additional surcharge deliberately neglected its approach from the approved methodology. The computation of AS performed by the petitioner is provided below for reference:</p>	Additional Surcharge	Unit	Value	{A}	Long term available capacity	MW	{B}	Capacity stranded due to open access	MW	{C}	Fixed Charges paid	Rs. crore	$\{D\}=\{C\}\div\{A\}$	Fixed Charges per MW	Rs. crore/MW	$\{E\}=\{D\}\times\{B\}$	Fixed Charges for stranded capacity	Rs. crore	{F}	Transmission charges paid	Rs. crore	{G}	Actual Energy scheduled	MU	$\{H\}=\{F\}\div\{G\}$	Transmission charges per unit	Rs./kWh	{I}	Distribution charges as per Tariff Order	Rs./kWh	$\{J\}=\{H\}+\{I\}$	Total transmission and distribution charges per unit	Rs./kWh	{K}	Energy consumed by open access consumers from the DISCOM	MU	$\{L\}=\{K\}\times\{J\}$	Transmission and distribution charges to be paid by open access consumers	Rs. crore	{M}	Demand charges recovered by the DISCOM from open access consumers	Rs. crore	$\{N\}=\{M\}-\{L\}$	Demand charges to be adjusted	Rs. crore	$\{O\}=\{E\}-\{N\}$	Net stranded charges recoverable	Rs. crore	{P}	Open access sales	MU	$\{Q\}=\{O\}\div\{P\}$	Additional Surcharge computed	Rs./kWh	<ul style="list-style-type: none"> <li>The TS Discoms have requested the Hon'ble Commission to revise the methodology vide Lr.dt. 24.04.2023 for computation of Additional Surcharge as there has been substantial divergence from the original methodology approved in the OP No.23 of 2020 dated 18.09.2020 in the orders passed in OP.No.s 75&amp;76 of 2022 for H1 of FY 2023-24.</li> <li>TS DISCOMs are of the opinion that as per the RST orders issued by the Hon'ble Commission regularly, the commitments of entire fixed costs, of Generation, Transmission and Distribution systems, are not being recovered through Demand Charges from HT Consumers &amp; Fixed Charges from LT Consumers, but major portion is being recovered through energy charges from the consumers. In the Past orders regarding Additional Surcharge issued by the Hon'ble Commission, considered "under recovery of demand charges from the open access consumers" does not reflect DISCOMs entire liability of payments of fixed cost towards generators, transmission cost and distribution cost.</li> <li>While determining AS for H1 of FY 2023-24, the Hon'ble TSERC did not considered the distribution charges for LT Network for determination of A.S. even though these charges are to be considered as per the approved methodology. This deviation from methodology caused substantial financial loss to the TS DISCOMs.</li> <li>The cost of entire Distribution Network/ system (33 KV, 11 KV &amp; LT) ought to be considered as a single unit, for consideration of distribution fixed cost approved in the wheeling tariff order.</li> </ul>
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Additional Surcharge		Unit	Value
{A}	Long term available capacity	MW	9,191.58
{B}	Capacity stranded due to open access	MW	47.42
{C}	Fixed Charges paid	Rs. crore	6574.36
$D=\{C\} \div \{A\}$	Fixed Charges per MW	Rs. crore/MW	0.72
$\{E\}=\{D\} \times \{B\}$	Fixed Charges for stranded capacity	Rs. crore	33.92
{F}	Transmission charges paid	Rs. crore	2,483.71
{G}	Actual Energy scheduled	MU	39,635.68
$H=\{F\} \div \{G\}$	Transmission charges per unit	Rs./kWh	0.63
{I}	Distribution charges as per Tariff Order	Rs./kWh	0.18
$\{J\}=\{H\} + \{I\}$	Total transmission and distribution charges per unit	Rs./kWh	0.81
{K}	Open access sales	MU	129.14
$\{L\}=\{K\} \times \{J\}$	Transmission and distribution charges to be paid by open access consumers	Rs. crore	10.40
$\{M\}=\{L\} + \{E\}$	Net stranded charges recoverable	Rs. crore	44.32
$\{N\}=\{M\} \div \{K\}$	Additional Surcharge computed	Rs./kWh	3.43

From the above, it can be observed that the Petitioner has not provided any rationale towards consideration of **Energy consumed by OA consumers from DISCOM as well as Demand charges recovered from OA consumers** while computing the AS charges. In the absence of relevant data on record, the Objector submits that the reliance be placed upon the previous Order dated 20.03.2023 of the Hon'ble Commission for determining AS charges for H1 of FY23-24.

Further, since the open access sales claimed by the petitioner are considerably less and lacking proper evidence, Objector submits that the reliance should be placed upon the OA sales approved in the RST order dated 20.03.2023 for FY 23-24 approved by the Hon'ble commission and OA sales approved by the commission in AS order dated 20.03.2023 for H1 of FY 23-24. Accordingly, the consideration of OA sales is proposed to be computed based on the difference between the aforementioned items. The OA sales considered by the objector is projected below for reference:

Particulars	Petitioner's Claim	Approved OA sales in RST order FY 23-24	Approved OA sales in AS order for H1 of FY 23-24	As per Objector's Assessment
	A	B	C	D=B-C
OA sales (MU)	129.14	602.14	213.89	388.25

- In view of these regular deviations from the approved methodology, newer directions were being issued to determine Additional Surcharge and increasing trend of Additional Surcharge mandate modifications. Hence the TS DISCOMs requested Hon'ble TSERC vide Lr. Dt. 24.04.2023 to amend/modify/substitute the existing approved methodology notified in the order passed in O.P.No. 23 of 2020 dated 18.09.2020.

- TS Discoms submit that the open access sales used in the calculation (129.14 MU) is actual open access sales for H2 of FY 22-23 as per the approved methodology in O.P.No 23 of 2020 dated 18.09.2020 and is not at all estimation.
- The objector's assessment is based on the projected open access sales for FY 23-24 which was approved by the Hon'ble Commission in RST order. The comparison is out of place and inaccurate as it compares actual open access sales of H1 of FY 22-23 (approved in AS order for H1 of FY 23-24) and estimated open access sales approved in RST for FY 23-24.
- Such inaccurate assessment shall not be considered.

<p>2</p>	<p><b>1. 2 Additional Surcharge Proposed for H2 of FY 2023-24 Seems Unreasonable</b></p> <p>a) It is humbly submitted that the proposed Additional Surcharge Rate of Rs. 3.43/unit in the instant petitions is highly uncompetitive as compared to other states. A brief comparison with other states is shown below:</p> <table border="1"> <caption>ADDITIONAL SURCHARGE (RS/UNIT) APPROVED OTHER STATES FOR FY 24 VS TELANGANA PROPOSED FOR FY H2 FY 24</caption> <thead> <tr> <th>State</th> <th>Additional Surcharge (Rs/Unit)</th> </tr> </thead> <tbody> <tr> <td>TELANGANA</td> <td>3.43</td> </tr> <tr> <td>KARNATAKA</td> <td>1.48</td> </tr> <tr> <td>MP</td> <td>1.28</td> </tr> <tr> <td>GUJARAT</td> <td>0.76</td> </tr> <tr> <td>HARYANA</td> <td>0.75</td> </tr> <tr> <td>MAHARASHTRA</td> <td>1.38</td> </tr> <tr> <td>RAJASTHAN (AVVNL)</td> <td>1</td> </tr> </tbody> </table>	State	Additional Surcharge (Rs/Unit)	TELANGANA	3.43	KARNATAKA	1.48	MP	1.28	GUJARAT	0.76	HARYANA	0.75	MAHARASHTRA	1.38	RAJASTHAN (AVVNL)	1	<ul style="list-style-type: none"> <li>• The comparison, of the <b>approved</b> Additional Surcharge of other states with the <b>proposed</b> Additional Surcharge of TS Discoms, is improper.</li> <li>• From the graph, it can be observed that the approved Additional Surcharge in all states is higher than the approved Additional Surcharge for H1 of FY 23-24 in Telangana (INR 0.39/kWh) by a range of 92% to 380%.</li> <li>• The Hon'ble Commission is requested to approve additional surcharge as per the proposals of TSDISCOMs computed in compliance to the approved methodology and directions by the Hon'ble TSERC.</li> </ul>								
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	<p>b) Furthermore, it is observed from the past submissions that Telangana Discoms are consistently claiming higher number pertaining to Additional Surcharge. Despite of the fact that Hon'ble TSERC in line with the prudent principles has consistently approved a lower value pertaining to Additional Surcharge. The data related to past and present claimed values are highlighted below for reference:</p> <table border="1"> <thead> <tr> <th>Particulars (In Rs/kWh)</th> <th>As per ASC Order H2 2021-22 dated 24.12.2021</th> <th>As per ASC Order H1 2022-23 dated 22.03.2022</th> <th>As per ASC Order H2 2022-23 dated 27.09.2022</th> <th>As per ASC Petition H1 2023-24 dated 20.03.2022</th> <th>As per ASC Petition H2 2023-24</th> </tr> </thead> <tbody> <tr> <td>Claimed by the Petitioner</td> <td>2.34</td> <td>4.06</td> <td>6.81</td> <td>9.86</td> <td>3.43</td> </tr> <tr> <td>Determined Additional Surcharge by the Commission</td> <td>2.38</td> <td>3.48</td> <td>1.38</td> <td>0.39</td> <td>NA</td> </tr> <tr> <td>Approved Additional Surcharge by the Commission</td> <td>0.95</td> <td>1.15</td> <td>1.38</td> <td>0.39</td> <td>NA</td> </tr> </tbody> </table>	Particulars (In Rs/kWh)	As per ASC Order H2 2021-22 dated 24.12.2021	As per ASC Order H1 2022-23 dated 22.03.2022	As per ASC Order H2 2022-23 dated 27.09.2022	As per ASC Petition H1 2023-24 dated 20.03.2022	As per ASC Petition H2 2023-24	Claimed by the Petitioner	2.34	4.06	6.81	9.86	3.43	Determined Additional Surcharge by the Commission	2.38	3.48	1.38	0.39	NA	Approved Additional Surcharge by the Commission	0.95	1.15	1.38	0.39	NA	<ul style="list-style-type: none"> <li>• The Hon'ble Commission in its order in OP No. 23 of 2020 (pg 12) opined that the methodology of AS computation was approved in the Order dated 13.12.2017 in I.A.Nos. 22 &amp; 23 of 2017 in O.P.Nos. 22 &amp; 23 of 2016, respectively (AS Order for FY17-18) and the same have attained finality. The Commission while determining AS for H1 of 2023-24 have also considered the same methodology.</li> <li>• Having said that, Hon'ble Commission in its Orders dated 24.12.2021 and 22.03.2022, had recognized the importance of promoting competition as enshrined in the Electricity Act, and had duly limited the final approved Additional Surcharge, in the interest of all the stakeholders.</li> <li>• The additional surcharge approved by Hon'ble Commission for H1 FY 23-24 was very low (0.39/kWh) due to significant changes in the additional surcharge methodology. Such low computation of additional surcharge despite the higher claims has negative financial bearing on the TS Discoms.</li> <li>• Hence, it is requested that existing methodology</li> </ul>
Particulars (In Rs/kWh)	As per ASC Order H2 2021-22 dated 24.12.2021	As per ASC Order H1 2022-23 dated 22.03.2022	As per ASC Order H2 2022-23 dated 27.09.2022	As per ASC Petition H1 2023-24 dated 20.03.2022	As per ASC Petition H2 2023-24																					
Claimed by the Petitioner	2.34	4.06	6.81	9.86	3.43																					
Determined Additional Surcharge by the Commission	2.38	3.48	1.38	0.39	NA																					
Approved Additional Surcharge by the Commission	0.95	1.15	1.38	0.39	NA																					

		<p>maybe amended to ensure that TS Discoms are appropriately compensated for the payments towards stranded capacities, as it has been proposed by the TS Discoms.</p>																																																
	<p>c) Further, the National Tariff Policy (NTP) notified by Ministry of Power on 28<sup>th</sup> January 2016 stipulates the following:</p> <p><i>“Clause 8.5.4: The additional surcharge for obligation to supply as per section 42(4) of the Act should become applicable only if it is conclusively demonstrated that the obligation of a licensee, in terms of existing power purchase commitments, has been and continues to be stranded, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract. The fixed costs related to network assets would be recovered through wheeling charges”.</i></p>	<ul style="list-style-type: none"> <li>As per the Hon’ble Commission guidelines TS Discoms have calculated the Additional Surcharge after arriving the stranded capacity for each 15 min time block-wise in line with the clause 8.5.4 of National Tariff Policy 2016.</li> <li>The detailed calculation sheets have been shared with Hon’ble Commission.</li> <li>The licensees have already provided the complete breakup of the individual items and respective calculation sheets used in determination of Additional Surcharge (AS). The DISCOMs have been completely transparent in the way of various factors analyzed to arrive at the AS claim. These details are hosted in TS Discoms’ websites. The objectors can access these details from respective websites.</li> </ul>																																																
	<p>d) Despite clear provision allowing levy of Additional Surcharge only when existing power purchase commitments has been and continues to be stranded due to Open Access, there is an inverse trend of increasing Additional Surcharge with decreasing Open Access sales. The same trend is represented in tabular form below:</p> <table border="1" data-bbox="255 986 1312 1394"> <thead> <tr> <th>Particulars</th> <th>Units</th> <th>ASC Order H1 2022-23</th> <th>ASC Order H2 2022-23</th> <th>ASC Order H1 2023-24</th> <th>ASC Petition H2 2023-24</th> </tr> </thead> <tbody> <tr> <td>OA Sales</td> <td>MU</td> <td>645.9</td> <td>370.34</td> <td>213.29</td> <td>129.14</td> </tr> <tr> <td>Claimed by the Petitioner</td> <td>(Rs./unit)</td> <td>4.06</td> <td>6.81</td> <td>9.86</td> <td>3.43</td> </tr> <tr> <td>Determined Additional Surcharge by the Commission</td> <td>(Rs./unit)</td> <td>3.48</td> <td>1.38</td> <td>0.39</td> <td>NA</td> </tr> <tr> <td>Approved Additional Surcharge by the Commission</td> <td>(Rs./unit)</td> <td>1.15</td> <td>1.38</td> <td>0.39</td> <td>NA</td> </tr> </tbody> </table>	Particulars	Units	ASC Order H1 2022-23	ASC Order H2 2022-23	ASC Order H1 2023-24	ASC Petition H2 2023-24	OA Sales	MU	645.9	370.34	213.29	129.14	Claimed by the Petitioner	(Rs./unit)	4.06	6.81	9.86	3.43	Determined Additional Surcharge by the Commission	(Rs./unit)	3.48	1.38	0.39	NA	Approved Additional Surcharge by the Commission	(Rs./unit)	1.15	1.38	0.39	NA	<ul style="list-style-type: none"> <li>The stranded capacity has also reduced due to reduction in OA sales. The AS is calculated by considering the fixed charges for the stranded capacity of the respective periods.</li> </ul> <table border="1" data-bbox="1391 1040 2058 1292"> <thead> <tr> <th>Particulars</th> <th>Units</th> <th>ASC order H1 2022-23</th> <th>ASC order H2 2022-23</th> <th>ASC Order H1 2023-24</th> <th>ASC Petition H2 2023-24</th> </tr> </thead> <tbody> <tr> <td>OA Sales</td> <td>MU</td> <td>645.9</td> <td>370.3</td> <td>213.3</td> <td>129.14</td> </tr> <tr> <td>Stranded capacity</td> <td>MW</td> <td>222.2</td> <td>119.4</td> <td>64.9</td> <td>47.42</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>However, in the proposed methodology for H2 of FY 2023-24, the AS will be considerably lower in proportion to the lower open access sales</li> </ul>	Particulars	Units	ASC order H1 2022-23	ASC order H2 2022-23	ASC Order H1 2023-24	ASC Petition H2 2023-24	OA Sales	MU	645.9	370.3	213.3	129.14	Stranded capacity	MW	222.2	119.4	64.9	47.42
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	<p>It must be pointed out that the high AS claims is attributable to the following factors:</p> <ul style="list-style-type: none"> <li>• Low OA sales</li> <li>• High stranded capacity</li> <li>• Poor procurement portfolio - greater exposure to expensive long term PPAs.</li> </ul>	
	<p>e) Such high AS claims y-o-y for Open Access sale is divergent to the essence of National Tariff Policy 2016 and is anti-competitive. The relevant extracts in support from Tariff Policy has been reproduced below:</p> <p><b><i>8.5 Cross-subsidy surcharge and additional surcharge for open access 8.5.1</i></b>  <i>National Electricity Policy lays down that the amount of cross-subsidy surcharge and the <u>additional surcharge to be levied from consumers who are permitted open access should not be so onerous that it eliminates competition which is intended to be fostered in generation and supply of power directly to the consumers through open access.</u></i></p> <p>f) Additionally, it is submitted that the Hon'ble Commission, in its Order dated 24.12.2021, in O.P.s No. 48, 49, 50 and 51 of 2021 &amp; I.A.s No. 21, 22, 23 and 24 of 2021 pertaining to Additional Surcharge for H1 and H2 of FY 2021-22 for Telangana Discoms had recognized the importance of promoting competition as enshrined in the Electricity Act, and had duly limited the final approved Additional Surcharge, in the interest of all the stakeholders. The relevant extract of the Order is reproduced below:</p> <p><b><i><u>“4.2.9 As per the above computations, the AS for H2 of FY 2021-22 works out to Rs.2.38 / kWh. The preamble of the Electricity Act, 2003 emphasises, amongst others, taking measures conducive to development of electricity industry, promoting competition therein, protection of interest of consumers and rationalisation of electricity tariffs, as the objectives. The Commission has to do a balancing act in fulfilment of the mandate of the Electricity Act, 2003. The DISCOMs are entitled to the AS computed as above but at the same time such AS, being significantly higher than the present levels of AS, could hinder the very competition that the Electricity Act, 2003 advocates. Therefore, in the interest of all the stakeholders, the Commission decides to allow AS of Rs.0.96/kWh (~40% of Rs.2.38 / kWh).”</u></i></b>  <b><i>(Emphasis supplied)</i></b></p>	<ul style="list-style-type: none"> <li>• TS Discoms' additional surcharge claim for H2 of FY 23-24 is significantly lower compared to recent filings for H1 of FY 23-24, and H1&amp;H2 of FY 22-23.</li> <li>• TS Discoms submit that the approved additional surcharge has been consistently reduced in the State of Telangana and is the lowest amongst the other states in the country. This consistent reduction in Additional Surcharge has affected TS Discoms financially.</li> <li>• TS Discoms request the Hon'ble commission to consider the proposals of TSDISCOMs and approve the additional surcharge.</li> </ul>

