

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Present: Shri. Preman Dinaraj, Chairman
Adv. A.J Wilson, Member (Law)

OP 26/2021

In the matter of : Petition on 'Proposals to recover the additional cost incurred during the period October 2020 to December 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

OP 27/2021

In the matter of : Proposals to adjust the differential cost in variable charges during the period January 2021 to March 2021 against the approved level on Generation and Power Purchase due to variation in cost of fuel.

Petitioner : Kerala State Electricity Board Limited

Common Daily Order dated 08.10.2021

OP No 26/2021

1. KSEB Ltd, on 29.01.2021 filed a petition for recovery of fuel surcharge for the period from October 2020 to December 2020, with prayers as follows:
 - (a) *Additional financial liability incurred by KSEBL, amounting to Rs 13.33 Cr, resulting from the variation in variable charges of power purchase from approved sources for the period from October to December 2020 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, @ 2 paise per unit from 1st June 2021 onwards.*

The Commission admitted the petition as OP 26/2021.

OP No 27/2021

2. KSEB Ltd, on 05.05.2021 filed the petition for recovery of fuel surcharge for the fourth quarter of the FY 2020-21 for the period from January 2021 to March 2021, with prayers as follows:
- a) *Additional savings generated by KSEBL, amounting to Rs 19.80 Cr, resulting from the variation in variable charges of power purchase from approved sources for the period from January to March 2021 as per regulation 86 of KSERC Tariff Regulations 2018 as detailed in Annexure IV to this petition may kindly be approved.*
- b) *This approved savings may kindly be allowed to adjust against the pending fuel surcharge for recovery/approval pertaining to the period from July 2019 to December 2020 and allowed to recover the remaining amount from consumers including bulk consumers and other licensees as fuel surcharge, as per the Regulation 86 of KSERC Tariff Regulations 2018.*

The Commission admitted the petition as OP 26/2021.

3. The summary of the petitions filed by KSEB Ltd in **OP No 26/2021** are given below.
- (1) The Commission, vide 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 expenses 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).
- (2) 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 for the approval of the fuel surcharge for the third quarter of the FY 2020-21 has to be filed before the Commission on or before 30th January 2021. KSEB Ltd filed the petition on 29.01.2021.
- (3) The details of the actual variable cost claimed by KSEB Ltd against the same approved vide Order dated 08.07.2020 in OA No. 15/2018 during the third quarter is given below.

Table-1					
SI No	Source	Approved	Actual (Rs/ kWh)		
		(Rs/ kWh)	Oct-20	Nov-20	Dec-20
Central Generating Stations					
1	NTPC-RSTPS Stage I & II	2.540	2.502	2.477	2.408
2	NTPC-RSTPS Stage III	2.490	2.469	2.436	2.369
3	Talcher	1.770	2.114	2.055	1.877
4	Simhadri TPS Stage II	2.950	2.922	2.824	2.692
5	NLC-Stage-1	2.690	2.774	2.775	2.775

6	NLC-Stage-II	2.690	2.774	2.775	2.775
7	NLC I Expansion	2.490	2.418	2.408	2.530
8	NLC II Expansion	2.490	2.524	2.534	2.661
9	Vallur STPS	3.200	3.081	2.895	2.789
10	NTPL	3.280	2.997	2.970	2.913
11	NTPC Kudgi	3.980	0.000	0.000	2.756
Independent Power Producers					
12	RTPS	2.341	2.867	2.840	2.882
13	Mejia	2.507	2.708	2.772	2.769
14	Maithon Power Ltd- Contract I	2.435	2.532	2.502	2.477
15	Maithon Power Ltd- Contract II	2.435	2.532	2.502	2.477
16	Jindal Power Ltd-Bid I	1.310	1.310	1.310	1.320
17	Jhabua Power Ltd-Bid I	1.950	1.960	1.960	1.970
18	Jindal Power Ltd-Bid II	1.190	1.310	1.310	1.320
19	Jhabua Power Ltd-Bid II	1.730	1.880	1.880	1.890
20	JITPL	1.030	1.140	1.140	1.140
21	BALCO	1.220	1.160	1.160	1.170

- (4) The summary of additional liability claimed by KSEB Ltd for the third quarter of the FY 2020-21 is given below.

