

KERALA STATE ELECTRICITY REGULATORY COMMISSION

THIRUVANANTHAPURAM

PRESENT: Sri.K.J.Mathew, Chairman
Sri.P.Parameswaran, Member
Sri.Mathew George, Member

July 21, 2011

(1) *Petition No. OP 9/2011*

In the matter of

Fuel price Adjustment charges on all consumers and bulk consumers/other licensees to recover the additional financial liability for the period from October 2010 to December 2010

(2) *Petition No. OP 17/2011*

In the matter of

Fuel price Adjustment charges on all consumers and bulk consumers/other licensees to recover the additional financial liability for the period from January 2011 to March 2011

Kerala State Electricity Board

- Petitioner

ORDER

Background

1. Kerala State Electricity Board (*hereinafter referred to as the Board or KSEB*) filed a petition for imposing fuel surcharge on all consumers including bulk consumers and other licensees to recover the additional financial liability of Rs. 53.69 Crore estimated as per KSERC (Fuel Surcharge Formula) Regulations, 2009 for the period from October to December 2010. The Commission admitted the petition as OPNo.9. The Board filed another petition for recovering the difference in fuel cost for the last quarter for 2010-11 (from January 2011 to March 2011) for an amount of Rs.107.54 crore. The petition was admitted as OP.No.17. The hearing on both the petitions was held on 22-6-2011.
2. In the petition OP No.9/2011, the Board has estimated the additional financial liability on account of increase in fuel cost as follows:

Additional financial liability for 3rd quarter of 2010-11 as proposed by the Board

Source	Energy procurement			Per unit cost		Additional liability	
	Approved quantity	Actual	Admissible as per regulation	Approved	Actual	Actual	Admissible as per regulation
	(MU)	(MU)	(MU)	(Rs/kWh)	(Rs/kWh)	(Rs. Cr)	(Rs. Cr)
Talcher-II	755.41	848.86	755.41	1.08	1.53	37.91	33.76
Ramagundam- II&III	558.76	579.70	545.70	1.40	1.55	8.75	8.28
NLC-II-Exp	93.99	89.09	86.26	1.14	1.80	5.90	5.72
RGCCPP- Kayamkulam	276.00	279.19	239.42	7.34	7.60	7.16	5.90
KPCL	17.36	5.63	5.63	7.26	7.65	0.22	0.22
BDPP	31.07	10.57	10.57	7.10	7.20	0.11	0.11
KDPP	44.20	61.37	44.20	7.07	6.99	-0.51	-0.30
Total	1776.79	1874.41	1687.19			59.54	53.69

3. The additional financial liability for the 4th quarter in Petition No. OP17 estimated by KSEB is as follows:

Source	Energy procurement			Per unit cost		Additional liability	
	Approved quantity	Actual	Admissible as per regulation	Approved	Actual	Actual	Admissible as per regulation
	(MU)	(MU)	(MU)	(Rs/kWh)	(Rs/kWh)	(Rs. Cr)	(Rs. Cr)
Talcher-II	738.98	744.46	699.22	1.08	1.70	45.92	43.03
Ramagundam- II&III	546.62	607.20	546.62	1.40	1.61	12.78	11.51
NLC-II-Exp	91.95	105.40	91.80	1.14	1.77	6.62	5.78
RGCCPP- Kayamkulam	267.90	260.76	236.03	7.34	8.79	37.82	34.60
BSES	219.54	31.78	31.78	7.16	8.75	5.06	5.06
KPCL	33.53	3.31	3.31	7.26	9.40	0.60	0.60
BDPP	53.00	24.81	24.81	7.10	7.44	0.84	0.84
KDPP	73.70	49.45	49.45	7.07	8.31	6.12	6.12
Total	2025.22	1827.17	1683.02			115.76	107.54

The total additional liability as per the regulation estimated by the Board was Rs.161.23 crore. In the petition, they have stated that the Commission has not considered the cost of HSD, which is essentially used for startup for both the plants. The Board has been limiting the generation from these stations to the minimum and to meet the peak load only. Hence, the PLF is much lower. The cost of intermittent operation is higher than normal operations. Since the Commission has not considered the cost of intermittent operations, the actual cost of LSHS, HSD and Lub oil may be allowed.