	<p>g) A similar approach is followed in Order dated 22.03.2022 passed by Hon'ble Commission with regards to O.P. No 61 &amp; 62 for H1 of 2022-23. The relevant extract is reproduced below:</p> <p><b><u>4.1.10 As per the above computations, the Additional Surcharge for H1 of FY 2022-23 works out to Rs.3.48/kWh. The preamble of the Electricity Act, 2003 emphasises, amongst others, “for taking measures conducive to development of electricity industry, promoting competition therein, protecting interest of consumers and rationalisation of electricity tariffs”. The Commission has to do a balancing act in fulfilment of the mandate of the Electricity Act, 2003. TS Discoms are entitled to the Additional Surcharge computed as above but at the same time such Additional Surcharge, being significantly higher than the present level of Additional Surcharge, could hinder the promotion of competition that the Electricity Act, 2003 advocates. Therefore, in the interest of all the stakeholders, the Commission decides to allow Additional Surcharge of Rs.1.15/kWh (i.e., ~ 33% of Rs.3.48/kWh).</u></b></p> <p><b><u>(Emphasis supplied)</u></b></p> <p>h) It is requested to the Hon'ble Commission to allow a competitive Additional Surcharge after a thorough prudence check.</p>	
	<p>i) Furthermore, Ministry of Power in the Draft Electricity (Amendment) Rules, 2023 has proposed the following with respect to levy of Additional Surcharge,:</p> <p><i>“23 (i) Wheeling Charges: Wheeling charges shall be computed as per following formula: Wheeling Charge= Aggregate Revenue Requirement towards wheeling/ Energy wheeled during the year</i></p> <p><i>(iii) Additional Surcharge: The additional surcharge levied on any open access consumer shall not be more than fifty percent of the wheeling charges for that category of consumers.”</i></p> <p>j) The above proposal depicts that Ministry of Power, Government of India also appreciates that limiting Additional surcharge is expected to facilitate the Open Access Sales thereby has introduced ceiling on the levy of Additional Surcharge. Notwithstanding to the submissions made by the Objector in preceding paras, it is humbly requested that the Hon'ble Commission may kindly adopt the approach as enshrined in the draft Rules as quoted above</p>	<ul style="list-style-type: none"> <li>• The proposal in the Draft Electricity (Amendment) Rules, 2023 is completely irrational and is against the mandates of the Electricity Act, 2003.</li> <li>• The Electricity Act 2003 identifies the need for compensating distribution licensees by levying additional surcharge in case consumers switches to alternate supplies under open access.</li> <li>• Sub-section (2) of Section 42 of the Electricity Act 2003 mentions that –</li> </ul> <p><i>“Provided that I[such open access shall be allowed on payment of a surcharge] in addition to the charges for wheeling as may be determined by the State Commission:”</i></p> <ul style="list-style-type: none"> <li>• Further, Sub-section (4) of Section 42 also highlights</li> </ul>

<p>and limit the Additional Surcharge to 20% of the wheeling charges.</p>	<p>the need of additional surcharge by stating:</p> <ul style="list-style-type: none"> <li>• <i>“4) Where the State Commission permits a consumer or class of consumers to receive supply of electricity from a person other than the distribution licensee of his area of supply, such consumer shall be liable to pay an additional surcharge on the charges of wheeling, as may be specified by the State Commission, to meet the fixed cost of such distribution licensee arising out of his obligation to supply.”</i></li> <li>• As identified by the policymakers through the mandates of Electricity Act 2003, removing additional surcharge would result in licensees having to bear excessive fixed costs associated with PPA signed for long-term durations (25 years) on account of stranded capacity due to the switching of existing consumers. The additional surcharge helps in assuaging the Discom financial worries. Removing of such charges would put Discom under significant financial duress.</li> <li>• The additional surcharge compensate Discoms against the payments towards fixed payments for stranded capacity and reduction or ceiling on additional surcharge will directly impact Discoms’ financially.</li> <li>• TS Discoms does not find any merit in the proposal as it does not have any basis for such ceiling for additional surcharge.</li> <li>• The promotion of Open Access cannot be done at cost of Discoms. Any such proposal should have incentive mandated by the Central or State Government to compensate the Discoms against any potential financial losses/implications.</li> <li>• The Discoms must not be subjected to business risks and financial losses by being forced to incentivize open access consumers through reduction of various</li> </ul>
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		<p>charges. Discoms should not be made to bear brunt of promoting open access as it seems to be the case with this proposal.</p> <ul style="list-style-type: none"> <li>Given the various reasons, this proposal should be dropped without any further consideration.</li> </ul>
3	<p><b>1.3 Dubious fixed charges paid and recovery of Demand charges</b></p> <p>(a) It is well known principle that full Fixed Charges shall be recoverable only at normative plant availability and be allowed on prorated basis below the level of normative plant availability. The Objector is unable to comment on the veracity of fixed charges due to the following reasons:</p> <p><b>I. Ambiguity in Linkage of Fixed Charges Paid with Plant Availability</b></p> <p>The Petitioners have claimed Rs. 6574.36 Crores under the head of Fixed Charges paid without providing any clarity about the linkage of plant availability with fixed charges paid.</p> <p>Furthermore, it is submitted that the Actual Fixed Costs as a part of Actual Power Purchase Cost, ought to be subjected to strict prudence check in terms of Regulation 12 of the Tariff Regulations:</p> <p><i>“12.1 The Distribution Licensee shall be allowed to recover the cost of power it procures, including from State generators, independent power producers, Central generating stations, non-conventional energy generators, and others, for supply to consumers, based on the Commission-approved Power Procurement Plan of the Distribution Licensee covering each year of the Control Period: Provided that where the procurement is for sale to consumers permitted open access by the Nodal Agency under the Open Access Regulation or purchase for trading, the Distribution Licensee shall provide an Allocation Statement as referred to in clause 5 clearly specifying the costs that are attributable to the sales made to such consumers, utilities, etc.</i></p> <p><i>12.2 Except in the case of Retail Supply Business insofar as for the first Control Period is concerned:</i></p> <p><i>a. The Commission shall adopt the Sales Forecast, the Distribution loss trajectory and the Power Procurement Plan approved as part of the Resource Plan for the purpose of</i></p>	<ul style="list-style-type: none"> <li>The licensees have already provided the complete breakup of the individual fixed cost of each generating station that has been considered in the determination of AS for H2 FY 23-24.</li> <li>The <b>fixed charges are paid</b> to the generators based on the <b>availability of power plants</b> as per the terms &amp; conditions of the PPA.</li> <li>The Discoms have computed the stranded capacity in each time block duly considering the availability of generation plants.</li> </ul>

*determining the Power Purchase Requirement of the Distribution Licensee for the Control Period;*

*b. The power procurement plan will not generally require any revisions during the Control Period, and the Commission-approved category-wise power procurement forecast shall be applied for estimating the Distribution Licensees' power procurement requirement for each year of the Control Period;*

*c. While approving the cost of power procurement, the Commission shall determine the quantum of electricity to be procured, consistent with the power procurement plan, from various sources of supply, in accordance with the principle of merit order schedule and dispatch, based on a ranking of-all approved sources of supply in the order of variable cost or price.”*

It is humbly submitted that Hon’ble Commission may direct the Petitioner to furnish Actual Monthly/Half-yearly Plant Availability Factor for each of the Power Plants from which Long-Term Power Procurement is being carried out.

**II. No breakup of Fixed Charges elements provided for various generating stations, in order to confirm that no charge on the account of DPS or any non-fixed cost is considered.**

- The **fixed charges paid** to the generators are based on the **availability of power plants** as per the terms & conditions of the PPA.
- The invoices received from the generators are being verified as per term of PPA by internal audit team of TS Discoms and after their approval only the bills are being passed for payments.
- There is no DPS considered in fixed cost.

**III. Absence of reconciliation statement with the relevant Audited Account report**

The Objector while verifying the submitted claims has observed that only audited accounts pertaining to TSSPDCL for respective quarters are available in public domain. The relevant finding from the audited accounts is reproduced below:

**Q3 Audited Accounts for TSSPDCL**

23 - POWER PURCHASE COST				
Particulars	Q3 of 2022-23	Cum. for 2022-23	Q3 of 2021-22	FY 2021-22
Purchase of Power - Fixed Cost	2,333.59	6,288.15	2,858.52	8,910.20
Purchase of Power - Variable Cost	4,365.18	14,008.03	2,870.18	16,353.17
Transmission Charges	1,189.44	2,937.03	335.34	3,066.60
Other Power Purchase Costs	441.52	520.69	(135.50)	(300.29)
<b>Total</b>	<b>8,329.73</b>	<b>23,753.90</b>	<b>5,928.54</b>	<b>28,029.68</b>

- There shall be an yearly statutory audit report confirming the financials including costs and revenues of the Discoms and the same shall be submitted after the due process of completion of statutory and C&AG Audit to the Hon’ble Commission.
- The statutory audited reports are being hosted in the DISCOMs website.
- TSNPDCL audited reports for Q3 & Q4 have been uploaded in Discom website.

#### Q4 Audited Accounts for TSSPDCL

##### 23 - POWER PURCHASE COST

Particulars	Q4 of 2022-23	Q3 of 2022-23	Q4 of 2021-22	FY 2021-22
Purchase of Power - Fixed Cost	2,394.39	2,333.59	3,137.12	8,910.20
Purchase of Power - Variable Cost	7,474.62	4,365.18	3,669.77	16,353.17
Transmission Charges	1,154.58	1,189.44	1,561.58	3,066.60
Other Power Purchase Costs	11.00	441.52	163.49	(300.29)
<b>Total</b>	<b>11,034.59</b>	<b>8,329.73</b>	<b>8,531.96</b>	<b>28,029.68</b>

The Petitioners have not even furnished any reconciliation statement for the available audited accounts which is quite necessary to verify the claim.

Hence, it is prayed that Hon'ble Commission may direct the TS Discoms to provide relevant reconciliation statement and TSNPDCL audited reports towards corresponding quarters in order to check the veracity of the said claims.

#### **IV. No clarity about the Fixed Charges paid towards the NCE power procurement**

b) Furthermore, it is submitted that the Hon'ble TSERC in its Retail Supply Tariff Order for FY 2023-24 dated 20.03.2023 has not considered any capacity allocation from NTECL Vallur TPS and NLC Tamil Nadu Power Ltd for FY 2023-24 in line with the earlier directives of the Commission in RST Orders for FY 2017-18 and FY 2018-19. The relevant extract of the RST order dt. 20.03.2023 for FY 2023-24 is reproduced below:

- There are no fixed charges paid towards NCE power procurement.
- The Licensees submitted a requisition to MOP, GoI expressing its willingness to **surrender** the share of Telangana State from NTECL Vallur TPS and NLC Tamil Nadu Power Ltd. and their decision is under process.
- The **fixed charges** paid to the generators (NTECL Vallur TPS and NLC Tamil Nadu Power Ltd for **FY 2023-24**) are considered based on the allocation by Central Govt. and availability of power plants.

Source	Claimed				Approved			
	Quantum	Fixed Cost	Variable Cost	Total	Quantum	Fixed Cost	Variable Cost	Total
	MU	Rs.crore	Rs.crore	Rs.crore	MU	Rs.crore	Rs.crore	Rs.crore
NTPC Ramagundam Stage I & II	2682.16	195.26	751.00	946.26	1978.22	178.39	553.90	732.29
NTPC Ramagundam Stage III	648.90	54.00	179.00	233.00	455.20	53.07	125.57	178.64
NTPC Talcher TPS II	1597.26	114.04	279.36	393.40	1597.26	109.49	279.36	388.85
NTPC Simhadri Stage I	4018.37	361.67	1212.74	1574.41	2774.74	356.75	837.42	1194.16
NTPC Simhadri Stage II	1931.43	277.78	579.82	857.60	1439.67	258.35	432.19	690.54
NTPC Kudgi	180.22	649.48	70.52	720.00	1435.49	285.66	561.71	847.37
NLC TPS II Stage I	35.15	2.50	9.62	12.12	34.91	2.49	9.55	12.04
NLC TPS II Stage II	46.31	3.41	12.67	16.08	44.66	3.40	12.22	15.62
NNTPP	381.74	68.87	84.25	153.11	368.28	77.97	81.28	159.25
Neyveli new Unit-1	40.76	3.93	9.99	13.92	40.76	3.93	9.99	13.92
Neyveli new Unit-2	30.02	6.93	7.93	14.86	30.02	6.93	7.93	14.86
TSTPP Unit 1	8247.29	1686.51	1693.97	3380.49	7916.06	1517.86	1625.94	3143.80
NTECL Vallur TPS	69.88	143.86	26.99	170.85	0.00	0.00	0.00	0.00
NLC Tamil Nadu Power Ltd.	130.24	223.00	57.10	280.10	0.00	0.00	0.00	0.00
<b>Sub Total</b>	<b>20039.70</b>	<b>3791.24</b>	<b>4974.96</b>	<b>8766.20</b>	<b>18115.25</b>	<b>2854.29</b>	<b>4537.06</b>	<b>7391.35</b>
<b>Nuclear</b>								
NPC Madras APS	56.44	0.00	14.34	14.34	56.44	0.00	14.34	14.34
NPC Kaiga APS Units 1 & 2	426.86	0.00	148.64	148.64	426.86	0.00	148.64	148.64
NPC Kaiga APS Units 3 & 4	462.54	0.00	161.07	161.07	462.54	0.00	161.07	161.07
NPC Kudankulam NPP Unit 2	362.68	0.00	150.81	150.81	334.80	0.00	139.22	139.22
<b>Sub Total</b>	<b>1308.51</b>	<b>0.00</b>	<b>474.86</b>	<b>474.86</b>	<b>1280.63</b>	<b>0.00</b>	<b>463.27</b>	<b>463.27</b>
<b>Bundled Power (Coal)</b>								
JNNSM Phase 1	336.36	0.00	217.50	217.50	336.36	0.00	120.37	120.37
NTPC	1394.71	194.16	499.09	693.25	1394.71	0.00	901.86	901.86
<b>Sub Total</b>	<b>1731.07</b>	<b>194.16</b>	<b>716.59</b>	<b>910.75</b>	<b>1731.07</b>	<b>0.00</b>	<b>1022.22</b>	<b>1022.22</b>
<b>Total CGS</b>	<b>23079.28</b>	<b>3985.40</b>	<b>6166.41</b>	<b>10151.81</b>	<b>21126.95</b>	<b>2854.29</b>	<b>6022.55</b>	<b>8876.84</b>

c) Since no proper justification is provided regarding the breakup of fixed cost by the petitioner, Objector submits that the reliance should be placed upon the power purchase cost approved by the Hon'ble commission in the RST order dated 20.03.2023 for FY 23-24 and the power purchase cost approved by the commission in AS order dated 20.03.2023 for H1 of FY 23-24. Accordingly, the fixed charges paid is proposed to be computed based on the difference between the aforementioned items. The assessment of the objector is depicted in the table below:

d) In the absence of the substantiating evidence/documents with regard to power purchase cost, it is humbly submitted that the Hon'ble Commission may evaluate PP cost for H2 of FY 2023-24 based on the above depicted approach.

(All Figures in Crores)

Name of the Generating Station	Approved Value	Approved Value	Petitioner's Claim	Objector's Assessment
	AS order dated 20.03.2023 for H1 of FY 23-24	RST Order FY 23-24	Oct' 22 to Mar '23	Oct'22 to Mar'23
<b>CGS</b>				
NPC Kaiga - I& II	-			-
NPC-MAPS	-			-

- TS Discoms submit that the fixed costs claimed in the additional surcharge filings for H2 of FY 23-24, are the actual fixed costs incurred during H2 of FY 22-23. Hence, objector is misinterpreting and incorrectly comparing the power purchase cost approved in H1 FY 23-24, which was actual power purchases costs of H1 FY 22-23, and the costs approved in RST order dated 20.03.2023 for FY 23-24.
- The objector needs to understand that while the power purchase costs approved for FY 23-24 are based on estimation, the fixed costs claimed in the additional surcharge filings are actual costs incurred in previous year (H1 & H2 of FY 22-23).
- The objector's claim is incorrect since actual costs are available and no estimation is required.
- All relevant calculations and cost sheets have been shared with the Hon'ble Commission.

NPC-Kudankulam	-			-
NLC ST-I	1.77	2.49		1.77
NLC ST-II	2.86	3.4		2.86
NNTPS	40.34	77.97		40.34
NTPC(SR) I & II	87.35	178.39		87.35
NTPC(SR) ST III	19.78	53.07		19.78
NTPC-Simhadri -I	229.90	356.75		229.90
NTPC-Simhadri -II	162.11	258.35		162.11
NTPC-Talcher-ST II	68.78	109.49		68.78
NTPC KUDIGI I	164.17	285.66		164.17
NTECL - VALLURU	71.59	-		-
NLC Tamilnadu Power Ltd	77.38	-		-
<b>CGS Total</b>	<b>926.03</b>	<b>1325.57</b>		<b>777.06</b>
APGPCL ST-I	-	399.54		-
APGPCL ST-I & II	-			-
<b>APGPCL Total</b>	-			-
<b>IPPs</b>				
M/s Thermal Powertech 570MW	530.03	1135.02		530.03
Thermal Powertech 269.45 MW	159.33	317.58		159.33
<b>TOTAL IPPs/MPPs</b>	<b>689.37</b>	<b>1452.6</b>		<b>689.37</b>
<b>TSGENCO-TOTAL</b>	<b>3266.17</b>	6251.53		<b>3239.95</b>
SINGARENI CCL U1&U2	708.08	1329.7		708.08
Chhattisgarh SPDCL	-			-
<b>Total Fixed Cost Excluding NCEs</b>	<b>5589.64</b>		<b>6574.36</b>	<b>4918.73</b>

The veracity of above shown data needs to be verified by the Hon'ble Commission to avoid any loading of inefficiency of Discom on state Consumers in the form of Additional Surcharge.

e) It is also necessary to mention that the Petitioner must be directed to submit element wise break up of Fixed charges paid in order to ensure transparency in the determination of AS and avoid any loading of inefficiency of Discom on state Consumers in the form of Additional Surcharge.

- The licensees have already provided the complete breakup of the individual items and respective calculation sheets used in determination of Additional Surcharge (AS). The DISCOMs are completely transparent in the way of various factors analyzed to arrive at the AS claim. These details are hosted in TS Discom's websites. The objectors can access these details from respective websites.

4

**1.4. Additional surcharge for H2 of FY 2023-24 as per objector's assessment**

a) Based on the available data on record for the perusal of general stakeholders, the Objector has computed the allowable Additional Surcharge for H2 of FY 2023-24, as follows:

**Additional Surcharge as per Objector's Assessment:**

Approved Methodology for Computation of Additional Surcharge				
	Additional Surcharge	Unit	Petitioner's Claim	As per Objector's Assessment
A	Long term available capacity	MW	9191.58	9191.58
B	Capacity stranded due to open access	MW	47.42	47.42
C	Fixed Charges paid	Rs. crore	6574.36	4918.73
D=C/A	Fixed Charges per MW	Rs. crore/MW	0.72	0.54
E=D*B	Fixed Charges for stranded capacity	Rs. crore	33.92	25.38
F	Transmission charges paid	Rs. crore	2483.71	2483.71
G	Actual Energy scheduled	MU	39635.68	39635.68
H=F/G	Transmission charges per unit	Rs./kWh	0.63	0.63
I	Distribution Charges as per Objector's Assessment	Rs./kWh	0.18	0.18
J=H+I	Total transmission and distribution charges per unit	Rs./kWh	0.81	0.81
K	Energy consumed by open access consumers from the DISCOM	MU	-	1970.66
L=K*J	Transmission and distribution charges to be paid by open access consumers	Rs. crore	10.40	158.96
M	Demand charges recovered by the DISCOM from open access consumers	Rs. crore	-	205.69
N=M-L	Demand charges to be adjusted	Rs. crore	-	46.73
O=E-N	Net stranded charges recoverable	Rs. crore	44.31	-21.35
P	Open access sales	MU	129.14	388.25
Q=O/P	<b>Additional Surcharge computed</b>	<b>Rs./kWh</b>	<b>3.43</b>	-

b) The Objector humbly submits that there is no Case for the levy of Additional Surcharge on Open Access Consumers in the state as the Demand charges to be adjusted i.e. Rs. 46.73 Crores is already being in excess as compared to the computed Fixed Charges for stranded capacity i.e. Rs. 25.38 Crores.

