

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Present: **Shri. Preman Dinaraj, Chairman**

OP 07/2020

In the matter of : Petition on Proposal to recover the additional cost incurred during the period from October 2019 to December 2019 over approved level on Generation and Power Purchase due to variation in cost of fuel, from all consumers including Bulk Consumers and other Licensees through fuel surcharge

Petitioner : Kerala State Electricity Board Limited

OP 10/2020

In the matter of : Petition on Proposal to recover the additional cost incurred during the period from January 2020 to March 2020 over approved level on Generation and Power Purchase due to variation in cost of fuel, from all consumers including Bulk Consumers and other Licensees through fuel surcharge

Petitioner : Kerala State Electricity Board Limited

Common Daily Order dated 18.08.2020

OP No 07/2020

1. KSEB Ltd on 31.01.2020, filed the petition for approval of additional cost incurred by KSEB Ltd during third quarter of the FY 2019-20, on account of variation in power purchase cost as fuel surcharge. The prayer of the petition is given below.
 - a. *The additional financial liability incurred by KSEBL, amounting to Rs 70.10 crore., due to the variation in power purchase cost resulting from the variation in cost of fuel for the period from October to December 2019 for the procurement/ generation of energy from various thermal sources as*

*per Regulation 86 of KSERC Tariff Regulations, 2018 as detailed in **Annexure IV & V** to this petition may kindly be approved.*

- b. *This approved additional cost may kindly be allowed to be recovered from consumers including bulk consumers and other licensees as fuel surcharge, as per the Regulation 86 of KSERC Tariff Regulations, 2018, from March 2020 onwards, @ 11 paise per unit.*

The Commission admitted the petition as OP 07/2020.

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2. KSEB Ltd on 28.05.2020, filed the petition for approval of additional cost incurred during fourth quarter of the FY 2019-20 from January 2020 to March 2020, on account of variation in cost of power purchase as fuel surcharge. The prayer of the petition is given below.
 - a. *The additional financial liability incurred by KSEBL, amounting to Rs 72.55 crore., due to the variation in power purchase cost resulting from the variation in cost of fuel for the period from January to March 2020 for the procurement/ generation of energy from various thermal sources as per Regulation 86 of KSERC Tariff Regulations, 2018 as detailed in **Annexure IV & V** to this petition may kindly be approved.*
 - b. *This approved additional cost may kindly be allowed to be recovered from consumers including bulk consumers and other licensees as fuel surcharge, as per the Regulation 86 of KSERC Tariff Regulations, 2018, from December 2020 onwards, @ 12 paise per unit.*

The Commission admitted the petition as 10/2020.

The summary of the petitions filed by KSEB Ltd are given below.

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3. The Commission, vide the Order dated 08.07.2019 in OA No. 15/2018 has approved the ARR, ERC and Tariff of KSEB Ltd for the control period from 2018-19 to 2021-22. The cost of power purchase is one of the expense approved by the Commission in the ARR. The Commission approved the ARR, ERC and the Tariff as per the provisions of the KSERC (Terms and Conditions for Determination of Tariff) Regulations, 2018 (herein after referred as Tariff Regulations, 2018).
4. As per the sub Regulation (6) of Regulation 86 of the Tariff Regulation, 2018, KSEB Ltd has to file the petition with all relevant details for the approval of the amount of fuel surcharge to be adjusted from the consumers, within 30 days after the close of each quarter. Accordingly, the petition has to be filed on or before 30th of January 2020. The petition was filed on 31.01.2020.

5. KSEB Ltd submitted the month wise variation of the fuel cost over the approval during the third and fourth quarter of this FY 2019-20, i.e, from Sep - 2019 to Dec-2019, and from Jan to March -2020 the details are given below.