Hearing of the matter

4. The public hearing on the both Petitions was held on 22-6-2011 at the Commissions' office. List of persons who attended the public hearing is given in Annexure. Some consumers responded in writing based on the press release

issued by the Commission on the petition. The list of persons who had submitted the written objections is also given as annexure. In the hearing, Shri. Nawaz, representing Kerala HT-EHT Association stated that the petition should be rejected since it was not in conformity with the Regulations. He pointed out that the petitions had to be submitted within 15 days of the close of each quarter. There has been considerable delay in submitting the petitions, which shall not be condoned. He further, stated that KSEB has not computed the additional fuel cost for own stations as per the regulations. They have also objected to the demand of KSEB to include the cost of HSD in fuel surcharge. According to him, since the impact on account of HSD is negligible, the same can be considered in the truing up process. The Association has estimated the difference in cost of fuel due to fuel surcharge as per the regulation. According to them, the total admissible amount for own stations is Rs.1.66 crore only. They have also stated that KSEB has imported 131 MU at an average cost of Rs.3.15/kWh and sold 7.68MU at an average rate of Rs.10.41/kWh. Thus, the savings on this account would be about Rs.60.52 Crore, which shall be considered while estimating the additional burden. Shri. Shaji Sebastain, representing Small Scale Industries, stated that surcharge should be imposed on all consumers uniformly. Shri. A.R Satheesh, pointed out that KSEB has been operating liquid fuel stations of BSES, KDPP and BDPP even when the power is available at much lower rates from the Power Exchange and Traders. The transmission constraints if any shall be removed taking effective steps.

5. Most of the written objections received in the office of the Commission are not strictly pertaining to the subject matter. The general contention in these submissions is about the inefficiency and lack of cost control in KSEB. Arrear collection has also been mentioned as a reason for not allowing increase in rate. Most of them requested that the surcharge should not be imposed.
6. The Commission during the hearing raised the question on the estimation of unit cost of fuel for the internal stations of KSEB (BDPP and KDPP) and also sought whether any audit is being done before providing the claims on fuel surcharge. Representative of KSEB mentioned that the details of fuel cost are as received from the respective stations. The cost of fuel is accounted on FIFO principle, for the purpose of estimating the fuel surcharge.

Analysis of the Commission

7. The Board has filed two petitions for the recovery of surcharge for the 3rd and 4th quarter of 2010-11 and the Commission has decided to dispose of these petitions together. In addition to the objections received during the public hearings, the

Commission also received a few written objections on the imposition of fuel surcharge. The Commission has considered all those objections from the stakeholders.

8. The Board has stated that actual fuel cost of own stations shall be considered for estimating the fuel surcharge. The Board during the hearing mentioned that in the case of BDPP since startup and shutdown are done on all days, the start up cost of HSD is more and the same has to be considered. The Commission has considered the argument of KSEB. The use of HSD in KDPP is negligible. Compared to KDPP, the use HSD in BDPP is comparatively high. However, based on the estimates of heat rate and caloric value of fuel reported by the Board, the required quantity of prime fuel LSHS is higher than the reported actual quantity of fuel. This shows that the heat rate/gross generation reported is inclusive of the HSD. However, these conclusions can be firmed up only after detailed analysis. The Commission is of the view that the reporting of fuel cost of own stations has to be verified since the Board has stated that no audit process has been involved before filing the estimates to the Commission. Accordingly the Commission has decided to engage an inhouse audit team to verify the procedures of reporting fuel cost estimates to the Commission. Final decision on the matter will be taken based on the report of the audit team.
9. The Commission has also noted that KSEB has been using the BDPP and KDPP mainly to support the peak load. The Commission has fixed the benchmark parameters of own stations based on the figures made available to the Commission, which also reflects the additional cost involved due to intermittent use of the Stations. In any case, the matter can be examined in detail while finalizing the benchmark parameters. The Commission has mentioned in the ARR&ERC orders and subsequent fuel surcharge orders that the provisional parameters shall be adjusted once the final parameters are fixed.
10. The Board has reported that there has been export of energy in the year 2010-11. There was also a swap arrangement on which energy was sold to NDPL during the monsoon season and most of it was received during the summer months and the balance was received in April 2011. Since it is a swap arrangement, the Commission is not considering this transaction for fuel surcharge estimates. The Board has sold about 60MU to TNEB from the generation of BSES Station. In the petition the Board has shown only net energy/ the energy used in the Kerala system. Hence no adjustment is required for this energy also. In addition to these transactions, the Board has sold energy through traders and the power exchange. Since the Board has realized revenue from the exports, quantity of energy exported shall not qualify for fuel surcharge. As per

the records made available to the Commission, in 2010-11 the Board has exported in the 4th quarter (30.24MU), which needs to be deducted from the admissible energy. Accordingly, the quantity of exports in MU is deducted from the energy from the highest cost plants in the respective month to arrive at the admissible fuel surcharge.