- TS Discoms have responded to the item-wise objections raised by the objector, in the respective sections, and would request the Hon'ble Commission to consider the computations done by Discoms, considering the justifications shared on the same.
- Having said that, Hon'ble Commission in its Orders dated 24.12.2021 and 22.03.2022, had recognized the importance of promoting competition as enshrined in the Electricity Act, and had duly limited the final approved Additional Surcharge, in the interest of all the stakeholders.
- The objector has considered the transmission charges by omitting the ISTS charges, fixed charges by omitting the NTECL Vallur and NLC Tamilnadu, hence the Additional Surcharge computed by the objector, is improper.
- The TS Discoms have requested the Hon'ble Commission to revise the methodology for computation of Additional Surcharge as there has been substantial divergence from the original methodology. The original methodology has changed significantly from its finalization in the OP No.23 of 2020 dated 18.09.2020.
- Considering that there have been significant changes in the original methodology and these changes have affect TS Discoms financially, TS Discoms have proposed a new methodology to the Hon'ble Commission to amend the original methodology approved in the OP No.23 of 2020 to recover the total fixed cost commitments of TSDISCOMs in line with the section 42(4) of Electricity Act, 2003.

<p>4</p>	<p><b>1.5.POC ISTS transmission Charges should not be considered for reducing demand charges paid by OA consumers:</b></p> <p>1.5.1 TSSPDCL has, for the computation of per unit transmission charges, considered the inter-state, intra-state transmission charges and SLDC charges. The said claims are based on the past Additional Surcharge Orders of the Hon’ble Commission, wherein the Hon’ble Commission has also included both the inter and intra-state transmission charges in the stranded cost while working out the ASC for corresponding periods.</p> <p>1.5.2 As against the above, <b>in its order dated 27.03.2018 for determination of ASC for FY 2018-19, the Hon’ble Commission considered only the intra-state transmission charge for computing per unit transmission charge</b> which we believe was the correct approach owing to the following reasons:</p> <p>a) Inter-state transmission cost is on account of the transmission charges being paid by the Discom for long/medium term access to the ISTS system. Such charges to be paid by the Discom are notified by NLDC.</p> <p>b) <b>Any consumer availing open access to the ISTS system also pays its ISTS cost for the power procured through open access, the benefit of which accrues to the state in reduction of their POC charges.</b></p> <p>This reduction is due to the following clause 11 (3) of the CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020-</p> <p><b><i>“11. Transmission charges for Short Term Open Access</i></b>  .....  <b><i>(3) Transmission charges for Short Term Open Access paid by an embedded intra-State entity during a month shall be reimbursed in the following billing month to the State in which such entity is located.”</i></b></p> <p>c) It is in view of the above that inclusion of ISTS charges again for computation of Additional Surcharge as claimed by the Petitioner, will lead to double levy of the same charge on open access consumers.</p> <p>d) The submission of the Discom that said benefit is passed in ARR to consumers is not justifiable since the impact of double levy of ISTS charges would already make OA unviable for consumers.</p> <p>1.5.3 Thus, we request the Hon’ble Commission to re-consider its view on allowing inclusion of ISTS charges in the ASC.</p>	<ul style="list-style-type: none"> <li>• The Hon’ble Commission in its order in OP No.23 of 2020 (pg 12) opined that the methodology of AS computation was approved in the Order dated 13.12.2017 in I.A.Nos.22&amp;23 of 2017 in O.P.Nos.22&amp;23 of 2016 respectively (AS Order for FY17-18) and the same have attained finality. The Commission while determining AS for H1 of FY 23-24, H1&amp;H2 of 2022-23, and H2 FY 2021-22 have also considered the ISTS. The methodology adopted in the order dated 27.03.2018 for determination of ASC for FY 2018-19 by the Hon’ble Commission supersedes the order in O.P No.23 of 2020 by considering the comments of stake holders.</li> <li>• Hence, the licensee considered the transmission charges i.e., both intra-state &amp; inter-state transmission charges for computing per unit transmission charge in conformity with the aforementioned order.</li> <li>• Further, there is no rationality in considering intra state transmission charges alone, as the Discoms have long term power purchase commitment agreements concluded with both intra and inter-state generators thereby utilizing the intra and inter-state transmission corridors. Further, the backing down of generation is not limited to intrastate generators alone. Hence, the transmission charges that are considered in totality are justified in arriving at per unit transmission charge.</li> <li>• TS Discoms understands that the ISTS cost paid by the consumer availing ISTS system, benefits in reduction of POC charges for the state. However, the same benefits have been passed on to the consumer through APR filed by TS TRANSCO.</li> <li>• The Hon’ble Commission passed the orders duly considering the benefits in reduction of the POC charges for the state in the respective APRs filed by TS TRANSCO.</li> <li>• Hence, the consideration of inclusion of ISTS charges in the Additional Surcharge is appropriate.</li> </ul>
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<p><b>5</b></p>	<p><b>1.6. Discom failed to consider Demand charges recovered from Open Access consumers while adjusting the payable T&amp;D charges</b></p> <p>1.6.1 The Discom in the ASC Petition has claimed Additional Surcharge at Rs. 3.43/unit considering 33.92 Cr towards fixed cost stranded due to open access and Rs. 10.40 Cr on account of transmission and distribution charges to be paid by the Open Access consumer to the Discoms. However, Discom went against the methodology fixed by the Hon'ble Commission and did not consider the amount already paid by the Open Access Consumers as demand charges.</p> <p>1.6.2 This is in complete contradiction with the approach of the Commission in the earlier ASC Orders as well the methodology affirmed by the Hon'ble Commission in the past. Not reducing the demand charges from the transmission and distribution charges payable by open access consumers will lead to inflated levy of ASC on the consumers.</p> <p>1.6.3 The Hon'ble Commission in the Order No. for O. P. No. 75 &amp; 76 of 2022 for determination of Additional Surcharge dated 20.03.2023 has considered the demand charges paid by the Open Access Consumer while computing the Additional Surcharge.</p>	<ul style="list-style-type: none"> <li>• TS DISCOMs are of the opinion that as per the RST orders issued by the Hon'ble Commission regularly, the entire fixed costs commitments of Generation, Transmission and Distribution systems are not being recovered through Demand Charges from HT Consumers &amp; Fixed Charges from LT Consumers, but major portion is being recovered through energy charges from the consumers. In the Past orders regarding Additional Surcharge issued by the Hon'ble Commission, considered "under recovery of demand charges from the open access consumers" does not reflect DISCOMs entire liability of payments of fixed cost towards generators, transmission cost and distribution cost.</li> <li>• The TS Discoms have requested the Hon'ble Commission to revise the methodology for computation of Additional Surcharge as there has been substantial divergence from the original methodology. The original methodology has changed significantly from its finalization in the OP No.23 of 2020 dated 18.09.2020.</li> </ul>
<p><b>6</b></p>	<p><b>PRAYERS</b></p> <p>The Objector most respectfully prays that this Hon'ble Commission may be pleased to</p> <ol style="list-style-type: none"> <li>Consider the above Objection Statement filed by the Objector;</li> <li>Consider the above Objection Statement filed by the Objector;</li> <li>May Conduct a Prudence check over the Fixed Charges Paid and Demand Charges recoveries from Open Access Consumers;</li> <li>May direct the Discoms to provide a reconciliation with the audited accounts and the Fixed cost component of power purchase may be accordingly allowed subject to prudence check;</li> <li>May disallow the claim of Additional surcharge due to Discrepancies in computation and absence of reconciliation statement with audited accounts for the claim proposed by the Petitioners;</li> <li>Consider the methodology/approach/computation to work out the Additional Surcharge, if any, attributable to the open access consumers as assessed by the Objector;</li> <li>May approve null Additional Surcharge as assessed by the Objector;</li> <li>G. Pass necessary orders as may be deemed appropriate in the facts and circumstances of the case in the interest of competition, as has been enshrined in the Electricity Act;</li> </ol>	<ul style="list-style-type: none"> <li>• TS Discoms have responded to the item-wise objections made by the objector, in the above mentioned sections, and would request the Hon'ble Commission to consider the computations done by Discoms, considering the justifications shared on the same.</li> </ul>

### 3. Response to [The Telangana Spinning & Textile Mills Association \(TSTMA\)](#)

S.No	Summary of Objections / Suggestions	Response of the Licensee																																																						
1	<p><b>1.1 Violation in the Approach for Computing Additional Surcharge</b></p> <p>It is seen that the Petitioner in its O.P no 15 &amp; 16 of 2023 has completely violated the methodology approved by the Hon’ble Commission for computation of additional surcharge in its order dated 18.09.2020 in O.P No. 23 of 2020. The relevant extract from the order is provided below for your reference:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th style="text-align: left;">Additional Surcharge</th> <th style="text-align: left;">Unit</th> <th style="text-align: left;">Value</th> </tr> </thead> <tbody> <tr> <td>{A}</td> <td>Long term available capacity</td> <td>MW</td> </tr> <tr> <td>{B}</td> <td>Capacity stranded due to open access</td> <td>MW</td> </tr> <tr> <td>{C}</td> <td>Fixed Charges paid</td> <td>Rs. crore</td> </tr> <tr> <td><math>\{D\}=\{C\}\div\{A\}</math></td> <td>Fixed Charges per MW</td> <td>Rs. crore/MW</td> </tr> <tr> <td><math>\{E\}=\{D\}\times\{B\}</math></td> <td>Fixed Charges for stranded capacity</td> <td>Rs. crore</td> </tr> <tr> <td>{F}</td> <td>Transmission charges paid</td> <td>Rs. crore</td> </tr> <tr> <td>{G}</td> <td>Actual Energy scheduled</td> <td>MU</td> </tr> <tr> <td><math>\{H\}=\{F\}\div\{G\}</math></td> <td>Transmission charges per unit</td> <td>Rs./kWh</td> </tr> <tr> <td>{I}</td> <td>Distribution charges as per Tariff Order</td> <td>Rs./kWh</td> </tr> <tr> <td><math>\{J\}=\{H\}+\{I\}</math></td> <td>Total transmission and distribution charges per unit</td> <td>Rs./kWh</td> </tr> <tr> <td>{K}</td> <td>Energy consumed by open access consumers from the DISCOM</td> <td>MU</td> </tr> <tr> <td><math>\{L\}=\{K\}\times\{J\}</math></td> <td>Transmission and distribution charges to be paid by open access consumers</td> <td>Rs. crore</td> </tr> <tr> <td>{M}</td> <td>Demand charges recovered by the DISCOM from open access consumers</td> <td>Rs. crore</td> </tr> <tr> <td><math>\{N\}=\{M\}-\{L\}</math></td> <td>Demand charges to be adjusted</td> <td>Rs. crore</td> </tr> <tr> <td><math>\{O\}=\{E\}-\{N\}</math></td> <td>Net stranded charges recoverable</td> <td>Rs. crore</td> </tr> <tr> <td>{P}</td> <td>Open access sales</td> <td>MU</td> </tr> <tr> <td><math>\{Q\}=\{O\}\div\{P\}</math></td> <td>Additional Surcharge computed</td> <td>Rs./kWh</td> </tr> </tbody> </table> <p>However, Petitioner while computing the Additional surcharge deliberately neglected its approach from the approved methodology. The computation of AS performed by the petitioner is provided below for reference:</p>	Additional Surcharge	Unit	Value	{A}	Long term available capacity	MW	{B}	Capacity stranded due to open access	MW	{C}	Fixed Charges paid	Rs. crore	$\{D\}=\{C\}\div\{A\}$	Fixed Charges per MW	Rs. crore/MW	$\{E\}=\{D\}\times\{B\}$	Fixed Charges for stranded capacity	Rs. crore	{F}	Transmission charges paid	Rs. crore	{G}	Actual Energy scheduled	MU	$\{H\}=\{F\}\div\{G\}$	Transmission charges per unit	Rs./kWh	{I}	Distribution charges as per Tariff Order	Rs./kWh	$\{J\}=\{H\}+\{I\}$	Total transmission and distribution charges per unit	Rs./kWh	{K}	Energy consumed by open access consumers from the DISCOM	MU	$\{L\}=\{K\}\times\{J\}$	Transmission and distribution charges to be paid by open access consumers	Rs. crore	{M}	Demand charges recovered by the DISCOM from open access consumers	Rs. crore	$\{N\}=\{M\}-\{L\}$	Demand charges to be adjusted	Rs. crore	$\{O\}=\{E\}-\{N\}$	Net stranded charges recoverable	Rs. crore	{P}	Open access sales	MU	$\{Q\}=\{O\}\div\{P\}$	Additional Surcharge computed	Rs./kWh	<ul style="list-style-type: none"> <li>• The TS Discoms have requested the Hon’ble Commission to revise the methodology vide Lr.dt. 24.04.2023 for computation of Additional Surcharge as there has been substantial divergence from the original methodology approved in the OP No.23 of 2020 dated 18.09.2020 in the orders passed in OP.No.s 75&amp;76 of 2022 for H1 of FY 2023-24.</li> <li>• TS DISCOMs are of the opinion that as per the RST orders issued by the Hon’ble Commission regularly, the commitments of entire fixed costs, of Generation, Transmission and Distribution systems, are not being recovered through Demand Charges from HT Consumers &amp; Fixed Charges from LT Consumers, but major portion is being recovered through energy charges from the consumers. In the Past orders regarding Additional Surcharge issued by the Hon’ble Commission, considered “under recovery of demand charges from the open access consumers” does not reflect DISCOMs entire liability of payments of fixed cost towards generators, transmission cost and distribution cost.</li> <li>• While determining AS for H1 of FY 2023-24, the Hon’ble TSERC did not considered the distribution charges for LT Network for determination of A.S. even though these charges are to be considered as per the approved methodology. This deviation from methodology caused substantial financial loss to the TS DISCOMs.</li> <li>• The cost of entire Distribution Network/ system (33 KV, 11 KV &amp; LT) ought to be considered as a single unit, for consideration of distribution fixed cost approved in the wheeling tariff order.</li> </ul>
Additional Surcharge	Unit	Value																																																						
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Additional Surcharge		Unit	Value
{A}	Long term available capacity	MW	9,191.58
{B}	Capacity stranded due to open access	MW	47.42
{C}	Fixed Charges paid	Rs. crore	6574.36
$D=\{C\}\div\{A\}$	Fixed Charges per MW	Rs. crore/MW	0.72
$\{E\}=\{D\}\times\{B\}$	Fixed Charges for stranded capacity	Rs. crore	33.92
{F}	Transmission charges paid	Rs. crore	2,483.71
{G}	Actual Energy scheduled	MU	39,635.68
$H=\{F\}\div\{G\}$	Transmission charges per unit	Rs./kWh	0.63
{I}	Distribution charges as per Tariff Order	Rs./kWh	0.18
$\{J\}=\{H\}+\{I\}$	Total transmission and distribution charges per unit	Rs./kWh	0.81
{K}	Open access sales	MU	129.14
$\{L\}=\{K\}\times\{J\}$	Transmission and distribution charges to be paid by open access consumers	Rs. crore	10.40
$\{M\}=\{L\}+\{E\}$	Net stranded charges recoverable	Rs. crore	44.32
$\{N\}=\{M\}\div\{K\}$	Additional Surcharge computed	Rs./kWh	3.43

From the above, it can be observed that the Petitioner has not provided any rationale towards consideration of **Energy consumed by OA consumers from DISCOM as well as Demand charges recovered from OA consumers** while computing the AS charges. In the absence of relevant data on record, the Objector submits that the reliance be placed upon the previous Order dated 20.03.2023 of the Hon'ble Commission for determining AS charges for H1 of FY23-24.

Further, since the open access sales claimed by the petitioner are considerably less and lacking proper evidence, Objector submits that the reliance should be placed upon the OA sales approved in the RST order dated 20.03.2023 for FY 23-24 approved by the Hon'ble commission and OA sales approved by the commission in AS order dated 20.03.2023 for H1 of FY 23-24. Accordingly, the consideration of OA sales is proposed to be computed based on the difference between the aforementioned items. The OA sales considered by the objector is projected below for reference:

Particulars	Petitioner's Claim	Approved OA sales in RST order FY 23-24	Approved OA sales in AS order for H1 of FY 23-24	As per Objector's Assessment
	A	B	C	D=B-C
OA sales (MU)	129.14	602.14	213.89	388.25

- In view of these regular deviations from the approved methodology, newer directions were being issued to determine Additional Surcharge and increasing trend of Additional Surcharge mandate modifications. Hence the TS DISCOMs requested Hon'ble TSERC vide Lr. Dt. 24.04.2023 to amend/modify/substitute the existing approved methodology notified in the order passed in O.P.No. 23 of 2020 dated 18.09.2020.

- TS Discoms submit that the open access sales used in the calculation (129.14 MU) is actual open access sales for H2 of FY 22-23 as per the approved methodology in O.P.No 23 of 2020 dated 18.09.2020 and is not at all estimation.
- The objector's assessment is based on the projected open access sales for FY 23-24 which was approved by the Hon'ble Commission in RST order. The comparison is out of place and inaccurate as it compares actual open access sales of H1 of FY 22-23 (approved in AS order for H1 of FY 23-24) and estimated open access sales approved in RST for FY 23-24.
- Such inaccurate assessment shall not be considered.