Month wise variation of the variable cost- approved and actual as per OP 07/2020 is:

SI No	Source	Approved	Actuals (Rs/ kWh)		
		(Rs/ kWh)	Oct-19	Nov -19	Dec -19
Central Generating Stations					
1	NTPC-RSTPS Stage I & II	2.49	2.63	2.62	2.63
2	NTPC-RSTPS Stage III	2.45	2.58	2.58	2.59
3	Talcher	1.73	2.13	2.03	1.95
4	Simhadri TPS Stage II	2.89	3.25	3.35	3.48
5	NLC-Stage-1	2.64	2.78	2.78	2.77
6	NLC-Stage-II	2.64	2.78	2.78	2.77
7	NLC I Expansion	2.44	2.55	2.55	2.54
8	NLC II Expansion	2.44	2.60	2.60	2.60
9	Vallur STPS	3.13	3.74	3.80	4.03
10	NTPL	3.21	2.74	2.80	2.91
11	NTPCKudgi	3.91	4.05	3.81	3.70
Independent Power Producers					
12	DVC Reghunathpur	2.30	3.21	2.99	3.02
13	DVC Mejia	2.46	3.01	2.98	2.94
14	Maithon Power Ltd- Contract I	2.39	2.64	2.74	2.66
15	Maithon Power Ltd- Contract II	2.39	2.64	2.74	2.66
16	Jindal Power Ltd-Bid I	1.29	1.31	1.31	1.31
17	Jhabua Power Ltd-Bid I	1.91	1.96	1.96	1.96
18	Jindal Power Ltd-Bid II	1.19	1.31	1.31	1.31
19	Jhabua Power Ltd-Bid II	1.73	1.88	1.88	1.88
20	Jindal India Thermal Power Ltd	1.03	1.14	1.14	1.14
21	BALCO	1.19	1.15	1.16	1.16

6. The summary of the additional liability **claimed by the KSEBL** due to the change variable in fuel cost over approved level during the third quarter of the FY 2019-20 is given below.

Source	Approved	Actual	Variable cost		Addl liability claimed by KSEB Ltd	
			Approved	Actual	Actuals claimed	Claimed (as admissible as per Regulations)
			(MU)	(MU)	(Rs/kWh)	(Rs/kWh)
CGS						
RSTPS I & II	448.77	402.88	2.49	2.62	5.4	5.4
RSTPS III	126.93	107.95	2.45	2.59	1.47	1.47

Talcher Stage-II	741.31	721.11	1.73	2.03	21.32	20.74
Simhadri TPS Stage II	157.82	97.07	2.89	3.4	4.99	4.99
NLC Stage-I	98.68	111.72	2.64	2.78	1.51	1.31
NLC Stage-II	129.76	164.45	2.64	2.77	2.22	1.75
NLC 1 Expansion	117.61	132.96	2.44	2.55	1.41	1.25
NLC II Expansion	75.97	72.53	2.44	2.6	1.14	1.05
Vallur STPS	84.38	51.53	3.13	3.86	3.79	3.79
NTPL	137.4	106.04	3.21	2.83	-3.98	-3.91
Kudgi	169.28	13.92	3.91	3.79	-0.17	-0.17
Sub Total CGS	2287.91	1982.16	2.45	2.51	39.1	37.68
Private IPPs outside the State						
DVC RTPS	64.7	62.98	2.3	3.05	4.73	3.11
DVC Mejia	194.56	116.07	2.46	2.97	5.94	5.94
Maithon Power Ltd-I, ER	201.93	288.24	2.39	2.68	8.41	5.98
Maithon Power Ltd-II, ER	304.55	288.24	2.39	2.68	8.41	8.41
Jindal Power Ltd-Bid I	377.56	332.29	1.29	1.31	0.66	0.66
Jhabua Power Ltd-Bid I	217.09	232.88	1.91	1.96	1.15	1.07
Jindal Power Ltd-Bid II*	188.78	202.52	1.73	1.88	3.03	2.82
Jhabua Power Ltd-Bid II*	283.18	249.17	1.19	1.31	2.99	2.96
JITPL*	188.78	189.12	1.03	1.14	2.08	2.08
BALCO	188.78	182.79	1.19	1.16	-0.6	-0.6
Sub Total IPPS	2209.91	2144.31	1.49	1.66	36.79	32.43
Total	4497.82	4126.47	1.99	2.07	75.89	70.1
*Variable cost of these stations were not separately approved.						