11.As per the data provided by the Board and based on the provisions of the Regulations, the amount admissible for fuel surcharge for 3rd and 4th quarters is as follows:

Fuel surcharge admissible for the 3rd & 4th Quarters (October 2010 to March 2011)

Source	As per KSEB					Commission Estimates	
	Allowable Quantity as per Regulation	Approved Variable cost	Actual variable cost for 3rd quarter	Actual variable cost for 4th quarter	Additional liability	Allowable Quantity	Amount admissible as Surcharge
	(MU)	(Rs/ kWh)	(Rs/ kWh)	(Rs/ kWh)	(Rs.Cr)	(MU)	(Rs.Cr)
BDPP	35.38	7.10	7.20	7.44	0.95	0.00	-0.92
KDPP	93.65	7.07	6.99	8.31	5.82	0.00	1.43
RGCCPP	475.45	7.34	7.60	8.79	40.50	461.16	37.87*
BSES- Kochi	31.78	7.16	-	8.75	5.06	22.42	2.94*
KPCL	8.94	7.26	7.65	9.40	0.82	8.94	0.81
Talcher-II	1454.63	1.08	1.53	1.70	76.79	1454.63	76.92
NLC-TPS -1 Exp	178.06	1.14	1.80	1.77	11.50	178.06	11.53
Ramagundam	1092.32	1.40	1.55	1.61	19.79	1092.32	19.71
Total					161.23		150.29

*After adjustment of Export of Energy

Additional Cost	October	November	December	January	February	March	Total
BDPP	(0.47)	-	-	(0.10)	(0.25)	(0.10)	(0.92)
KDPP	(0.88)	(0.52)	(0.22)	0.14	0.64	2.26	1.43
BSES	-	-	-	-	2.94	-	2.94
KPCL	0.11	0.07	0.03	0.10	0.12	0.39	0.81
RGCCPP	(1.24)	1.71	5.49	9.82	6.99	15.11	37.87
Ramagundam	1.69	2.04	4.52	3.68	4.01	3.77	19.71
NLC TPS-1 Exp	1.93	1.51	2.28	2.05	1.92	1.84	11.53
Talcher	12.47	10.59	10.69	16.04	10.84	16.29	76.92
Total	13.62	15.41	22.79	31.72	27.20	39.55	150.29

12. The total fuel surcharge admissible for the 3rd and 4th quarters is Rs.150.29 Crore, which is after adjustment of export of energy of 30.24MU. The total admissible fuel surcharge to be recovered from the consumers as mentioned in clause 3(6) of the KSERC (Fuel Surcharge Formula) Regulations 2009 is Rs.150.29 Crore for 3rd and 4th quarters of 2010-11.

13. The Commission in the Order dated 3-2-2011 on approving the fuel surcharge for the period of April 2010 to September 2010, had adjusted the amount due as fuel surcharge of Rs.115.58 Crore against the balance revenue surplus of Rs.84.73 Crore for the year 2010-11. The remaining amount of Rs.30.85 Crore is to be considered together with the present proceedings. Accordingly, the total fuel surcharge allowable shall be Rs. 181.14 crore.

14. The rate of fuel surcharge required is estimated as shown below:

Total amount to be recovered as fuel surcharge	- Rs.181.14 Cr.
Total energy input from October 2010 to March 2011	- 9097 MU
Notional sales as per approved T&D loss (16%)	- 7641MU
Applying notional loss of 5% to sales to Licensees (223 MU)-	11 MU
Total retail sales including licensees	- 7630 MU
Fuel surcharge	- <u>23.74 paise/kWh</u>

(Rounded off to 25 paise/kWh)