<p>2</p>	<p><b>1. 2 Additional Surcharge Proposed for H2 of FY 2023-24 Seems Unreasonable</b></p> <p>a) It is humbly submitted that the proposed Additional Surcharge Rate of Rs. 3.43/unit in the instant petitions is highly uncompetitive as compared to other states. A brief comparison with other states is shown below:</p> <table border="1"> <caption>ADDITIONAL SURCHARGE (RS/UNIT) APPROVED OTHER STATES FOR FY 24 VS TELANGANA PROPOSED FOR FY H2 FY 24</caption> <thead> <tr> <th>State</th> <th>Additional Surcharge (Rs/Unit)</th> </tr> </thead> <tbody> <tr> <td>TELANGANA</td> <td>3.43</td> </tr> <tr> <td>KARNATAKA</td> <td>1.48</td> </tr> <tr> <td>MP</td> <td>1.38</td> </tr> <tr> <td>GUJARAT</td> <td>0.76</td> </tr> <tr> <td>HARYANA</td> <td>0.75</td> </tr> <tr> <td>MAHARASHTRA</td> <td>1.38</td> </tr> <tr> <td>RAJASTHAN (AVVNL)</td> <td>1</td> </tr> </tbody> </table>	State	Additional Surcharge (Rs/Unit)	TELANGANA	3.43	KARNATAKA	1.48	MP	1.38	GUJARAT	0.76	HARYANA	0.75	MAHARASHTRA	1.38	RAJASTHAN (AVVNL)	1	<ul style="list-style-type: none"> <li>• The comparison, of the <b>approved</b> Additional Surcharge of other states with the <b>proposed</b> Additional Surcharge of TS Discoms, is improper.</li> <li>• From the graph, it can be observed that the approved Additional Surcharge in all states is higher than the approved Additional Surcharge for H1 of FY 23-24 in Telangana (INR 0.39/kWh) by a range of 92% to 380%.</li> <li>• The Hon'ble Commission is requested to approve additional surcharge as per the proposals of TSDISCOMs computed in compliance to the approved methodology and directions by the Hon'ble TSERC.</li> </ul>								
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	<p>b) Furthermore, it is observed from the past submissions that Telangana Discoms are consistently claiming higher number pertaining to Additional Surcharge. Despite of the fact that Hon'ble TSERC in line with the prudent principles has consistently approved a lower value pertaining to Additional Surcharge. The data related to past and present claimed values are highlighted below for reference:</p> <table border="1"> <thead> <tr> <th>Particulars (In Rs/kWh)</th> <th>As per ASC Order H2 2021-22 dated 24.12.2021</th> <th>As per ASC Order H1 2022-23 dated 22.03.2022</th> <th>As per ASC Order H2 2022-23 dated 27.09.2022</th> <th>As per ASC Petition H1 2023-24 dated 20.03.2022</th> <th>As per ASC Petition H2 2023-24</th> </tr> </thead> <tbody> <tr> <td>Claimed by the Petitioner</td> <td>2.34</td> <td>4.06</td> <td>6.81</td> <td>9.86</td> <td>3.43</td> </tr> <tr> <td>Determined Additional Surcharge by the Commission</td> <td>2.38</td> <td>3.48</td> <td>1.38</td> <td>0.39</td> <td>NA</td> </tr> <tr> <td>Approved Additional Surcharge by the Commission</td> <td>0.95</td> <td>1.15</td> <td>1.38</td> <td>0.39</td> <td>NA</td> </tr> </tbody> </table>	Particulars (In Rs/kWh)	As per ASC Order H2 2021-22 dated 24.12.2021	As per ASC Order H1 2022-23 dated 22.03.2022	As per ASC Order H2 2022-23 dated 27.09.2022	As per ASC Petition H1 2023-24 dated 20.03.2022	As per ASC Petition H2 2023-24	Claimed by the Petitioner	2.34	4.06	6.81	9.86	3.43	Determined Additional Surcharge by the Commission	2.38	3.48	1.38	0.39	NA	Approved Additional Surcharge by the Commission	0.95	1.15	1.38	0.39	NA	<ul style="list-style-type: none"> <li>• The Hon'ble Commission in its order in OP No. 23 of 2020 (pg 12) opined that the methodology of AS computation was approved in the Order dated 13.12.2017 in I.A.Nos. 22 &amp; 23 of 2017 in O.P.Nos. 22 &amp; 23 of 2016, respectively (AS Order for FY17-18) and the same have attained finality. The Commission while determining AS for H1 of 2023-24 have also considered the same methodology.</li> <li>• Having said that, Hon'ble Commission in its Orders dated 24.12.2021 and 22.03.2022, had recognized the importance of promoting competition as enshrined in the Electricity Act, and had duly limited the final approved Additional Surcharge, in the interest of all the stakeholders.</li> <li>• The additional surcharge approved by Hon'ble Commission for H1 FY 23-24 was very low (0.39/kWh) due to significant changes in the additional surcharge methodology. Such low computation of additional surcharge despite the higher claims has negative financial bearing on the TS Discoms.</li> <li>• Hence, it is requested that existing methodology</li> </ul>
Particulars (In Rs/kWh)	As per ASC Order H2 2021-22 dated 24.12.2021	As per ASC Order H1 2022-23 dated 22.03.2022	As per ASC Order H2 2022-23 dated 27.09.2022	As per ASC Petition H1 2023-24 dated 20.03.2022	As per ASC Petition H2 2023-24																					
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		<p>maybe amended to ensure that TS Discoms are appropriately compensated for the payments towards stranded capacities, as it has been proposed by the TS Discoms.</p>																																																
	<p>c) Further, the National Tariff Policy (NTP) notified by Ministry of Power on 28<sup>th</sup> January 2016 stipulates the following:</p> <p><i>“Clause 8.5.4: The additional surcharge for obligation to supply as per section 42(4) of the Act should become applicable only if it is conclusively demonstrated that the obligation of a licensee, in terms of existing power purchase commitments, has been and continues to be stranded, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract. The fixed costs related to network assets would be recovered through wheeling charges”.</i></p>	<ul style="list-style-type: none"> <li>As per the Hon’ble Commission guidelines TS Discoms have calculated the Additional Surcharge after arriving the stranded capacity for each 15 min time block-wise in line with the clause 8.5.4 of National Tariff Policy 2016.</li> <li>The detailed calculation sheets have been shared with Hon’ble Commission.</li> <li>The licensees have already provided the complete breakup of the individual items and respective calculation sheets used in determination of Additional Surcharge (AS). The DISCOMs have been completely transparent in the way of various factors analyzed to arrive at the AS claim. These details are hosted in TS Discoms’ websites. The objectors can access these details from respective websites.</li> </ul>																																																
	<p>d) Despite clear provision allowing levy of Additional Surcharge only when existing power purchase commitments has been and continues to be stranded due to Open Access, there is an inverse trend of increasing Additional Surcharge with decreasing Open Access sales. The same trend is represented in tabular form below:</p> <table border="1" data-bbox="255 986 1312 1394"> <thead> <tr> <th>Particulars</th> <th>Units</th> <th>ASC Order H1 2022-23</th> <th>ASC Order H2 2022-23</th> <th>ASC Order H1 2023-24</th> <th>ASC Petition H2 2023-24</th> </tr> </thead> <tbody> <tr> <td>OA Sales</td> <td>MU</td> <td>645.9</td> <td>370.34</td> <td>213.29</td> <td>129.14</td> </tr> <tr> <td>Claimed by the Petitioner</td> <td>(Rs./unit)</td> <td>4.06</td> <td>6.81</td> <td>9.86</td> <td>3.43</td> </tr> <tr> <td>Determined Additional Surcharge by the Commission</td> <td>(Rs./unit)</td> <td>3.48</td> <td>1.38</td> <td>0.39</td> <td>NA</td> </tr> <tr> <td>Approved Additional Surcharge by the Commission</td> <td>(Rs./unit)</td> <td>1.15</td> <td>1.38</td> <td>0.39</td> <td>NA</td> </tr> </tbody> </table>	Particulars	Units	ASC Order H1 2022-23	ASC Order H2 2022-23	ASC Order H1 2023-24	ASC Petition H2 2023-24	OA Sales	MU	645.9	370.34	213.29	129.14	Claimed by the Petitioner	(Rs./unit)	4.06	6.81	9.86	3.43	Determined Additional Surcharge by the Commission	(Rs./unit)	3.48	1.38	0.39	NA	Approved Additional Surcharge by the Commission	(Rs./unit)	1.15	1.38	0.39	NA	<ul style="list-style-type: none"> <li>The stranded capacity has also reduced due to reduction in OA sales. The AS is calculated by considering the fixed charges for the stranded capacity of the respective periods.</li> </ul> <table border="1" data-bbox="1388 1040 2056 1292"> <thead> <tr> <th>Particulars</th> <th>Units</th> <th>ASC order H1 2022-23</th> <th>ASC order H2 2022-23</th> <th>ASC Order H1 2023-24</th> <th>ASC Petition H2 2023-24</th> </tr> </thead> <tbody> <tr> <td>OA Sales</td> <td>MU</td> <td>645.9</td> <td>370.3</td> <td>213.3</td> <td>129.14</td> </tr> <tr> <td>Stranded capacity</td> <td>MW</td> <td>222.2</td> <td>119.4</td> <td>64.9</td> <td>47.42</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>However, in the proposed methodology for H2 of FY 2023-24, the AS will be considerably lower in proportion to the lower open access sales</li> </ul>	Particulars	Units	ASC order H1 2022-23	ASC order H2 2022-23	ASC Order H1 2023-24	ASC Petition H2 2023-24	OA Sales	MU	645.9	370.3	213.3	129.14	Stranded capacity	MW	222.2	119.4	64.9	47.42
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	<p>It must be pointed out that the high AS claims is attributable to the following factors:</p> <ul style="list-style-type: none"> <li>• Low OA sales</li> <li>• High stranded capacity</li> <li>• Poor procurement portfolio - greater exposure to expensive long term PPAs.</li> </ul>	
	<p>e) Such high AS claims y-o-y for Open Access sale is divergent to the essence of National Tariff Policy 2016 and is anti-competitive. The relevant extracts in support from Tariff Policy has been reproduced below:</p> <p><b><i>8.5 Cross-subsidy surcharge and additional surcharge for open access 8.5.1</i></b>  <i>National Electricity Policy lays down that the amount of cross-subsidy surcharge and the <u>additional surcharge to be levied from consumers who are permitted open access should not be so onerous that it eliminates competition which is intended to be fostered in generation and supply of power directly to the consumers through open access.</u></i></p> <p>f) Additionally, it is submitted that the Hon'ble Commission, in its Order dated 24.12.2021, in O.P.s No. 48, 49, 50 and 51 of 2021 &amp; I.A.s No. 21, 22, 23 and 24 of 2021 pertaining to Additional Surcharge for H1 and H2 of FY 2021-22 for Telangana Discoms had recognized the importance of promoting competition as enshrined in the Electricity Act, and had duly limited the final approved Additional Surcharge, in the interest of all the stakeholders. The relevant extract of the Order is reproduced below:</p> <p><b><i><u>“4.2.9 As per the above computations, the AS for H2 of FY 2021-22 works out to Rs.2.38 / kWh. The preamble of the Electricity Act, 2003 emphasises, amongst others, taking measures conducive to development of electricity industry, promoting competition therein, protection of interest of consumers and rationalisation of electricity tariffs, as the objectives. The Commission has to do a balancing act in fulfilment of the mandate of the Electricity Act, 2003. The DISCOMs are entitled to the AS computed as above but at the same time such AS, being significantly higher than the present levels of AS, could hinder the very competition that the Electricity Act, 2003 advocates. Therefore, in the interest of all the stakeholders, the Commission decides to allow AS of Rs.0.96/kWh (~40% of Rs.2.38 / kWh).”</u></i></b>  <b><i>(Emphasis supplied)</i></b></p>	<ul style="list-style-type: none"> <li>• TS Discoms' additional surcharge claim for H2 of FY 23-24 is significantly lower compared to recent filings for H1 of FY 23-24, and H1&amp;H2 of FY 22-23.</li> <li>• TS Discoms submit that the approved additional surcharge has been consistently reduced in the State of Telangana and is the lowest amongst the other states in the country. This consistent reduction in Additional Surcharge has affected TS Discoms financially.</li> <li>• TS Discoms request the Hon'ble commission to consider the proposals of TSDISCOMs and approve the additional surcharge.</li> </ul>

<p>g) A similar approach is followed in Order dated 22.03.2022 passed by Hon'ble Commission with regards to O.P. No 61 &amp; 62 for H1 of 2022-23. The relevant extract is reproduced below:</p> <p><b><u>4.1.10 As per the above computations, the Additional Surcharge for H1 of FY 2022-23 works out to Rs.3.48/kWh. The preamble of the Electricity Act, 2003 emphasises, amongst others, “for taking measures conducive to development of electricity industry, promoting competition therein, protecting interest of consumers and rationalisation of electricity tariffs”. The Commission has to do a balancing act in fulfilment of the mandate of the Electricity Act, 2003. TS Discoms are entitled to the Additional Surcharge computed as above but at the same time such Additional Surcharge, being significantly higher than the present level of Additional Surcharge, could hinder the promotion of competition that the Electricity Act, 2003 advocates. Therefore, in the interest of all the stakeholders, the Commission decides to allow Additional Surcharge of Rs.1.15/kWh (i.e., ~ 33% of Rs.3.48/kWh).</u></b></p> <p><b><u>(Emphasis supplied)</u></b></p> <p>h) It is requested to the Hon'ble Commission to allow a competitive Additional Surcharge after a thorough prudence check.</p>	
<p>i) Furthermore, Ministry of Power in the Draft Electricity (Amendment) Rules, 2023 has proposed the following with respect to levy of Additional Surcharge,:</p> <p><i>“23 (i) Wheeling Charges: Wheeling charges shall be computed as per following formula: Wheeling Charge= Aggregate Revenue Requirement towards wheeling/ Energy wheeled during the year</i></p> <p><i>(iii) Additional Surcharge: The additional surcharge levied on any open access consumer shall not be more than fifty percent of the wheeling charges for that category of consumers.”</i></p> <p>j) The above proposal depicts that Ministry of Power, Government of India also appreciates that limiting Additional surcharge is expected to facilitate the Open Access Sales thereby has introduced ceiling on the levy of Additional Surcharge. Notwithstanding to the submissions made by the Objector in preceding paras, it is humbly requested that the Hon'ble Commission may kindly adopt the approach as enshrined in the draft Rules as quoted above</p>	<ul style="list-style-type: none"> <li>• The proposal in the Draft Electricity (Amendment) Rules, 2023 is completely irrational and is against the mandates of the Electricity Act, 2003.</li> <li>• The Electricity Act 2003 identifies the need for compensating distribution licensees by levying additional surcharge in case consumers switches to alternate supplies under open access.</li> <li>• Sub-section (2) of Section 42 of the Electricity Act 2003 mentions that –</li> </ul> <p><i>“Provided that I[such open access shall be allowed on payment of a surcharge] in addition to the charges for wheeling as may be determined by the State Commission:”</i></p> <ul style="list-style-type: none"> <li>• Further, Sub-section (4) of Section 42 also highlights</li> </ul>

<p>and limit the Additional Surcharge to 20% of the wheeling charges.</p>	<p>the need of additional surcharge by stating:</p> <ul style="list-style-type: none"> <li>• <i>“4) Where the State Commission permits a consumer or class of consumers to receive supply of electricity from a person other than the distribution licensee of his area of supply, such consumer shall be liable to pay an additional surcharge on the charges of wheeling, as may be specified by the State Commission, to meet the fixed cost of such distribution licensee arising out of his obligation to supply.”</i></li> <li>• As identified by the policymakers through the mandates of Electricity Act 2003, removing additional surcharge would result in licensees having to bear excessive fixed costs associated with PPA signed for long-term durations (25 years) on account of stranded capacity due to the switching of existing consumers. The additional surcharge helps in assuaging the Discom financial worries. Removing of such charges would put Discom under significant financial duress.</li> <li>• The additional surcharge compensate Discoms against the payments towards fixed payments for stranded capacity and reduction or ceiling on additional surcharge will directly impact Discoms’ financially.</li> <li>• TS Discoms does not find any merit in the proposal as it does not have any basis for such ceiling for additional surcharge.</li> <li>• The promotion of Open Access cannot be done at cost of Discoms. Any such proposal should have incentive mandated by the Central or State Government to compensate the Discoms against any potential financial losses/implications.</li> <li>• The Discoms must not be subjected to business risks and financial losses by being forced to incentivize open access consumers through reduction of various</li> </ul>
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		<p>charges. Discoms should not be made to bear brunt of promoting open access as it seems to be the case with this proposal.</p> <ul style="list-style-type: none"> <li>Given the various reasons, this proposal should be dropped without any further consideration.</li> </ul>
3	<p><b>1.4 Dubious fixed charges paid and recovery of Demand charges</b></p> <p>(a) It is well known principle that full Fixed Charges shall be recoverable only at normative plant availability and be allowed on prorated basis below the level of normative plant availability. The Objector is unable to comment on the veracity of fixed charges due to the following reasons:</p> <p><b>I. Ambiguity in Linkage of Fixed Charges Paid with Plant Availability</b></p> <p>The Petitioners have claimed Rs. 6574.36 Crores under the head of Fixed Charges paid without providing any clarity about the linkage of plant availability with fixed charges paid.</p> <p>Furthermore, it is submitted that the Actual Fixed Costs as a part of Actual Power Purchase Cost, ought to be subjected to strict prudence check in terms of Regulation 12 of the Tariff Regulations:</p> <p><i>“12.1 The Distribution Licensee shall be allowed to recover the cost of power it procures, including from State generators, independent power producers, Central generating stations, non-conventional energy generators, and others, for supply to consumers, based on the Commission-approved Power Procurement Plan of the Distribution Licensee covering each year of the Control Period: Provided that where the procurement is for sale to consumers permitted open access by the Nodal Agency under the Open Access Regulation or purchase for trading, the Distribution Licensee shall provide an Allocation Statement as referred to in clause 5 clearly specifying the costs that are attributable to the sales made to such consumers, utilities, etc.</i></p> <p><i>12.2 Except in the case of Retail Supply Business insofar as for the first Control Period is concerned:</i></p> <p><i>d. The Commission shall adopt the Sales Forecast, the Distribution loss trajectory and the Power Procurement Plan approved as part of the Resource Plan for the purpose of</i></p>	<ul style="list-style-type: none"> <li>The licensees have already provided the complete breakup of the individual fixed cost of each generating station that has been considered in the determination of AS for H2 FY 23-24.</li> <li>The <b>fixed charges are paid</b> to the generators based on the <b>availability of power plants</b> as per the terms &amp; conditions of the PPA.</li> <li>The Discoms have computed the stranded capacity in each time block duly considering the availability of generation plants.</li> </ul>

determining the Power Purchase Requirement of the Distribution Licensee for the Control Period;

e. The power procurement plan will not generally require any revisions during the Control Period, and the Commission-approved category-wise power procurement forecast shall be applied for estimating the Distribution Licensees' power procurement requirement for each year of the Control Period;

f. While approving the cost of power procurement, the Commission shall determine the quantum of electricity to be procured, consistent with the power procurement plan, from various sources of supply, in accordance with the principle of merit order schedule and dispatch, based on a ranking of-all approved sources of supply in the order of variable cost or price.”

It is humbly submitted that Hon’ble Commission may direct the Petitioner to furnish Actual Monthly/Half-yearly Plant Availability Factor for each of the Power Plants from which Long-Term Power Procurement is being carried out.

**II. No breakup of Fixed Charges elements provided for various generating stations, in order to confirm that no charge on the account of DPS or any non-fixed cost is considered.**

- The **fixed charges paid** to the generators are based on the **availability of power plants** as per the terms & conditions of the PPA.
- The invoices received from the generators are being verified as per term of PPA by internal audit team of TS Discoms and after their approval only the bills are being passed for payments.
- There is no DPS considered in fixed cost.