7. The summary of the additional liability claimed by the petitioner is given below.

Source	Energy procurement			Per unit cost		Add liability claimed by KSEB Ltd	
	Approved quantity	Actual	Admissible as per regulation	Approved	Actual	Claimed as actual	Claimed as admissible as per regulation
	(MU)	(MU)	(MU)	(Rs/kWh)	(Rs/kWh)	(Rs. Cr)	(Rs. Cr)
CGS	2287.91	1982.16	1890.40	2.45	2.51	39.10	37.68
IPPs	2209.91	2144.31	1989.38	1.49	1.66	36.79	32.43
Total	4497.82	4126.47	3879.79	1.98	2.07	75.89	70.10

8. KSEB Ltd has proposed to recover the additional liability claimed from the consumers including the bulk consumers and other licensees as fuel surcharge, @ Rs 0.11/unit from March 2020 onwards.

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9. Monthwise variation of variable cost of CGS and IPPs, - approved and the actuals claimed by KSEB Ltd are given below.

Month wise variation of the variable cost- approved and actual

SI No	Source	Approved	Actuals (Rs/ kWh)		
		(Rs/ kWh)	Jan-20	Feb -20	Mar -20
Central Generating Stations					
1	NTPC-RSTPS Stage I & II	2.49	2.63	2.60	2.60
2	NTPC-RSTPS Stage III	2.45	2.59	2.56	2.56
3	Talcher	1.73	2.06	2.04	2.08
4	Simhadri TPS Stage II	2.89	3.21	3.23	3.06
5	NLC-Stage-1	2.64	2.77	2.77	2.77
6	NLC-Stage-II	2.64	2.77	2.77	2.77
7	NLC I Expansion	2.44	2.55	2.55	2.55
8	NLC II Expansion	2.44	2.59	2.56	2.56
9	Vallur STPS	3.13	3.70	3.6	3.65
10	NTPL	3.21	2.94	2.79	2.79
11	NTPCKudgi	3.91	3.61	3.6	3.86
Independent Power Producers					
12	DVC Reghunathpur	2.30	3.00	3.00	3.01
13	DVC Meja	2.46	2.89	2.71	2.84
14	Maithon Power Ltd- Contract I	2.39	2.57	2.60	2.67
15	Maithon Power Ltd- Contract II	2.39	2.57	2.60	2.67
16	Jindal Power Ltd-Bid I	1.29	1.31	1.31	1.31
17	Jhabua Power Ltd-Bid I	1.91	1.96	1.96	1.96
18	Jindal Power Ltd-Bid II	1.19	1.31	1.31	1.31
19	Jhabua Power Ltd-Bid II	1.73	1.88	1.88	1.88
20	Jindal India Thermal Power Ltd	1.03	1.14	1.14	1.14
21	BALCO	1.19	1.16	1.16	1.16

10. The summary of the additional liability claimed by the KSEBL due to the change variable cost over approved level during the fourth quarter of the FY 2019-20 is given below.

Source	Approved	Actual	Variable cost		Addl liability claimed by KSEB Ltd	
			Approved	Actual	Actuals claimed	Claimed (as admissible as per Regulations)
			(MU)	(MU)	(Rs/kWh)	(Rs/kWh)
CGS						
RSTPS I & II	466.91	451.71	2.49	2.61	5.51	5.30
RSTPS III	116.59	87.86	2.45	2.57	1.12	1.02
Talcher Stage-II	811.34	844.3	1.73	2.06	28.20	26.70
Simhadri TPS Stage II	160.26	145.43	2.89	3.17	4.04	4.04
NLC Stage-I	101.97	120.2	2.64	2.77	1.53	1.3
NLC Stage-II	154.07	172.51	2.64	2.77	2.2	1.96
NLC 1 Expansion	96.63	135.78	2.44	2.55	1.47	1.05
NLC II Expansion	75.15	52.71	2.44	2.57	0.66	0.63
Vallur STPS	94.42	65.24	3.13	3.65	3.42	3.42
NTPL	114	132.97	3.21	2.84	-4.90	-3.86
Kudgi	202.69	124.28	3.91	3.69	-2.38	-2.38
Sub Total CGS	2394.30	2333.11	2.45	2.56	40.87	39.19