15. The total amount due as fuel surcharge shall be Rs.181.14 Crore, which shall be recovered from the consumers as mentioned in clause 3(6) of the KSERC (Fuel Surcharge Formula) Regulations 2009 **for the consumption from 1st August 2011 onwards for next 6 months or Rs.181.14 Crore is realized which ever is earlier.** The fuel surcharge of 25 paise/kWh is applicable to consumers of all licensees as in the case of KSEB in addition to the energy charges. Fuel surcharge shall not be applicable to domestic consumers having consumption not more than 20units per month and connected load of less than or equal to 500W, as per clause 3(6) KSERC(Fuel Surcharge Formula) Regulations 2009. All distribution licensees other than KSEB shall collect the fuel surcharge as per this order and remit the amount promptly to KSEB on a monthly basis. **All licensees on or before the close of 30 days from each month shall provide the Commission with the details of surcharge collected from each consumer category. If the details of surcharge are not provided on time, the Commission may initiate suo-motu proceedings for withdrawal of surcharge.** As soon Rs.181.14 Crore is recovered, KSEB shall inform the Commission promptly and the Commission shall terminate the collection of fuel surcharge by all licensees. **All licensees shall indicate the rate of surcharge and the total amount as surcharge separately in the bills issued to the consumers. It is further directed that KSEB shall make appropriate changes in the billing software so as to show the fuel surcharge details in the bills without any ambiguity. Any clarification sought by the consumers in this regard shall be properly furnished by the licensees..Any difficulty in complying with this**

direction shall be immediately brought to the notice of the Commission with suitable suggestions.

16. All licensees shall strictly adhere to the provisions of Section 65 of the Electricity Act 2003 while providing any subsidy to the consumers. Any violation in this regard shall be dealt with as per the provisions of the Electricity Act 2003.

Order of the Commission

17. As has been stated above, the Commission has approved Rs.181.14 Crore (including Rs.30.85 crore due for previous quarters) as fuel surcharge as against Rs.161.23 crore proposed by KSEB for 3rd and 4th quarters, 2010-11. The rate of fuel surcharge **shall be 25paise/unit, which shall be in addition to existing energy charges**. The Fuel surcharge shall be applicable to consumers of all licensees except domestic consumers having consumption not more than 20 units per month and connected load of less than or equal to 500W, as per clause 3(6) KSERC(fuel surcharge formula) Regulations 2009. **The surcharge shall be effective for the consumption from August 1, 2011 for next 6 months or till an amount of Rs.181.14 crore is recovered, whichever is earlier.** The licensees other than KSEB shall collect the fuel surcharge from the consumers and maintain separate accounts and properly transfer the amount on a monthly basis to KSEB. **All licensees shall indicate the rate of surcharge and the total amount as surcharge separately in the bills issued to the consumers.** All licensees shall promptly provide the details of surcharge collected from each tariff category on a monthly basis within 30 days from the close of each month to the Commission so as to ascertain the total amount of fuel surcharge collected. As provided in the said regulations, the licensees may approach the Commission if any difficulty arises in implementing this Order.

18. The petitions are disposed off. Ordered accordingly.

Sd/-

**P.Parameswaran
Member**

Sd/-

**Mathew George
Member**

Sd/-

**K.J.Mathew
Chairman**

Approved for Issue

Secretary

Annexure

List of persons attended the public hearing held on 22-6-2011

1. Shri.M.Nawas, The Kerala HT-EHT Association
2. Shri.Shaji Sebastain, KSSIA
3. Shri. A.R. Satheesh, Carborandum Universal Limited
4. Shri. Venugopal, HOCL
5. Shri. E.S.Shenoi, Southern Railway
6. Shri. V.V Sathyarajan, Chief Engineer (C&T), KSEB
7. Smt. Sreedevi, Dy. CE, TRAC, KSEB
8. Shri. P.V.Sivaprasad, Exe. Engineer, TRAC

List of persons who have submitted written objections

1. Shri.A. Joseph, Mary Sadan, Kanjiakode, Kollam
2. The Secretary, Forum for Consumer Justice, Alathur, Palakad
3. The Convener, Consumer protection wing, Kerala Janavedi, Chemmad.
4. Shri. T.N.Bhaskaran Nair, Chairman, Consumer Vigilance Cell, Kollam-9
5. Shri. Joykutty, Thodupuzha
6. Shri.Asokan, Mylamoodu, Thiruvananthapuram -9
7. Shri. E.M. Shaji, Sowharitha Nagar, Thrissur
8. Shri. Abdul Rahman, Karuna Karmavedi, Maranchery, Malappuram.
9. Shri. Joseph Vadakan, Piravam, Ernakulam
10. Ex.Panchyath President, Peruvanantham Panchyath
11. Shri. P.R.Shaji, Rayonpuram, Perumbavoor – 43
12. Shri. P.T Ismail, Vandoor
13. Shri. Jospaul, Koratty, Thrissur
14. Shri. V.R.V Iyer, Iyer legal consultancy, Mattoor, Ernakulam
15. Shri. Vilson Pandaravalappil, President, Co-ordination forum for consumer organization, Thrissur
16. Shri. R. Bhuvanachandran Nair, Manacaud, Thiruvanthapuram