**III. Absence of reconciliation statement with the relevant Audited Account report**

The Objector while verifying the submitted claims has observed that only audited accounts pertaining to TSSPDCL for respective quarters are available in public domain. The relevant finding from the audited accounts is reproduced below:

**Q3 Audited Accounts for TSSPDCL**

23 - POWER PURCHASE COST				
Particulars	Q3 of 2022-23	Cum. for 2022-23	Q3 of 2021-22	FY 2021-22
Purchase of Power - Fixed Cost	2,333.59	6,288.15	2,858.52	8,910.20
Purchase of Power - Variable Cost	4,365.18	14,008.03	2,870.18	16,353.17
Transmission Charges	1,189.44	2,937.03	335.34	3,066.60
Other Power Purchase Costs	441.52	520.69	(135.50)	(300.29)
<b>Total</b>	<b>8,329.73</b>	<b>23,753.90</b>	<b>5,928.54</b>	<b>28,029.68</b>

- There shall be an yearly statutory audit report confirming the financials including costs and revenues of the Discoms and the same shall be submitted after the due process of completion of statutory and C&AG Audit to the Hon’ble Commission.
- The statutory audited reports are being hosted in the DISCOMs website.
- TSNPDCL audited reports for Q3 & Q4 have been uploaded in Discom website.

### Q4 Audited Accounts for TSSPDCL

#### 23 - POWER PURCHASE COST

Particulars	Q4 of 2022-23	Q3 of 2022-23	Q4 of 2021-22	FY 2021-22
Purchase of Power - Fixed Cost	2,394.39	2,333.59	3,137.12	8,910.20
Purchase of Power - Variable Cost	7,474.62	4,365.18	3,669.77	16,353.17
Transmission Charges	1,154.58	1,189.44	1,561.58	3,066.60
Other Power Purchase Costs	11.00	441.52	163.49	(300.29)
<b>Total</b>	<b>11,034.59</b>	<b>8,329.73</b>	<b>8,531.96</b>	<b>28,029.68</b>

The Petitioners have not even furnished any reconciliation statement for the available audited accounts which is quite necessary to verify the claim.

Hence, it is prayed that Hon'ble Commission may direct the TS Discoms to provide relevant reconciliation statement and TSNPDCL audited reports towards corresponding quarters in order to check the veracity of the said claims.

#### **IV. No clarity about the Fixed Charges paid towards the NCE power procurement**

b) Furthermore, it is submitted that the Hon'ble TSERC in its Retail Supply Tariff Order for FY 2023-24 dated 20.03.2023 has not considered any capacity allocation from NTECL Vallur TPS and NLC Tamil Nadu Power Ltd for FY 2023-24 in line with the earlier directives of the Commission in RST Orders for FY 2017-18 and FY 2018-19. The relevant extract of the RST order dt. 20.03.2023 for FY 2023-24 is reproduced below:

- There are no fixed charges paid towards NCE power procurement.
- The Licensees submitted a requisition to MOP, GoI expressing its willingness to **surrender** the share of Telangana State from NTECL Vallur TPS and NLC Tamil Nadu Power Ltd. and their decision is under process.
- The **fixed charges** paid to the generators (NTECL Vallur TPS and NLC Tamil Nadu Power Ltd for **FY 2023-24**) are considered based on the allocation by Central Govt. and availability of power plants.

Source	Claimed				Approved			
	Quantum	Fixed Cost	Variable Cost	Total	Quantum	Fixed Cost	Variable Cost	Total
	MU	Rs.crore	Rs.crore	Rs.crore	MU	Rs.crore	Rs.crore	Rs.crore
NTPC Ramagundam Stage I & II	2682.16	195.26	751.00	946.26	1978.22	178.39	553.90	732.29
NTPC Ramagundam Stage III	648.90	54.00	179.00	233.00	455.20	53.07	125.57	178.64
NTPC Talcher TPS II	1597.26	114.04	279.36	393.40	1597.26	109.49	279.36	388.85
NTPC Simhadri Stage I	4018.37	361.67	1212.74	1574.41	2774.74	356.75	837.42	1194.16
NTPC Simhadri Stage II	1931.43	277.78	579.82	857.60	1439.67	258.35	432.19	690.54
NTPC Kudgi	180.22	649.48	70.52	720.00	1435.49	285.66	561.71	847.37
NLC TPS II Stage I	35.15	2.50	9.62	12.12	34.91	2.49	9.55	12.04
NLC TPS II Stage II	46.31	3.41	12.67	16.08	44.66	3.40	12.22	15.62
NNTPP	381.74	68.87	84.25	153.11	368.28	77.97	81.28	159.25
Neyveli new Unit-1	40.76	3.93	9.99	13.92	40.76	3.93	9.99	13.92
Neyveli new Unit-2	30.02	6.93	7.93	14.86	30.02	6.93	7.93	14.86
TSTPP Unit 1	8247.29	1686.51	1693.97	3380.49	7916.06	1517.86	1625.94	3143.80
NTECL Vallur TPS	69.88	143.86	26.99	170.85	0.00	0.00	0.00	0.00
NLC Tamil Nadu Power Ltd.	130.24	223.00	57.10	280.10	0.00	0.00	0.00	0.00
<b>Sub Total</b>	<b>20039.70</b>	<b>3791.24</b>	<b>4974.96</b>	<b>8766.20</b>	<b>18115.25</b>	<b>2854.29</b>	<b>4537.06</b>	<b>7391.35</b>
<b>Nuclear</b>								
NPC Madras APS	56.44	0.00	14.34	14.34	56.44	0.00	14.34	14.34
NPC Kaiga APS Units 1 & 2	426.86	0.00	148.64	148.64	426.86	0.00	148.64	148.64
NPC Kaiga APS Units 3 & 4	462.54	0.00	161.07	161.07	462.54	0.00	161.07	161.07
NPC Kudankulam NPP Unit 2	362.68	0.00	150.81	150.81	334.80	0.00	139.22	139.22
<b>Sub Total</b>	<b>1308.51</b>	<b>0.00</b>	<b>474.86</b>	<b>474.86</b>	<b>1280.63</b>	<b>0.00</b>	<b>463.27</b>	<b>463.27</b>
<b>Bundled Power (Coal)</b>								
JNNSM Phase 1	336.36	0.00	217.50	217.50	336.36	0.00	120.37	120.37
NTPC	1394.71	194.16	499.09	693.25	1394.71	0.00	901.86	901.86
<b>Sub Total</b>	<b>1731.07</b>	<b>194.16</b>	<b>716.59</b>	<b>910.75</b>	<b>1731.07</b>	<b>0.00</b>	<b>1022.22</b>	<b>1022.22</b>
<b>Total CGS</b>	<b>23079.28</b>	<b>3985.40</b>	<b>6166.41</b>	<b>10151.81</b>	<b>21126.95</b>	<b>2854.29</b>	<b>6022.55</b>	<b>8876.84</b>

c) Since no proper justification is provided regarding the breakup of fixed cost by the petitioner, Objector submits that the reliance should be placed upon the power purchase cost approved by the Hon'ble commission in the RST order dated 20.03.2023 for FY 23-24 and the power purchase cost approved by the commission in AS order dated 20.03.2023 for H1 of FY 23-24. Accordingly, the fixed charges paid is proposed to be computed based on the difference between the aforementioned items. The assessment of the objector is depicted in the table below:

d) In the absence of the substantiating evidence/documents with regard to power purchase cost, it is humbly submitted that the Hon'ble Commission may evaluate PP cost for H2 of FY 2023-24 based on the above depicted approach.

(All Figures in Crores)

Name of the Generating Station	Approved Value	Approved Value	Petitioner's Claim	Objector's Assessment
	AS order dated 20.03.2023 for H1 of FY 23-24	RST Order FY 23-24	Oct' 22 to Mar '23	Oct'22 to Mar'23
<b>CGS</b>				
NPC Kaiga - I& II	-			-
NPC-MAPS	-			-

- TS Discoms submit that the fixed costs claimed in the additional surcharge filings for H2 of FY 23-24, are the actual fixed costs incurred during H2 of FY 22-23. Hence, objector is misinterpreting and incorrectly comparing the power purchase cost approved in H1 FY 23-24, which was actual power purchases costs of H1 FY 22-23, and the costs approved in RST order dated 20.03.2023 for FY 23-24.
- The objector needs to understand that while the power purchase costs approved for FY 23-24 are based on estimation, the fixed costs claimed in the additional surcharge filings are actual costs incurred in previous year (H1 & H2 of FY 22-23).
- The objector's claim is incorrect since actual costs are available and no estimation is required.
- All relevant calculations and cost sheets have been shared with the Hon'ble Commission.

NPC-Kudankulam	-			-
NLC ST-I	1.77	2.49		1.77
NLC ST-II	2.86	3.4		2.86
NNTPS	40.34	77.97		40.34
NTPC(SR) I & II	87.35	178.39		87.35
NTPC(SR) ST III	19.78	53.07		19.78
NTPC-Simhadri -I	229.90	356.75		229.90
NTPC-Simhadri -II	162.11	258.35		162.11
NTPC-Talcher-ST II	68.78	109.49		68.78
NTPC KUDIGI I	164.17	285.66		164.17
NTECL - VALLURU	71.59	-		-
NLC Tamilnadu Power Ltd	77.38	-		-
<b>CGS Total</b>	<b>926.03</b>	<b>1325.57</b>		<b>777.06</b>
APGPCL ST-I	-	399.54		-
APGPCL ST-I & II	-			-
<b>APGPCL Total</b>	-			-
<b>IPPs</b>				
M/s Thermal Powertech 570MW	530.03	1135.02		530.03
Thermal Powertech 269.45 MW	159.33	317.58		159.33
<b>TOTAL IPPs/MPPs</b>	<b>689.37</b>	<b>1452.6</b>		<b>689.37</b>
<b>TSGENCO-TOTAL</b>	<b>3266.17</b>	6251.53		<b>3239.95</b>
SINGARENI CCL U1&U2	708.08	1329.7		708.08
Chhattisgarh SPDCL	-			-
<b>Total Fixed Cost Excluding NCEs</b>	<b>5589.64</b>		<b>6574.36</b>	<b>4918.73</b>

The veracity of above shown data needs to be verified by the Hon'ble Commission to avoid any loading of inefficiency of Discom on state Consumers in the form of Additional Surcharge.

e) It is also necessary to mention that the Petitioner must be directed to submit element wise break up of Fixed charges paid in order to ensure transparency in the determination of AS and avoid any loading of inefficiency of Discom on state Consumers in the form of Additional Surcharge.

- The licensees have already provided the complete breakup of the individual items and respective calculation sheets used in determination of Additional Surcharge (AS). The DISCOMs are completely transparent in the way of various factors analyzed to arrive at the AS claim. These details are hosted in TS Discom's websites. The objectors can access these details from respective websites.

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**1.7. Additional surcharge for H2 of FY 2023-24 as per objector's assessment**

c) Based on the available data on record for the perusal of general stakeholders, the Objector has computed the allowable Additional Surcharge for H2 of FY 2023-24, as follows:

**Additional Surcharge as per Objector's Assessment:**

<b>Approved Methodology for Computation of Additional Surcharge</b>				
	<b>Additional Surcharge</b>	<b>Unit</b>	<b>Petitioner's Claim</b>	<b>As per Objector's Assessment</b>
A	Long term available capacity	MW	9191.58	9191.58
B	Capacity stranded due to open access	MW	47.42	47.42
C	Fixed Charges paid	Rs. crore	6574.36	4918.73
D=C/A	Fixed Charges per MW	Rs. crore/MW	0.72	0.54
E=D*B	Fixed Charges for stranded capacity	Rs. crore	33.92	25.38
F	Transmission charges paid	Rs. crore	2483.71	2483.71
G	Actual Energy scheduled	MU	39635.68	39635.68
H=F/G	Transmission charges per unit	Rs./kWh	0.63	0.63
I	Distribution Charges as per Objector's Assessment	Rs./kWh	0.18	0.18
J=H+I	Total transmission and distribution charges per unit	Rs./kWh	0.81	0.81
K	Energy consumed by open access consumers from the DISCOM	MU	-	1970.66
L=K*J	Transmission and distribution charges to be paid by open access consumers	Rs. crore	10.40	158.96
M	Demand charges recovered by the DISCOM from open access consumers	Rs. crore	-	205.69
N=M-L	Demand charges to be adjusted	Rs. crore	-	46.73
O=E-N	Net stranded charges recoverable	Rs. crore	44.31	-21.35
P	Open access sales	MU	129.14	388.25
<b>Q=O/P</b>	<b>Additional Surcharge computed</b>	<b>Rs./kWh</b>	<b>3.43</b>	-

d) The Objector humbly submits that there is no Case for the levy of Additional Surcharge on Open Access Consumers in the state as the Demand charges to be adjusted i.e. Rs. 46.73 Crores is already being in excess as compared to the computed Fixed Charges for stranded capacity i.e. Rs. 25.38 Crores.

- TS Discoms have responded to the item-wise objections raised by the objector, in the respective sections, and would request the Hon'ble Commission to consider the computations done by Discoms, considering the justifications shared on the same.
- Having said that, Hon'ble Commission in its Orders dated 24.12.2021 and 22.03.2022, had recognized the importance of promoting competition as enshrined in the Electricity Act, and had duly limited the final approved Additional Surcharge, in the interest of all the stakeholders.
- The objector has considered the transmission charges by omitting the ISTS charges, fixed charges by omitting the NTECL Vallur and NLC Tamilnadu, hence the Additional Surcharge computed by the objector, is improper.
- The TS Discoms have requested the Hon'ble Commission to revise the methodology for computation of Additional Surcharge as there has been substantial divergence from the original methodology. The original methodology has changed significantly from its finalization in the OP No.23 of 2020 dated 18.09.2020.
- Considering that there have been significant changes in the original methodology and these changes have affect TS Discoms financially, TS Discoms have proposed a new methodology to the Hon'ble Commission to amend the original methodology approved in the OP No.23 of 2020 to recover the total fixed cost commitments of TSDISCOMs in line with the section 42(4) of Electricity Act, 2003.

<p>4</p>	<p><b>1.8.POC ISTS transmission Charges should not be considered for reducing demand charges paid by OA consumers:</b></p> <p>1.5.1 TSSPDCL has, for the computation of per unit transmission charges, considered the inter-state, intra-state transmission charges and SLDC charges. The said claims are based on the past Additional Surcharge Orders of the Hon'ble Commission, wherein the Hon'ble Commission has also included both the inter and intra-state transmission charges in the stranded cost while working out the ASC for corresponding periods.</p> <p>1.5.2 As against the above, <b>in its order dated 27.03.2018 for determination of ASC for FY 2018-19, the Hon'ble Commission considered only the intra-state transmission charge for computing per unit transmission charge</b> which we believe was the correct approach owing to the following reasons:</p> <p>a) Inter-state transmission cost is on account of the transmission charges being paid by the Discom for long/medium term access to the ISTS system. Such charges to be paid by the Discom are notified by NLDC.</p> <p>b) <b>Any consumer availing open access to the ISTS system also pays its ISTS cost for the power procured through open access, the benefit of which accrues to the state in reduction of their POC charges.</b></p> <p>This reduction is due to the following clause 11 (3) of the CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020-</p> <p><b><i>"11. Transmission charges for Short Term Open Access</i></b>  .....  <i>(3) Transmission charges for Short Term Open Access paid by an embedded intra-State entity during a month shall be reimbursed in the following billing month to the State in which such entity is located."</i></p> <p>c) It is in view of the above that inclusion of ISTS charges again for computation of Additional Surcharge as claimed by the Petitioner, will lead to double levy of the same charge on open access consumers.</p> <p>d) The submission of the Discom that said benefit is passed in ARR to consumers is not justifiable since the impact of double levy of ISTS charges would already make OA unviable for consumers.</p> <p>1.5.3 Thus, we request the Hon'ble Commission to re-consider its view on allowing inclusion of ISTS charges in the ASC.</p>	<ul style="list-style-type: none"> <li>• The Hon'ble Commission in its order in OP No.23 of 2020 (pg 12) opined that the methodology of AS computation was approved in the Order dated 13.12.2017 in I.A.Nos.22&amp;23 of 2017 in O.P.Nos.22&amp;23 of 2016 respectively (AS Order for FY17-18) and the same have attained finality. The Commission while determining AS for H1 of FY 23-24, H1&amp;H2 of 2022-23, and H2 FY 2021-22 have also considered the ISTS. The methodology adopted in the order dated 27.03.2018 for determination of ASC for FY 2018-19 by the Hon'ble Commission supersedes the order in O.P No.23 of 2020 by considering the comments of stake holders.</li> <li>• Hence, the licensee considered the transmission charges i.e., both intra-state &amp; inter-state transmission charges for computing per unit transmission charge in conformity with the aforementioned order.</li> <li>• Further, there is no rationality in considering intra state transmission charges alone, as the Discoms have long term power purchase commitment agreements concluded with both intra and inter-state generators thereby utilizing the intra and inter-state transmission corridors. Further, the backing down of generation is not limited to intrastate generators alone. Hence, the transmission charges that are considered in totality are justified in arriving at per unit transmission charge.</li> <li>• TS Discoms understands that the ISTS cost paid by the consumer availing ISTS system, benefits in reduction of POC charges for the state. However, the same benefits have been passed on to the consumer through APR filed by TS TRANSCO.</li> <li>• The Hon'ble Commission passed the orders duly considering the benefits in reduction of the POC charges for the state in the respective APRs filed by TS TRANSCO.</li> <li>• Hence, the consideration of inclusion of ISTS charges in the Additional Surcharge is appropriate.</li> </ul>
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<p><b>5</b></p>	<p><b>1.9. Discom failed to consider Demand charges recovered from Open Access consumers while adjusting the payable T&amp;D charges</b></p> <p>1.6.1 The Discom in the ASC Petition has claimed Additional Surcharge at Rs. 3.43/unit considering 33.92 Cr towards fixed cost stranded due to open access and Rs. 10.40 Cr on account of transmission and distribution charges to be paid by the Open Access consumer to the Discoms. However, Discom went against the methodology fixed by the Hon'ble Commission and did not consider the amount already paid by the Open Access Consumers as demand charges.</p> <p>1.6.2 This is in complete contradiction with the approach of the Commission in the earlier ASC Orders as well the methodology affirmed by the Hon'ble Commission in the past. Not reducing the demand charges from the transmission and distribution charges payable by open access consumers will lead to inflated levy of ASC on the consumers.</p> <p>1.6.3 The Hon'ble Commission in the Order No. for O. P. No. 75 &amp; 76 of 2022 for determination of Additional Surcharge dated 20.03.2023 has considered the demand charges paid by the Open Access Consumer while computing the Additional Surcharge.</p>	<ul style="list-style-type: none"> <li>• TS DISCOMs are of the opinion that as per the RST orders issued by the Hon'ble Commission regularly, the entire fixed costs commitments of Generation, Transmission and Distribution systems are not being recovered through Demand Charges from HT Consumers &amp; Fixed Charges from LT Consumers, but major portion is being recovered through energy charges from the consumers. In the Past orders regarding Additional Surcharge issued by the Hon'ble Commission, considered "under recovery of demand charges from the open access consumers" does not reflect DISCOMs entire liability of payments of fixed cost towards generators, transmission cost and distribution cost.</li> <li>• The TS Discoms have requested the Hon'ble Commission to revise the methodology for computation of Additional Surcharge as there has been substantial divergence from the original methodology. The original methodology has changed significantly from its finalization in the OP No.23 of 2020 dated 18.09.2020.</li> </ul>
<p><b>6</b></p>	<p><b>PRAYERS</b></p> <p>The Objector most respectfully prays that this Hon'ble Commission may be pleased to</p> <p>I. Consider the above Objection Statement filed by the Objector;</p> <p>J. Consider the above Objection Statement filed by the Objector;</p> <p>K. May Conduct a Prudence check over the Fixed Charges Paid and Demand Charges recoveries from Open Access Consumers;</p> <p>L. May direct the Discoms to provide a reconciliation with the audited accounts and the Fixed cost component of power purchase may be accordingly allowed subject to prudence check;</p> <p>M. May disallow the claim of Additional surcharge due to Discrepancies in computation and absence of reconciliation statement with audited accounts for the claim proposed by the Petitioners;</p> <p>N. Consider the methodology/approach/computation to work out the Additional Surcharge, if any, attributable to the open access consumers as assessed by the Objector;</p> <p>O. May approve null Additional Surcharge as assessed by the Objector;</p> <p>P. G. Pass necessary orders as may be deemed appropriate in the facts and circumstances of the case in the interest of competition, as has been enshrined in the Electricity Act;</p>	<ul style="list-style-type: none"> <li>• TS Discoms have responded to the item-wise objections made by the objector, in the above mentioned sections, and would request the Hon'ble Commission to consider the computations done by Discoms, considering the justifications shared on the same.</li> </ul>