Private IPPs outside the State						
DVC RTPS	92.46	82.95	2.3	3.00	5.88	5.80
DVC Mejja	189.49	188.96	2.46	2.81	6.68	6.46
Maithon Power Ltd-I, ER	297.97	267.7	2.39	2.61	5.90	5.89
Maithon Power Ltd-II, ER	297.97	267.7	2.39	2.61	5.90	5.89
Jindal Power Ltd-Bid I	369.35	377.91	1.29	1.31	0.76	0.74
Jhabua Power Ltd-Bid I	212.37	238.6	1.91	1.96	1.19	1.06
Jindal Power Ltd-Bid II*	277.02	283.38	1.73	1.31	3.40	3.32
Jhabua Power Ltd-Bid II*	184.68	207.48	1.19	1.88	3.11	2.77
JITPL*	184.68	185.04	1.03	1.14	2.04	1.98
BALCO	184.68	190.79	1.19	1.16	-0.57	-0.55
Sub Total IPPS	2290.67	2290.52	1.76	1.89	34.30	33.36
Total	4684.70	4623.63	2.11	2.23	75.17	72.55
*Variable cost of these stations were not separately approved.						

11. The summary of the additional liability claimed by the petitioner is given below.

Source	Energy procurement			Per unit cost		Add liability calimed by KSEB Ltd	
	Approved quantity	Actual	Admissible as per regulation	Approved	Actual	Claimed as actual	Claimed as admissible as per regulation
	(MU)	(MU)	(MU)	(Rs/kWh)	(Rs/kWh)	(Rs. Cr)	(Rs. Cr)
CGS	2394.03	2333.11	2155.88	2.45	2.56	40.87	39.19
IPPs	2290.67	2290.52	2204.88	1.76	1.89	34.30	33.36
Total	4684.70	4623.63	4360.77	2.11	2.23	75.17	72.55

12. KSEB Ltd has proposed to recover the additional liability claimed from the consumers including the bulk consumers and other licensees as fuel surcharge, @ Rs 0.12/unit from December 2020 onwards.
13. Public hearing on OP 7/2020 was initially scheduled for 11.3.2020, but postponed due to outbreak of Covid 19 Pandemic. Thereafter, the Commission scheduled the public hearing of both the petitions together on 10.7.2020. However, due to triple lockdown announced in the Thiruvananthapuram Corporation area, this was postponed again. Thereafter the public hearing of both the petitions were held together on 11.8.2020 through video conference. The list of participants is attached as Annexure 1.
14. Sri K G P Nampoothiri, Executive Engineer, made the detailed presentation based on the petitions before the Commission. KSEB Ltd submitted that, the variation in rates are mainly due to the increase in the cost of coal by the coal supplier M/s Coal India Ltd and its subsidiaries and also due to the changes in various operating norms including Station Heat Rate of the Central Generating Stations as per the Tariff Regulations, 2019 notified by CERC.
15. Sri. A.R. Satheesh, presented the comments of HT&EHT Association and its summary is given below.