**4. Response to [The Telangana Iron & Steel Manufacturers Association \(TISMA\)](#)**

S.No	Summary of Objections / Suggestions	Response of the Licensee																																																						
1	<p><b>1.1 Violation in the Approach for Computing Additional Surcharge</b></p> <p>It is seen that the Petitioner in its O.P no 15 &amp; 16 of 2023 has completely violated the methodology approved by the Hon’ble Commission for computation of additional surcharge in its order dated 18.09.2020 in O.P No. 23 of 2020. The relevant extract from the order is provided below for your reference:</p> <table border="1" data-bbox="257 507 1352 1222"> <thead> <tr> <th>Additional Surcharge</th> <th>Unit</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>{A}</td> <td>Long term available capacity</td> <td>MW</td> </tr> <tr> <td>{B}</td> <td>Capacity stranded due to open access</td> <td>MW</td> </tr> <tr> <td>{C}</td> <td>Fixed Charges paid</td> <td>Rs. crore</td> </tr> <tr> <td>{D}={C}÷{A}</td> <td>Fixed Charges per MW</td> <td>Rs. crore/MW</td> </tr> <tr> <td>{E}={D}x{B}</td> <td>Fixed Charges for stranded capacity</td> <td>Rs. crore</td> </tr> <tr> <td>{F}</td> <td>Transmission charges paid</td> <td>Rs. crore</td> </tr> <tr> <td>{G}</td> <td>Actual Energy scheduled</td> <td>MU</td> </tr> <tr> <td>{H}={F}÷{G}</td> <td>Transmission charges per unit</td> <td>Rs./kWh</td> </tr> <tr> <td>{I}</td> <td>Distribution charges as per Tariff Order</td> <td>Rs./kWh</td> </tr> <tr> <td>{J}={H}+{I}</td> <td>Total transmission and distribution charges per unit</td> <td>Rs./kWh</td> </tr> <tr> <td>{K}</td> <td>Energy consumed by open access consumers from the DISCOM</td> <td>MU</td> </tr> <tr> <td>{L}={K}x{J}</td> <td>Transmission and distribution charges to be paid by open access consumers</td> <td>Rs. crore</td> </tr> <tr> <td>{M}</td> <td>Demand charges recovered by the DISCOM from open access consumers</td> <td>Rs. crore</td> </tr> <tr> <td>{N}={M}-{L}</td> <td>Demand charges to be adjusted</td> <td>Rs. crore</td> </tr> <tr> <td>{O}={E}-{N}</td> <td>Net stranded charges recoverable</td> <td>Rs. crore</td> </tr> <tr> <td>{P}</td> <td>Open access sales</td> <td>MU</td> </tr> <tr> <td>{Q}={O}÷{P}</td> <td>Additional Surcharge computed</td> <td>Rs./kWh</td> </tr> </tbody> </table> <p>However, Petitioner while computing the Additional surcharge deliberately neglected its approach from the approved methodology. The computation of AS performed by the petitioner is provided below for reference:</p>	Additional Surcharge	Unit	Value	{A}	Long term available capacity	MW	{B}	Capacity stranded due to open access	MW	{C}	Fixed Charges paid	Rs. crore	{D}={C}÷{A}	Fixed Charges per MW	Rs. crore/MW	{E}={D}x{B}	Fixed Charges for stranded capacity	Rs. crore	{F}	Transmission charges paid	Rs. crore	{G}	Actual Energy scheduled	MU	{H}={F}÷{G}	Transmission charges per unit	Rs./kWh	{I}	Distribution charges as per Tariff Order	Rs./kWh	{J}={H}+{I}	Total transmission and distribution charges per unit	Rs./kWh	{K}	Energy consumed by open access consumers from the DISCOM	MU	{L}={K}x{J}	Transmission and distribution charges to be paid by open access consumers	Rs. crore	{M}	Demand charges recovered by the DISCOM from open access consumers	Rs. crore	{N}={M}-{L}	Demand charges to be adjusted	Rs. crore	{O}={E}-{N}	Net stranded charges recoverable	Rs. crore	{P}	Open access sales	MU	{Q}={O}÷{P}	Additional Surcharge computed	Rs./kWh	<ul style="list-style-type: none"> <li>The TS Discoms have requested the Hon’ble Commission to revise the methodology vide Lr.dt. 24.04.2023 for computation of Additional Surcharge as there has been substantial divergence from the original methodology approved in the OP No.23 of 2020 dated 18.09.2020 in the orders passed in OP.No.s 75&amp;76 of 2022 for H1 of FY 2023-24.</li> <li>TS DISCOMs are of the opinion that as per the RST orders issued by the Hon’ble Commission regularly, the commitments of entire fixed costs, of Generation, Transmission and Distribution systems, are not being recovered through Demand Charges from HT Consumers &amp; Fixed Charges from LT Consumers, but major portion is being recovered through energy charges from the consumers. In the Past orders regarding Additional Surcharge issued by the Hon’ble Commission, considered “under recovery of demand charges from the open access consumers” does not reflect DISCOMs entire liability of payments of fixed cost towards generators, transmission cost and distribution cost.</li> <li>While determining AS for H1 of FY 2023-24, the Hon’ble TSERC did not considered the distribution charges for LT Network for determination of A.S. even though these charges are to be considered as per the approved methodology. This deviation from methodology caused substantial financial loss to the TS DISCOMs.</li> <li>The cost of entire Distribution Network/ system (33 KV, 11 KV &amp; LT) ought to be considered as a single unit, for consideration of distribution fixed cost approved in the wheeling tariff order.</li> </ul>
Additional Surcharge	Unit	Value																																																						
{A}	Long term available capacity	MW																																																						
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Additional Surcharge		Unit	Value
{A}	Long term available capacity	MW	9,191.58
{B}	Capacity stranded due to open access	MW	47.42
{C}	Fixed Charges paid	Rs. crore	6574.36
$D=\{C\}\div\{A\}$	Fixed Charges per MW	Rs. crore/MW	0.72
$\{E\}=\{D\}\times\{B\}$	Fixed Charges for stranded capacity	Rs. crore	33.92
{F}	Transmission charges paid	Rs. crore	2,483.71
{G}	Actual Energy scheduled	MU	39,635.68
$H=\{F\}\div\{G\}$	Transmission charges per unit	Rs./kWh	0.63
{I}	Distribution charges as per Tariff Order	Rs./kWh	0.18
$\{J\}=\{H\}+\{I\}$	Total transmission and distribution charges per unit	Rs./kWh	0.81
{K}	Open access sales	MU	129.14
$\{L\}=\{K\}\times\{J\}$	Transmission and distribution charges to be paid by open access consumers	Rs. crore	10.40
$\{M\}=\{L\}+\{E\}$	Net stranded charges recoverable	Rs. crore	44.32
$\{N\}=\{M\}\div\{K\}$	Additional Surcharge computed	Rs./kWh	3.43

From the above, it can be observed that the Petitioner has not provided any rationale towards consideration of **Energy consumed by OA consumers from DISCOM as well as Demand charges recovered from OA consumers** while computing the AS charges. In the absence of relevant data on record, the Objector submits that the reliance be placed upon the previous Order dated 20.03.2023 of the Hon'ble Commission for determining AS charges for H1 of FY23-24.

Further, since the open access sales claimed by the petitioner are considerably less and lacking proper evidence, Objector submits that the reliance should be placed upon the OA sales approved in the RST order dated 20.03.2023 for FY 23-24 approved by the Hon'ble commission and OA sales approved by the commission in AS order dated 20.03.2023 for H1 of FY 23-24. Accordingly, the consideration of OA sales is proposed to be computed based on the difference between the aforementioned items. The OA sales considered by the objector is projected below for reference:

Particulars	Petitioner's Claim	Approved OA sales in RST order FY 23-24	Approved OA sales in AS order for H1 of FY 23-24	As per Objector's Assessment
	A	B	C	D=B-C

- In view of these regular deviations from the approved methodology, newer directions were being issued to determine Additional Surcharge and increasing trend of Additional Surcharge mandate modifications. Hence the TS DISCOMs requested Hon'ble TSERC vide Lr. Dt. 24.04.2023 to amend/modify/substitute the existing approved methodology notified in the order passed in O.P.No. 23 of 2020 dated 18.09.2020.

- TS Discoms submit that the open access sales used in the calculation (129.14 MU) is actual open access sales for H2 of FY 22-23 as per the approved methodology in O.P.No 23 of 2020 dated 18.09.2020 and is not at all estimation.
- The objector's assessment is based on the projected open access sales for FY 23-24 which was approved by the Hon'ble Commission in RST order. The comparison is out of place and inaccurate as it compares actual open access sales of H1 of FY 22-23 (approved in AS order for H1 of FY 23-24) and estimated open access sales approved in RST for FY 23-24.
- Such inaccurate assessment shall not be considered.

	OA sales (MU)	129.14	602.14	213.89	388.25																									
2	<b>1. 2 Additional Surcharge Proposed for H2 of FY 2023-24 Seems Unreasonable</b>					<ul style="list-style-type: none"> <li>The comparison, of the <b>approved</b> Additional Surcharge of other states with the <b>proposed</b> Additional Surcharge of TS Discoms, is improper.</li> <li>From the graph, it can be observed that the approved Additional Surcharge in all states is higher than the approved Additional Surcharge for H1 of FY 23-24 in Telangana (INR 0.39/kWh) by a range of 92% to 380%.</li> <li>The Hon'ble Commission is requested to approve additional surcharge as per the proposals of TSDISCOMs computed in compliance to the approved methodology and directions by the Hon'ble TSERC.</li> </ul>																								
	<p>a) It is humbly submitted that the proposed Additional Surcharge Rate of Rs. 3.43/unit in the instant petitions is highly uncompetitive as compared to other states. A brief comparison with other states is shown below:</p> <div style="text-align: center;"> <table border="1"> <caption>ADDITIONAL SURCHARGE (RS/UNIT) APPROVED OTHER STATES FOR FY 24 VS TELANGANA PROPOSED FOR FY H2 FY 24</caption> <thead> <tr> <th>State</th> <th>Additional Surcharge (Rs/Unit)</th> </tr> </thead> <tbody> <tr> <td>Telangana</td> <td>3.43</td> </tr> <tr> <td>KARNATAKA</td> <td>1.48</td> </tr> <tr> <td>MP</td> <td>1.18</td> </tr> <tr> <td>GUJARAT</td> <td>0.75</td> </tr> <tr> <td>HARYANA</td> <td>0.75</td> </tr> <tr> <td>MAHARASHTRA</td> <td>1.36</td> </tr> <tr> <td>RAJASTHAN (AVVNL)</td> <td>1.00</td> </tr> </tbody> </table> </div>						State	Additional Surcharge (Rs/Unit)	Telangana	3.43	KARNATAKA	1.48	MP	1.18	GUJARAT	0.75	HARYANA	0.75	MAHARASHTRA	1.36	RAJASTHAN (AVVNL)	1.00								
State	Additional Surcharge (Rs/Unit)																													
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	<p>b) Furthermore, it is observed from the past submissions that Telangana Discoms are consistently claiming higher number pertaining to Additional Surcharge. Despite of the fact that Hon'ble TSERC in line with the prudent principles has consistently approved a lower value pertaining to Additional Surcharge. The data related to past and present claimed values are highlighted below for reference:</p> <table border="1"> <thead> <tr> <th>Particulars (In Rs/kWh)</th> <th>As per ASC Order H2 2021-22 dated 24.12.2021</th> <th>As per ASC Order H1 2022-23 dated 22.03.2022</th> <th>As per ASC Order H2 2022-23 dated 27.09.2022</th> <th>As per ASC Petition H1 2023-24 dated 20.03.2022</th> <th>As per ASC Petition H2 2023-24</th> </tr> </thead> <tbody> <tr> <td>Claimed by the Petitioner</td> <td>2.34</td> <td>4.06</td> <td>6.81</td> <td>9.86</td> <td>3.43</td> </tr> <tr> <td>Determined Additional Surcharge by the Commission</td> <td>2.38</td> <td>3.48</td> <td>1.38</td> <td>0.39</td> <td>NA</td> </tr> <tr> <td>Approved Additional Surcharge by the Commission</td> <td>0.95</td> <td>1.15</td> <td>1.38</td> <td>0.39</td> <td>NA</td> </tr> </tbody> </table>					Particulars (In Rs/kWh)	As per ASC Order H2 2021-22 dated 24.12.2021	As per ASC Order H1 2022-23 dated 22.03.2022	As per ASC Order H2 2022-23 dated 27.09.2022	As per ASC Petition H1 2023-24 dated 20.03.2022	As per ASC Petition H2 2023-24	Claimed by the Petitioner	2.34	4.06	6.81	9.86	3.43	Determined Additional Surcharge by the Commission	2.38	3.48	1.38	0.39	NA	Approved Additional Surcharge by the Commission	0.95	1.15	1.38	0.39	NA	<ul style="list-style-type: none"> <li>The Hon'ble Commission in its order in OP No. 23 of 2020 (pg 12) opined that the methodology of AS computation was approved in the Order dated 13.12.2017 in I.A.Nos. 22 &amp; 23 of 2017 in O.P.Nos. 22 &amp; 23 of 2016, respectively (AS Order for FY17-18) and the same have attained finality. The Commission while determining AS for H1 of 2023-24 have also considered the same methodology.</li> <li>Having said that, Hon'ble Commission in its Orders dated 24.12.2021 and 22.03.2022, had recognized the importance of promoting competition as enshrined in the Electricity Act, and had duly limited the final approved Additional Surcharge, in the interest of all the stakeholders.</li> <li>The additional surcharge approved by Hon'ble Commission for H1 FY 23-24 was very low (0.39/kWh) due to significant changes in the additional surcharge methodology. Such low computation of additional surcharge despite the higher claims has negative financial bearing on the TS Discoms.</li> </ul>
Particulars (In Rs/kWh)	As per ASC Order H2 2021-22 dated 24.12.2021	As per ASC Order H1 2022-23 dated 22.03.2022	As per ASC Order H2 2022-23 dated 27.09.2022	As per ASC Petition H1 2023-24 dated 20.03.2022	As per ASC Petition H2 2023-24																									
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		<ul style="list-style-type: none"> <li>Hence, it is requested that existing methodology maybe amended to ensure that TS Discoms are appropriately compensated for the payments towards stranded capacities, as it has been proposed by the TS Discoms.</li> </ul>																																																
	<p>c) Further, the National Tariff Policy (NTP) notified by Ministry of Power on 28<sup>th</sup> January 2016 stipulates the following:</p> <p><i>“Clause 8.5.4: The additional surcharge for obligation to supply as per section42(4) of the Act should become applicable only if it is conclusively demonstrated that the obligation of a licensee, in terms of existing power purchase commitments, has been and continues to be stranded, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract. The fixed costs related to network assets would be recovered through wheeling charges”.</i></p>	<ul style="list-style-type: none"> <li>As per the Hon’ble Commission guidelines TS Discoms have calculated the Additional Surcharge after arriving the stranded capacity for each 15 min time block-wise in line with the clause 8.5.4 of National Tariff Policy 2016.</li> <li>The detailed calculation sheets have been shared with Hon’ble Commission.</li> <li>The licensees have already provided the complete breakup of the individual items and respective calculation sheets used in determination of Additional Surcharge (AS). The DISCOMs have been completely transparent in the way of various factors analyzed to arrive at the AS claim. These details are hosted in TS Discoms’ websites. The objectors can access these details from respective websites.</li> </ul>																																																
	<p>d) Despite clear provision allowing levy of Additional Surcharge only when existing power purchase commitments has been and continues to be stranded due to Open Access, there is an inverse trend of increasing Additional Surcharge with decreasing Open Access sales. The same trend is represented in tabular form below:</p> <table border="1" data-bbox="255 1024 1312 1430"> <thead> <tr> <th>Particulars</th> <th>Units</th> <th>ASC Order H1 2022-23</th> <th>ASC Order H2 2022-23</th> <th>ASC Order H1 2023-24</th> <th>ASC Petition H2 2023-24</th> </tr> </thead> <tbody> <tr> <td>OA Sales</td> <td>MU</td> <td>645.9</td> <td>370.34</td> <td>213.29</td> <td>129.14</td> </tr> <tr> <td>Claimed by the Petitioner</td> <td>(Rs./unit)</td> <td>4.06</td> <td>6.81</td> <td>9.86</td> <td>3.43</td> </tr> <tr> <td>Determined Additional Surcharge by the Commission</td> <td>(Rs./unit)</td> <td>3.48</td> <td>1.38</td> <td>0.39</td> <td>NA</td> </tr> <tr> <td>Approved Additional Surcharge by the Commission</td> <td>(Rs./unit)</td> <td>1.15</td> <td>1.38</td> <td>0.39</td> <td>NA</td> </tr> </tbody> </table>	Particulars	Units	ASC Order H1 2022-23	ASC Order H2 2022-23	ASC Order H1 2023-24	ASC Petition H2 2023-24	OA Sales	MU	645.9	370.34	213.29	129.14	Claimed by the Petitioner	(Rs./unit)	4.06	6.81	9.86	3.43	Determined Additional Surcharge by the Commission	(Rs./unit)	3.48	1.38	0.39	NA	Approved Additional Surcharge by the Commission	(Rs./unit)	1.15	1.38	0.39	NA	<ul style="list-style-type: none"> <li>The stranded capacity has also reduced due to reduction in OA sales. The AS is calculated by considering the fixed charges for the stranded capacity of the respective periods.</li> </ul> <table border="1" data-bbox="1391 1078 2058 1329"> <thead> <tr> <th>Particulars</th> <th>Units</th> <th>ASC order H1 2022-23</th> <th>ASC order H2 2022-23</th> <th>ASC Order H1 2023-24</th> <th>ASC Petition H2 2023-24</th> </tr> </thead> <tbody> <tr> <td>OA Sales</td> <td>MU</td> <td>645.9</td> <td>370.3</td> <td>213.3</td> <td>129.14</td> </tr> <tr> <td>Stranded capacity</td> <td>MW</td> <td>222.2</td> <td>119.4</td> <td>64.9</td> <td>47.42</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>However , in the proposed methodology for H2 of FY 2023-24, the AS will be considerably lower in proportion to the lower open access sales</li> </ul>	Particulars	Units	ASC order H1 2022-23	ASC order H2 2022-23	ASC Order H1 2023-24	ASC Petition H2 2023-24	OA Sales	MU	645.9	370.3	213.3	129.14	Stranded capacity	MW	222.2	119.4	64.9	47.42
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	<p>It must be pointed out that the high AS claims is attributable to the following factors:</p> <ul style="list-style-type: none"> <li>• Low OA sales</li> <li>• High stranded capacity</li> <li>• Poor procurement portfolio - greater exposure to expensive long term PPAs.</li> </ul>	
	<p>e) Such high AS claims y-o-y for Open Access sale is divergent to the essence of National Tariff Policy 2016 and is anti-competitive. The relevant extracts in support from Tariff Policy has been reproduced below:</p> <p><b><i>8.5 Cross-subsidy surcharge and additional surcharge for open access 8.5.1</i></b>  <i>National Electricity Policy lays down that the amount of cross-subsidy surcharge and the <u>additional surcharge to be levied from consumers who are permitted open access should not be so onerous that it eliminates competition which is intended to be fostered in generation and supply of power directly to the consumers through open access.</u></i></p> <p>f) Additionally, it is submitted that the Hon'ble Commission, in its Order dated 24.12.2021, in O.P.s No. 48, 49, 50 and 51 of 2021 &amp; I.A.s No. 21, 22, 23 and 24 of 2021 pertaining to Additional Surcharge for H1 and H2 of FY 2021-22 for Telangana Discoms had recognized the importance of promoting competition as enshrined in the Electricity Act, and had duly limited the final approved Additional Surcharge, in the interest of all the stakeholders. The relevant extract of the Order is reproduced below:</p> <p><b><i><u>“4.2.9 As per the above computations, the AS for H2 of FY 2021-22 works out to Rs.2.38 / kWh. The preamble of the Electricity Act, 2003 emphasises, amongst others, taking measures conducive to development of electricity industry, promoting competition therein, protection of interest of consumers and rationalisation of electricity tariffs, as the objectives. The Commission has to do a balancing act in fulfilment of the mandate of the Electricity Act, 2003. The DISCOMs are entitled to the AS computed as above but at the same time such AS, being significantly higher than the present levels of AS, could hinder the very competition that the Electricity Act, 2003 advocates. Therefore, in the interest of all the stakeholders, the Commission decides to allow AS of Rs.0.96/kWh (~40% of Rs.2.38 / kWh).”</u></i></b>  <b><i>(Emphasis supplied)</i></b></p>	<ul style="list-style-type: none"> <li>• TS Discoms' additional surcharge claim for H2 of FY 23-24 is significantly lower compared to recent filings for H1 of FY 23-24, and H1&amp;H2 of FY 22-23.</li> <li>• TS Discoms submit that the approved additional surcharge has been consistently reduced in the State of Telangana and is the lowest amongst the other states in the country. This consistent reduction in Additional Surcharge has affected TS Discoms financially.</li> <li>• TS Discoms request the Hon'ble commission to consider the proposals of TSDISCOMs and approve the additional surcharge.</li> </ul>

<p>g) A similar approach is followed in Order dated 22.03.2022 passed by Hon'ble Commission with regards to O.P. No 61 &amp; 62 for H1 of 2022-23. The relevant extract is reproduced below:</p> <p><b><u>4.1.10 As per the above computations, the Additional Surcharge for H1 of FY 2022-23 works out to Rs.3.48/kWh. The preamble of the Electricity Act, 2003 emphasises, amongst others, “for taking measures conducive to development of electricity industry, promoting competition therein, protecting interest of consumers and rationalisation of electricity tariffs”. The Commission has to do a balancing act in fulfilment of the mandate of the Electricity Act, 2003. TS Discoms are entitled to the Additional Surcharge computed as above but at the same time such Additional Surcharge, being significantly higher than the present level of Additional Surcharge, could hinder the promotion of competition that the Electricity Act, 2003 advocates. Therefore, in the interest of all the stakeholders, the Commission decides to allow Additional Surcharge of Rs.1.15/kWh (i.e., ~ 33% of Rs.3.48/kWh).</u></b></p> <p><b><u>(Emphasis supplied)</u></b></p> <p>h) It is requested to the Hon'ble Commission to allow a competitive Additional Surcharge after a thorough prudence check.</p>	
<p>i) Furthermore, Ministry of Power in the Draft Electricity (Amendment) Rules, 2023 has proposed the following with respect to levy of Additional Surcharge,:</p> <p><i>“23 (i) Wheeling Charges: Wheeling charges shall be computed as per following formula: Wheeling Charge= Aggregate Revenue Requirement towards wheeling/ Energy wheeled during the year</i></p> <p><i>(iii) Additional Surcharge: The additional surcharge levied on any open access consumer shall not be more than fifty percent of the wheeling charges for that category of consumers.”</i></p> <p>j) The above proposal depicts that Ministry of Power, Government of India also appreciates that limiting Additional surcharge is expected to facilitate the Open Access Sales thereby has introduced ceiling on the levy of Additional Surcharge. Notwithstanding to the submissions made by the Objector in preceding paras, it is humbly requested that the Hon'ble Commission may kindly adopt the approach as enshrined in the draft Rules as quoted above</p>	<ul style="list-style-type: none"> <li>• The proposal in the Draft Electricity (Amendment) Rules, 2023 is completely irrational and is against the mandates of the Electricity Act, 2003.</li> <li>• The Electricity Act 2003 identifies the need for compensating distribution licensees by levying additional surcharge in case consumers switches to alternate supplies under open access.</li> <li>• Sub-section (2) of Section 42 of the Electricity Act 2003 mentions that –</li> </ul> <p><i>“Provided that I[such open access shall be allowed on payment of a surcharge] in addition to the charges for wheeling as may be determined by the State Commission:”</i></p> <ul style="list-style-type: none"> <li>• Further, Sub-section (4) of Section 42 also highlights</li> </ul>

<p>and limit the Additional Surcharge to 20% of the wheeling charges.</p>	<p>the need of additional surcharge by stating:</p> <ul style="list-style-type: none"> <li>• <i>“4) Where the State Commission permits a consumer or class of consumers to receive supply of electricity from a person other than the distribution licensee of his area of supply, such consumer shall be liable to pay an additional surcharge on the charges of wheeling, as may be specified by the State Commission, to meet the fixed cost of such distribution licensee arising out of his obligation to supply.”</i></li> <li>• As identified by the policymakers through the mandates of Electricity Act 2003, removing additional surcharge would result in licensees having to bear excessive fixed costs associated with PPA signed for long-term durations (25 years) on account of stranded capacity due to the switching of existing consumers. The additional surcharge helps in assuaging the Discom financial worries. Removing of such charges would put Discom under significant financial duress.</li> <li>• The additional surcharge compensate Discoms against the payments towards fixed payments for stranded capacity and reduction or ceiling on additional surcharge will directly impact Discoms’ financially.</li> <li>• TS Discoms does not find any merit in the proposal as it does not have any basis for such ceiling for additional surcharge.</li> <li>• The promotion of Open Access cannot be done at cost of Discoms. Any such proposal should have incentive mandated by the Central or State Government to compensate the Discoms against any potential financial losses/implications.</li> <li>• The Discoms must not be subjected to business risks and financial losses by being forced to incentivize open access consumers through reduction of various</li> </ul>
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		<p>charges. Discoms should not be made to bear brunt of promoting open access as it seems to be the case with this proposal.</p> <ul style="list-style-type: none"> <li>Given the various reasons, this proposal should be dropped without any further consideration.</li> </ul>
3	<p><b>1.5 Dubious fixed charges paid and recovery of Demand charges</b></p> <p>(a) It is well known principle that full Fixed Charges shall be recoverable only at normative plant availability and be allowed on prorated basis below the level of normative plant availability. The Objector is unable to comment on the veracity of fixed charges due to the following reasons:</p> <p><b>I. Ambiguity in Linkage of Fixed Charges Paid with Plant Availability</b></p> <p>The Petitioners have claimed Rs. 6574.36 Crores under the head of Fixed Charges paid without providing any clarity about the linkage of plant availability with fixed charges paid.</p> <p>Furthermore, it is submitted that the Actual Fixed Costs as a part of Actual Power Purchase Cost, ought to be subjected to strict prudence check in terms of Regulation 12 of the Tariff Regulations:</p> <p><i>“12.1 The Distribution Licensee shall be allowed to recover the cost of power it procures, including from State generators, independent power producers, Central generating stations, non-conventional energy generators, and others, for supply to consumers, based on the Commission-approved Power Procurement Plan of the Distribution Licensee covering each year of the Control Period: Provided that where the procurement is for sale to consumers permitted open access by the Nodal Agency under the Open Access Regulation or purchase for trading, the Distribution Licensee shall provide an Allocation Statement as referred to in clause 5 clearly specifying the costs that are attributable to the sales made to such consumers, utilities, etc.</i></p> <p><i>12.2 Except in the case of Retail Supply Business insofar as for the first Control Period is concerned: g. The Commission shall adopt the Sales Forecast, the Distribution loss trajectory and the Power Procurement Plan approved as part of the Resource Plan for the purpose of</i></p>	<ul style="list-style-type: none"> <li>The licensees have already provided the complete breakup of the individual fixed cost of each generating station that has been considered in the determination of AS for H2 FY 23-24.</li> <li>The <b>fixed charges are paid</b> to the generators based on the <b>availability of power plants</b> as per the terms &amp; conditions of the PPA.</li> <li>The Discoms have computed the stranded capacity in each time block duly considering the availability of generation plants.</li> </ul>

determining the Power Purchase Requirement of the Distribution Licensee for the Control Period;

h. The power procurement plan will not generally require any revisions during the Control Period, and the Commission-approved category-wise power procurement forecast shall be applied for estimating the Distribution Licensees' power procurement requirement for each year of the Control Period;

i. While approving the cost of power procurement, the Commission shall determine the quantum of electricity to be procured, consistent with the power procurement plan, from various sources of supply, in accordance with the principle of merit order schedule and dispatch, based on a ranking of-all approved sources of supply in the order of variable cost or price.”

It is humbly submitted that Hon’ble Commission may direct the Petitioner to furnish Actual Monthly/Half-yearly Plant Availability Factor for each of the Power Plants from which Long-Term Power Procurement is being carried out.

**II. No breakup of Fixed Charges elements provided for various generating stations, in order to confirm that no charge on the account of DPS or any non-fixed cost is considered.**

- The **fixed charges paid** to the generators are based on the **availability of power plants** as per the terms & conditions of the PPA.
- The invoices received from the generators are being verified as per term of PPA by internal audit team of TS Discoms and after their approval only the bills are being passed for payments.
- There is no DPS considered in fixed cost.

**III. Absence of reconciliation statement with the relevant Audited Account report**

The Objector while verifying the submitted claims has observed that only audited accounts pertaining to TSSPDCL for respective quarters are available in public domain. The relevant finding from the audited accounts is reproduced below:

**Q3 Audited Accounts for TSSPDCL**

23 - POWER PURCHASE COST				
Particulars	Q3 of 2022-23	Cum. for 2022-23	Q3 of 2021-22	FY 2021-22
Purchase of Power - Fixed Cost	2,333.59	6,288.15	2,858.52	8,910.20
Purchase of Power - Variable Cost	4,365.18	14,008.03	2,870.18	16,353.17
Transmission Charges	1,189.44	2,937.03	335.34	3,066.60
Other Power Purchase Costs	441.52	520.69	(135.50)	(300.29)
<b>Total</b>	<b>8,329.73</b>	<b>23,753.90</b>	<b>5,928.54</b>	<b>28,029.68</b>

- There shall be an yearly statutory audit report confirming the financials including costs and revenues of the Discoms and the same shall be submitted after the due process of completion of statutory and C&AG Audit to the Hon’ble Commission.
- The statutory audited reports are being hosted in the DISCOMs website.
- TSNPDCL audited reports for Q3 & Q4 have been uploaded in Discom website.

### Q4 Audited Accounts for TSSPDCL

#### 23 - POWER PURCHASE COST

Particulars	Q4 of 2022-23	Q3 of 2022-23	Q4 of 2021-22	FY 2021-22
Purchase of Power - Fixed Cost	2,394.39	2,333.59	3,137.12	8,910.20
Purchase of Power - Variable Cost	7,474.62	4,365.18	3,669.77	16,353.17
Transmission Charges	1,154.58	1,189.44	1,561.58	3,066.60
Other Power Purchase Costs	11.00	441.52	163.49	(300.29)
<b>Total</b>	<b>11,034.59</b>	<b>8,329.73</b>	<b>8,531.96</b>	<b>28,029.68</b>

The Petitioners have not even furnished any reconciliation statement for the available audited accounts which is quite necessary to verify the claim.

Hence, it is prayed that Hon'ble Commission may direct the TS Discoms to provide relevant reconciliation statement and TSNPDCL audited reports towards corresponding quarters in order to check the veracity of the said claims.

#### **IV. No clarity about the Fixed Charges paid towards the NCE power procurement**

b) Furthermore, it is submitted that the Hon'ble TSERC in its Retail Supply Tariff Order for FY 2023-24 dated 20.03.2023 has not considered any capacity allocation from NTECL Vallur TPS and NLC Tamil Nadu Power Ltd for FY 2023-24 in line with the earlier directives of the Commission in RST Orders for FY 2017-18 and FY 2018-19. The relevant extract of the RST order dt. 20.03.2023 for FY 2023-24 is reproduced below:

- There are no fixed charges paid towards NCE power procurement.
- The Licensees submitted a requisition to MOP, GoI expressing its willingness to **surrender** the share of Telangana State from NTECL Vallur TPS and NLC Tamil Nadu Power Ltd. and their decision is under process.
- The **fixed charges** paid to the generators (NTECL Vallur TPS and NLC Tamil Nadu Power Ltd for **FY 2023-24**) are considered based on the allocation by Central Govt. and availability of power plants.

Source	Claimed				Approved			
	Quantum	Fixed Cost	Variable Cost	Total	Quantum	Fixed Cost	Variable Cost	Total
	MU	Rs.crore	Rs.crore	Rs.crore	MU	Rs.crore	Rs.crore	Rs.crore
NTPC Ramagundam Stage I & II	2682.16	195.26	751.00	946.26	1978.22	178.39	553.90	732.29
NTPC Ramagundam Stage III	648.90	54.00	179.00	233.00	455.20	53.07	125.57	178.64
NTPC Talcher TPS II	1597.26	114.04	279.36	393.40	1597.26	109.49	279.36	388.85
NTPC Simhadri Stage I	4018.37	361.67	1212.74	1574.41	2774.74	356.75	837.42	1194.16
NTPC Simhadri Stage II	1931.43	277.78	579.82	857.60	1439.67	258.35	432.19	690.54
NTPC Kudgi	180.22	649.48	70.52	720.00	1435.49	285.66	561.71	847.37
NLC TPS II Stage I	35.15	2.50	9.62	12.12	34.91	2.49	9.55	12.04
NLC TPS II Stage II	46.31	3.41	12.67	16.08	44.66	3.40	12.22	15.62
NNTPP	381.74	68.87	84.25	153.11	368.28	77.97	81.28	159.25
Neyveli new Unit-1	40.76	3.93	9.99	13.92	40.76	3.93	9.99	13.92
Neyveli new Unit-2	30.02	6.93	7.93	14.86	30.02	6.93	7.93	14.86
TSTPP Unit 1	8247.29	1686.51	1693.97	3380.49	7916.06	1517.86	1625.94	3143.80
NTECL Vallur TPS	69.88	143.86	26.99	170.85	0.00	0.00	0.00	0.00
NLC Tamil Nadu Power Ltd.	130.24	223.00	57.10	280.10	0.00	0.00	0.00	0.00
<b>Sub Total</b>	<b>20039.70</b>	<b>3791.24</b>	<b>4974.96</b>	<b>8766.20</b>	<b>18115.25</b>	<b>2854.29</b>	<b>4537.06</b>	<b>7391.35</b>
<b>Nuclear</b>								
NPC Madras APS	56.44	0.00	14.34	14.34	56.44	0.00	14.34	14.34
NPC Kaiga APS Units 1 & 2	426.86	0.00	148.64	148.64	426.86	0.00	148.64	148.64
NPC Kaiga APS Units 3 & 4	462.54	0.00	161.07	161.07	462.54	0.00	161.07	161.07
NPC Kudankulam NPP Unit 2	362.68	0.00	150.81	150.81	334.80	0.00	139.22	139.22
<b>Sub Total</b>	<b>1308.51</b>	<b>0.00</b>	<b>474.86</b>	<b>474.86</b>	<b>1280.63</b>	<b>0.00</b>	<b>463.27</b>	<b>463.27</b>
<b>Bundled Power (Coal)</b>								
JNNSM Phase 1	336.36	0.00	217.50	217.50	336.36	0.00	120.37	120.37
NTPC	1394.71	194.16	499.09	693.25	1394.71	0.00	901.86	901.86
<b>Sub Total</b>	<b>1731.07</b>	<b>194.16</b>	<b>716.59</b>	<b>910.75</b>	<b>1731.07</b>	<b>0.00</b>	<b>1022.22</b>	<b>1022.22</b>
<b>Total CGS</b>	<b>23079.28</b>	<b>3985.40</b>	<b>6166.41</b>	<b>10151.81</b>	<b>21126.95</b>	<b>2854.29</b>	<b>6022.55</b>	<b>8876.84</b>

c) Since no proper justification is provided regarding the breakup of fixed cost by the petitioner, Objector submits that the reliance should be placed upon the power purchase cost approved by the Hon'ble commission in the RST order dated 20.03.2023 for FY 23-24 and the power purchase cost approved by the commission in AS order dated 20.03.2023 for H1 of FY 23-24. Accordingly, the fixed charges paid is proposed to be computed based on the difference between the aforementioned items. The assessment of the objector is depicted in the table below:

d) In the absence of the substantiating evidence/documents with regard to power purchase cost, it is humbly submitted that the Hon'ble Commission may evaluate PP cost for H2 of FY 2023-24 based on the above depicted approach.

(All Figures in Crores)

Name of the Generating Station	Approved Value	Approved Value	Petitioner's Claim	Objector's Assessment
	AS order dated 20.03.2023 for H1 of FY 23-24	RST Order FY 23-24	Oct' 22 to Mar '23	Oct'22 to Mar'23
<b>CGS</b>				
NPC Kaiga - I& II	-			-
NPC-MAPS	-			-

- TS Discoms submit that the fixed costs claimed in the additional surcharge filings for H2 of FY 23-24, are the actual fixed costs incurred during H2 of FY 22-23. Hence, objector is misinterpreting and incorrectly comparing the power purchase cost approved in H1 FY 23-24, which was actual power purchases costs of H1 FY 22-23, and the costs approved in RST order dated 20.03.2023 for FY 23-24.
- The objector needs to understand that while the power purchase costs approved for FY 23-24 are based on estimation, the fixed costs claimed in the additional surcharge filings are actual costs incurred in previous year (H1 & H2 of FY 22-23).
- The objector's claim is incorrect since actual costs are available and no estimation is required.
- All relevant calculations and cost sheets have been shared with the Hon'ble Commission.