- (i) There is wide variation between the monthly consumption as per the SLDC data and the actuals claimed by KSEB Ltd. Commission may direct KSEB Ltd to clarify this anomaly,
 - (ii) There is also wide variation in the T&D loss claimed by KSEB Ltd. Bimonthly billing cannot be the reason for such wide variation. In some months, T&D loss achieved is single digit. Hence the Commission may redefine the loss reduction trajectory.
 - (iii) Under table-3 in page 12 of the petition OP No. 10/2020, petition for fuel surcharge for fourth quarter, IEX rate for the month of January is shown as Rs 5.85 per unit, which is not correct, since the IEX rates never touched that rate in the month of January 2020, even for a short period. This resulted into a difference of Rs 14.2 Crores for January 2020 alone.
 - (iv) Through the short term purchases made during the fourth quarter of the FY 2019-20, KSEB has a net benefit of Rs.31.25 crore.
 - (v) The variable cost of all CGS stations except Talcher for Jan-20 & Feb20 and majority of IPP's were higher than the average short-term market price. Hence KSEB Ltd benefit by way of reduction in availability from CGS and purchase of the shortfall from IEX.
 - (vi) All the companies are having high financial crisis due to Covid 19 impact and are implementing measures like salary cut. Hence implementing fuel surcharge will cause additional burden to those companies already ailing to survive.
 - (vii) This year, the hydel availability is comparatively higher. Further KSEB may make benefit out of Real Time Market recently introduced by IEX.
 - (viii) KSEB Ltd is selling surplus power in short term market at a price of Rs 2.4 per unit recently. The industrial consumers who go for open access may be given an option to take surplus power from KSEB Ltd, with a reasonable margin, so that there will be a win-win situation for both KSEBL add these consumers
 - (ix) As per the calculation of the Association, the net amount realisable under FSA is Rs 37.322 Cr after accounting the benefit of short term purchase, and considering this benefits, the fuel surcharge may be approved at 0.06/unit instead of Rs 0.12/unit claimed by KSEB Ltd.
 - (x) The association will not object for reasonable recovery of FSA. Considering the circumstances prevailing, the recovery may be spread for more than three months.
16. Sri. Pulak Srivasthava, representing Jindal India Thermal Power limited (JITPL) supported the petition filed by KSEB Ltd. He added that all the variable cost claimed may be admitted by the Commission.

17. Sri Saji Mathew, MRF opined that KSEBL may opt for best management in purchase of power reducing the cost of energy, benefitting the consumers.
18. Sri. Rajesh J Kuruvila, representing CUMI, submitted that the variable cost of the stations RTPS, Mejja, Kudgi, Simhadri and Vallur STPS are above IEX rate. Hence, KSEB Ltd may reconsider the agreement executed with these stations. He sought clarification on whether there is any compulsion to buy power from these stations.
19. Sri Pradeep, Hindalco submitted that applicability of fuel surcharge may be made applicable from 1st of the month so that meter reading and billing will be easier.
20. Sri K G P Nampoothiri clarified that short term purchases are not included in the FSA calculation as per Regulations. However, KSEBL had included the details of the short-term power purchase as per the directions of the Commission. KSEB Ltd has been selling electricity to the consumers at the tariff approved by the Commission, and cannot sell the seasonable surplus, especially during few hours etc to avoid spillage of water during the severe monsoon days, to the consumers at the IEX rates.

The Commission, however, directed KSEB to explain the possibility of selling the surplus power as discussed in Para 15 (viii) so that the consumers of the State stand to benefit and it could be a win – win situation.

21. Based on the deliberations during hearing, Commission hereby direct KSEB Ltd submit the following latest by 07.09.2020.
 - (1) Reasons for the wide variations in the monthly consumption as per the SLDC data, and the actuals claimed by KSEB Ltd.
 - (2) Reasons for the wide variations in monthly T&D loss levels.
 - (3) Whether there is any provisions to relook/ review the PPA signed with CGS and other IPPs during its term.
 - (4) Submit proposals for the period of recovery of the fuel surcharge which is due from second quarter (from July-2019) onwards.
 - (5) Regarding the issue of sale of surplus power, an amendment, if required, in the concerned Regulation could be considered if KSEB Ltd considered it appropriate. KSEB shall examine this proposal and submit their views.

Sd/-
Preman Dinaraj
Chairman
Approved for issue,

C.R.Satheesh Chandran,
Secretary-in-charge

Annexure 1

List of participants

1. Sri. Neelesh Neema, Jindal India Thermal Power limited (JITPL)
2. Sri. Pulak Srivasthava, Jindal India Thermal Power limited (JITPL)
3. Sri KGP Nampoothiri, K S E B Ltd.
4. Sri Satheesh A R , HT &EHT Association
5. Sri Pradeep M, Hindalco Industries Ltd
6. Sri. Renjit Jacob Appolo Tyres
7. Sri Rajesh J Kuruvila, Carborandum Universal Limited
8. Sri Ratheesh K Alikkal, EICL
9. Sri Saji Mathew, MRF Ltd
10. Smt. Prini Peter Carborandum Universal Limited
11. Sri. Nair Nandakumar P, Carborandum Universal Limited
12. Sri Prabhakaran K V , HT&EHT Association