NPC-Kudankulam	-			-
NLC ST-I	1.77	2.49		1.77
NLC ST-II	2.86	3.4		2.86
NNTPS	40.34	77.97		40.34
NTPC(SR) I & II	87.35	178.39		87.35
NTPC(SR) ST III	19.78	53.07		19.78
NTPC-Simhadri -I	229.90	356.75		229.90
NTPC-Simhadri -II	162.11	258.35		162.11
NTPC-Talcher-ST II	68.78	109.49		68.78
NTPC KUDIGI I	164.17	285.66		164.17
NTECL - VALLURU	71.59	-		-
NLC Tamilnadu Power Ltd	77.38	-		-
<b>CGS Total</b>	<b>926.03</b>	<b>1325.57</b>		<b>777.06</b>
APGPCL ST-I	-	399.54		-
APGPCL ST-I & II	-			-
<b>APGPCL Total</b>	-			-
<b>IPPs</b>				
M/s Thermal Powertech 570MW	530.03	1135.02		530.03
Thermal Powertech 269.45 MW	159.33	317.58		159.33
<b>TOTAL IPPs/MPPs</b>	<b>689.37</b>	<b>1452.6</b>		<b>689.37</b>
<b>TSGENCO-TOTAL</b>	<b>3266.17</b>	6251.53		<b>3239.95</b>
SINGARENI CCL U1&U2	708.08	1329.7		708.08
Chhattisgarh SPDCL	-			-
<b>Total Fixed Cost Excluding NCEs</b>	<b>5589.64</b>		<b>6574.36</b>	<b>4918.73</b>

The veracity of above shown data needs to be verified by the Hon'ble Commission to avoid any loading of inefficiency of Discom on state Consumers in the form of Additional Surcharge.

e) It is also necessary to mention that the Petitioner must be directed to submit element wise break up of Fixed charges paid in order to ensure transparency in the determination of AS and avoid any loading of inefficiency of Discom on state Consumers in the form of Additional Surcharge.

- The licensees have already provided the complete breakup of the individual items and respective calculation sheets used in determination of Additional Surcharge (AS). The DISCOMs are completely transparent in the way of various factors analyzed to arrive at the AS claim. These details are hosted in TS Discom's websites. The objectors can access these details from respective websites.

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**1.10. Additional surcharge for H2 of FY 2023-24 as per objector's assessment**

e) Based on the available data on record for the perusal of general stakeholders, the Objector has computed the allowable Additional Surcharge for H2 of FY 2023-24, as follows:

**Additional Surcharge as per Objector's Assessment:**

<b>Approved Methodology for Computation of Additional Surcharge</b>				
	<b>Additional Surcharge</b>	<b>Unit</b>	<b>Petitioner's Claim</b>	<b>As per Objector's Assessment</b>
A	Long term available capacity	MW	9191.58	9191.58
B	Capacity stranded due to open access	MW	47.42	47.42
C	Fixed Charges paid	Rs. crore	6574.36	4918.73
D=C/A	Fixed Charges per MW	Rs. crore/MW	0.72	0.54
E=D*B	Fixed Charges for stranded capacity	Rs. crore	33.92	25.38
F	Transmission charges paid	Rs. crore	2483.71	2483.71
G	Actual Energy scheduled	MU	39635.68	39635.68
H=F/G	Transmission charges per unit	Rs./kWh	0.63	0.63
I	Distribution Charges as per Objector's Assessment	Rs./kWh	0.18	0.18
J=H+I	Total transmission and distribution charges per unit	Rs./kWh	0.81	0.81
K	Energy consumed by open access consumers from the DISCOM	MU	-	1970.66
L=K*J	Transmission and distribution charges to be paid by open access consumers	Rs. crore	10.40	158.96
M	Demand charges recovered by the DISCOM from open access consumers	Rs. crore	-	205.69
N=M-L	Demand charges to be adjusted	Rs. crore	-	46.73
O=E-N	Net stranded charges recoverable	Rs. crore	44.31	-21.35
P	Open access sales	MU	129.14	388.25
<b>Q=O/P</b>	<b>Additional Surcharge computed</b>	<b>Rs./kWh</b>	<b>3.43</b>	-

f) The Objector humbly submits that there is no Case for the levy of Additional Surcharge on Open Access Consumers in the state as the Demand charges to be adjusted i.e. Rs. 46.73 Crores is already being in excess as compared to the computed Fixed Charges for stranded capacity i.e. Rs. 25.38 Crores.

- TS Discoms have responded to the item-wise objections raised by the objector, in the respective sections, and would request the Hon'ble Commission to consider the computations done by Discoms, considering the justifications shared on the same.
- Having said that, Hon'ble Commission in its Orders dated 24.12.2021 and 22.03.2022, had recognized the importance of promoting competition as enshrined in the Electricity Act, and had duly limited the final approved Additional Surcharge, in the interest of all the stakeholders.
- The objector has considered the transmission charges by omitting the ISTS charges, fixed charges by omitting the NTECL Vallur and NLC Tamilnadu, hence the Additional Surcharge computed by the objector, is improper.
- The TS Discoms have requested the Hon'ble Commission to revise the methodology for computation of Additional Surcharge as there has been substantial divergence from the original methodology. The original methodology has changed significantly from its finalization in the OP No.23 of 2020 dated 18.09.2020.
- Considering that there have been significant changes in the original methodology and these changes have affect TS Discoms financially, TS Discoms have proposed a new methodology to the Hon'ble Commission to amend the original methodology approved in the OP No.23 of 2020 to recover the total fixed cost commitments of TSDISCOMs in line with the section 42(4) of Electricity Act, 2003.

<p>4</p>	<p><b>1.11. POC ISTS transmission Charges should not be considered for reducing demand charges paid by OA consumers:</b></p> <p>1.5.1 TSSPDCL has, for the computation of per unit transmission charges, considered the inter-state, intra-state transmission charges and SLDC charges. The said claims are based on the past Additional Surcharge Orders of the Hon'ble Commission, wherein the Hon'ble Commission has also included both the inter and intra-state transmission charges in the stranded cost while working out the ASC for corresponding periods.</p> <p>1.5.2 As against the above, <b>in its order dated 27.03.2018 for determination of ASC for FY 2018-19, the Hon'ble Commission considered only the intra-state transmission charge for computing per unit transmission charge</b> which we believe was the correct approach owing to the following reasons:</p> <p>a) Inter-state transmission cost is on account of the transmission charges being paid by the Discom for long/medium term access to the ISTS system. Such charges to be paid by the Discom are notified by NLDC.</p> <p>b) <b>Any consumer availing open access to the ISTS system also pays its ISTS cost for the power procured through open access, the benefit of which accrues to the state in reduction of their POC charges.</b></p> <p>This reduction is due to the following clause 11 (3) of the CERC (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020-</p> <p><b><i>"11. Transmission charges for Short Term Open Access</i></b>  .....  <b><i>(3) Transmission charges for Short Term Open Access paid by an embedded intra-State entity during a month shall be reimbursed in the following billing month to the State in which such entity is located."</i></b></p> <p>c) It is in view of the above that inclusion of ISTS charges again for computation of Additional Surcharge as claimed by the Petitioner, will lead to double levy of the same charge on open access consumers.</p> <p>d) The submission of the Discom that said benefit is passed in ARR to consumers is not justifiable since the impact of double levy of ISTS charges would already make OA unviable for consumers.</p> <p>1.5.3 Thus, we request the Hon'ble Commission to re-consider its view on allowing inclusion of ISTS charges in the ASC.</p>	<ul style="list-style-type: none"> <li>• The Hon'ble Commission in its order in OP No.23 of 2020 (pg 12) opined that the methodology of AS computation was approved in the Order dated 13.12.2017 in I.A.Nos.22&amp;23 of 2017 in O.P.Nos.22&amp;23 of 2016 respectively (AS Order for FY17-18) and the same have attained finality. The Commission while determining AS for H1 of FY 23-24, H1&amp;H2 of 2022-23, and H2 FY 2021-22 have also considered the ISTS. The methodology adopted in the order dated 27.03.2018 for determination of ASC for FY 2018-19 by the Hon'ble Commission supersedes the order in O.P No.23 of 2020 by considering the comments of stake holders.</li> <li>• Hence, the licensee considered the transmission charges i.e., both intra-state &amp; inter-state transmission charges for computing per unit transmission charge in conformity with the aforementioned order.</li> <li>• Further, there is no rationality in considering intra state transmission charges alone, as the Discoms have long term power purchase commitment agreements concluded with both intra and inter-state generators thereby utilizing the intra and inter-state transmission corridors. Further, the backing down of generation is not limited to intrastate generators alone. Hence, the transmission charges that are considered in totality are justified in arriving at per unit transmission charge.</li> <li>• TS Discoms understands that the ISTS cost paid by the consumer availing ISTS system, benefits in reduction of POC charges for the state. However, the same benefits have been passed on to the consumer through APR filed by TS TRANSCO.</li> <li>• The Hon'ble Commission passed the orders duly considering the benefits in reduction of the POC charges for the state in the respective APRs filed by TS TRANSCO.</li> <li>• Hence, the consideration of inclusion of ISTS charges in the Additional Surcharge is appropriate.</li> </ul>
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<p><b>5</b></p>	<p><b>1.12. Discom failed to consider Demand charges recovered from Open Access consumers while adjusting the payable T&amp;D charges</b></p> <p>1.6.1 The Discom in the ASC Petition has claimed Additional Surcharge at Rs. 3.43/unit considering 33.92 Cr towards fixed cost stranded due to open access and Rs. 10.40 Cr on account of transmission and distribution charges to be paid by the Open Access consumer to the Discoms. However, Discom went against the methodology fixed by the Hon'ble Commission and did not consider the amount already paid by the Open Access Consumers as demand charges.</p> <p>1.6.2 This is in complete contradiction with the approach of the Commission in the earlier ASC Orders as well the methodology affirmed by the Hon'ble Commission in the past. Not reducing the demand charges from the transmission and distribution charges payable by open access consumers will lead to inflated levy of ASC on the consumers.</p> <p>1.6.3 The Hon'ble Commission in the Order No. for O. P. No. 75 &amp; 76 of 2022 for determination of Additional Surcharge dated 20.03.2023 has considered the demand charges paid by the Open Access Consumer while computing the Additional Surcharge.</p>	<ul style="list-style-type: none"> <li>• TS DISCOMs are of the opinion that as per the RST orders issued by the Hon'ble Commission regularly, the entire fixed costs commitments of Generation, Transmission and Distribution systems are not being recovered through Demand Charges from HT Consumers &amp; Fixed Charges from LT Consumers, but major portion is being recovered through energy charges from the consumers. In the Past orders regarding Additional Surcharge issued by the Hon'ble Commission, considered "under recovery of demand charges from the open access consumers" does not reflect DISCOMs entire liability of payments of fixed cost towards generators, transmission cost and distribution cost.</li> <li>• The TS Discoms have requested the Hon'ble Commission to revise the methodology for computation of Additional Surcharge as there has been substantial divergence from the original methodology. The original methodology has changed significantly from its finalization in the OP No.23 of 2020 dated 18.09.2020.</li> </ul>
<p><b>6</b></p>	<p><b>PRAYERS</b></p> <p>The Objector most respectfully prays that this Hon'ble Commission may be pleased to</p> <p>Q. Consider the above Objection Statement filed by the Objector;</p> <p>R. Consider the above Objection Statement filed by the Objector;</p> <p>S. May Conduct a Prudence check over the Fixed Charges Paid and Demand Charges recoveries from Open Access Consumers;</p> <p>T. May direct the Discoms to provide a reconciliation with the audited accounts and the Fixed cost component of power purchase may be accordingly allowed subject to prudence check;</p> <p>U. May disallow the claim of Additional surcharge due to Discrepancies in computation and absence of reconciliation statement with audited accounts for the claim proposed by the Petitioners;</p> <p>V. Consider the methodology/approach/computation to work out the Additional Surcharge, if any, attributable to the open access consumers as assessed by the Objector;</p> <p>W. May approve null Additional Surcharge as assessed by the Objector;</p> <p>X. G. Pass necessary orders as may be deemed appropriate in the facts and circumstances of the case in the interest of competition, as has been enshrined in the Electricity Act;</p>	<ul style="list-style-type: none"> <li>• TS Discoms have responded to the item-wise objections made by the objector, in the above mentioned sections, and would request the Hon'ble Commission to consider the computations done by Discoms, considering the justifications shared on the same.</li> </ul>

## 5. Response to Sarvotham Care

S.No	Summary of Objections / Suggestions	Response of the Licensee
1	<p>Vide ref (4) cited, commissioned expressed following view in respect of AS orders related to H2 of FY22-23:</p> <p><i><u>“The Commission takes note of the submission of the stakeholder on the applicability of AS on Green Energy Open Access Consumers as per the Electricity (Promoting Renewable Energy Through Green Energy Open Access) Rules, 2022. In terms of Rule 5(1) of the said Rules, 2022 the Commission is in the process of amending the relevant regulations.”</u></i></p> <p>Vide ref (5) cited, we have further requested your good office to expedite the process as delays in making amendments would cause irreparable damage to the green generators and further adding up to existing litigations with DISCOMs.</p> <p>We also brought to the notice to this Hon’ble commission that several other state regulatory commissions have already published final amendment open access regulations to effect GOI rules published vide ref (2) cited.</p> <p>PUNJAB STATE ELECTRICITY REGULATORY COMMISSION order dated: 31-052023, which was passed to give effect to the Electricity (Promoting Renewable Energy Through Green Energy Open Access) Rules, 2022 dated 06.06.2022 can be found at</p> <p>"<a href="https://pserc.gov-in/pages/order%20in%20Regulation%20No.%20177.pdf">https://pserc.gov-in/pages/order%20in%20Regulation%20No.%20177.pdf</a>"</p> <p>Relevant clauses extracted below for quick reference of this commission for kind consideration:</p> <p><i>Further, the exemption of additional surcharge is applicable in case of partial open access consumers whose open access is within the limit of sanctioned contract demand, since in such cases the OA consumers shall pay the fixed charges to the consumers for its sanctioned CD. However, in cases where the open access to a consumer is allowed over and above the sanctioned contract demand, such consumers shall be paying Fixed Charges to the Discom for sanctioned CD only, hence such consumers cannot be covered under the</i></p>	<ul style="list-style-type: none"> <li>• Sub-section (2) of Section 42 of the Electricity Act 2003 mentions that –</li> </ul> <p><i>“Provided that I[such open access shall be allowed on payment of a surcharge] in addition to the charges for wheeling as may be determined by the State Commission:”</i></p> <ul style="list-style-type: none"> <li>• Further, Sub-section (4) of Section 42 also highlights the need of additional surcharge by stating:</li> </ul> <p><i>“4) Where the State Commission permits a consumer or class of consumers to receive supply of electricity from a person other than the distribution licensee of his area of supply, such consumer shall be liable to pay an additional surcharge on the charges of wheeling, as may be specified by the State Commission, to meet the fixed cost of such distribution licensee arising out of his obligation to supply.”</i></p> <ul style="list-style-type: none"> <li>• Hence the Act identifies the need for compensating distribution licensees by levying additional surcharge in case consumers switches to alternate supplies under open access.</li> <li>• As identified by the policymakers through the mandates of Electricity Act 2003, removing additional surcharge would result in licensees having to bear excessive fixed costs associated with PPAs signed for long-term durations (25 years) on account of stranded capacity due to the switching of existing consumers. The additional surcharge helps in assuaging the Discoms financial worries. Removing of such charges would put Discoms under pressure.</li> </ul>

S.No	Summary of Objections / Suggestions	Response of the Licensee
	<p><i>ambit of the proposed clause. In view of the above following proviso is proposed to be added under the proposed 2nd proviso of Regulation 27 (2) of the Principal Regulations: "Provided that consumers including green energy open access consumers taking open access over and above the sanctioned contract demand as per the provisions of Regulation 31(2) of the PSERC OA Regulations, 2011 shall be liable to pay Additional Surcharge as payable by Full open access consumers for availing open access beyond the contract demand maintained with the distribution licensee as determined by the Commission under these Regulations. "</i></p> <p>Hence, it is made clear through orders and interpretations of various commissions is that FIXED charges mean only FIXED charges determined by respective state regulatory commission and collected by distribution utilities in dependent of actual fixed costs of distribution utilities.</p> <p>TS DISCOMS have so far made proposals for levy of AS for various Half Years without any exemption to Solar Green Projects in line with Electricity Rules, 2022, dated:06.06.2022. While Rule 5(1) of the Electricity (Promoting Renewable Energy Through Green Energy Open Access) Rules, 2022 imposes a duty on the appropriate commissions to amend the relevant regulations made by it, ensuring that they are consistent with these rules. As such, the said rules shall come into force on the date of their publication in the Official Gazette, i.e., 6th June 2022. Despite this, the Hon'ble commission had passed multiple orders without regard to these rules but with the above-mentioned view.</p> <p>To prevent solar generators from being burdened due to administrative delays in the Hon'ble commission's administrative functions, this Hon'ble commission should pass an AS exemption for solar projects until the relevant regulations are amended duly instructing DISCOMs to refund all AS levies made so far from 06.06.2022 as it is a legitimate right to seek exemption from date the rules come into force. Otherwise, open access solar developers will be left with no choice than to seek necessary judicial intervention towards exemption/ refund.</p>	<ul style="list-style-type: none"> <li>• The various Rules cannot supersede the Electricity Act 2003 passed by the parliament, and hence without appropriate modifications in 2003 Act, such new rules may not have legislative backing.</li> </ul>
2	<p>In addition, Rule 13, which was reproduced below, was added though Electricity (Amendment Rules), 2022 Dated: 29.12.2022 restricts the amount</p>	<ul style="list-style-type: none"> <li>• The Electricity Rules 2022 in section 13 defined 20% capping as follows:</li> </ul>

S.No	Summary of Objections / Suggestions	Response of the Licensee
	<p>of surcharge that can be levied.</p> <p><b>"13. Surcharge payable by Consumers seeking Open Access.</b>-The surcharge, determined by the State Commission under clause (a) of sub-section (1) of section 86 of the Electricity Act, 2003 shall not exceed twenty per cent of the average cost of Supply.</p> <p>Already the CSS determined by this commission was capped at 20% of Average Cost of Supply (ACoS), therefore we believe there is no scope of determination of any Additional Surcharge.</p>	<p><i>“The surcharge, determined by the State Commission under clause (a) of sub-section (1) of section 86 of the Electricity Act, 2003 shall not exceed twenty per cent of the average cost of Supply.”</i></p> <ul style="list-style-type: none"> <li>• Hence, it can be noticed that the Electricity Amendment Rules 2022 does not specify the type of Surcharge, whether the 20% limit is for AS or surcharge relating to CSS.</li> </ul>