	Energy procurement			Add liability		Claim of KSEBL
	Approved	Actual	Admissible	Actual	Admissible	
	(MU)	(MU)	(MU)	(Rs. Cr)	(Rs. Cr)	
CGS	2287.91	1740.73	1675.28	5.80	4.74	4.74
IPPs	2209.91	2184.53	2029.08	18.72	16.50	8.59
Total	4497.82	3925.26	3704.36	24.52	21.24	13.33

KSEB Ltd proposed to collect the fuel surcharge @ 2 paise per unit for the energy consumption from June 2021 onwards for a period of three months.

- (5) KSEB Ltd has not claimed fuel surcharge variations of the three DBFOO contracts under bid-2, namely Jhabua Power Limited (100 MW), Jindal Power Limited (150 MW) and Jindal India Thermal Power Ltd (100MW) with a total capacity of 350MW, for which approval of the PSA is not granted by the Commission for want of approvals from Central Government and State Governments.

KSEB Ltd in the instant petition submitted that, in compliance of the earlier orders of the Commission in the matter of Fuel Surcharge for the first and second quarter of the year 2019-20, KSEB Ltd has limited the payment towards the three unapproved DBFOO contracts at the rate of BALCO at KSEB Ltd periphery from August 2020 onwards. KSEB Ltd further submitted that, though these three generators have claimed the Fuel Surcharge, KSEB Ltd has not admitted and released the payment.

The Commission noted that the claim of Fuel Surcharge by the three unapproved DBFOO sources alone for the third quarter is Rs 7.91 crore. KSEB Ltd further submitted that they withheld Rs 14.79 crore during the third quarter by limiting the payment towards power purchase of three un approved DBFOO sources at the rate of BALCO at Kerala periphery.

4. The summary of the petition filed by KSEB Ltd in Petition **OP 27/2021** is given below.

(1) A comparison of the actual variable cost claimed by KSEB Ltd against the same approved vide Order dated 08.07.2020 in OA No. 15/2018 during the fourth quarter of the year 2020-21 is given below.

Table-1					
SI No	Source	Approved	Actual (Rs/ kWh)		
		(Rs/ kWh)	Jan-21	Feb-21	Mar-21
Central Generating Stations					
1	NTPC-RSTPS Stage I & II	2.54	2.390	2.383	2.455
2	NTPC-RSTPS Stage III	2.49	2.358	2.348	2.406
3	Talcher	1.77	1.942	2.034	1.908
4	Simhadri TPS Stage II	2.95	2.667	2.703	2.856
5	NLC-Stage-1	2.69	2.638	2.644	2.644
6	NLC-Stage-II	2.69	2.638	2.644	2.644
7	NLC I Expansion	2.49	2.420	2.424	2.424
8	NLC II Expansion	2.49	2.542	2.545	2.545
9	Vallur STPS	3.2	3.003	2.830	3.063
10	NTPL	3.28	2.934	2.933	2.984
11	NTPCKudgi	3.98	2.997	3.194	3.318
Independent Power Producers					
12	RTPS	2.341	2.613	2.656	2.935
13	Mejia	2.507	2.755	2.785	2.732
14	Maithon I	2.435	2.353	2.242	2.182
15	Maithon II	2.435	2.353	2.242	2.182
16	Jindal Power Ltd-Bid I	1.310	1.320	1.320	1.320
17	Jhabua Power Ltd-Bid I	1.950	1.970	1.970	1.970
18	Jindal Power Ltd-Bid II	1.190	1.320	1.320	1.323
19	Jhabua Power Ltd-Bid II	1.730	1.890	1.890	1.890
20	JITPL	1.030	1.150	1.150	1.150
21	BALCO	1.220	1.170	1.170	1.170

(2) The summary of additional liability claimed by KSEB Ltd for the Fourth quarter of the FY 2020-21 is given below.

Table 2 Additional liability for the fourth quarter 2020-21						
	Energy procurement			Add liability		Claim
	(MU)	(MU)	Admissible (MU)	(Rs. Cr)	Admissible (Rs. Cr)	
CGS	2394.03	2255.57	2147.49	-21.88	-18.71	-18.71

IPPs	2188.05	2084.98	1978.87	7.46	7.53	-1.09
Total	4582.08	4340.56	4126.35	-14.42	-11.18	-19.80

- (3) As per the earlier orders of the Commission, KSEB Ltd has not claimed fuel surcharge variations of the three DBFOO contracts under bid-2, namely Jhabua Power Limited (100 MW), Jindal Power Limited (150 MW) and Jindal India Thermal Power Ltd (100MW) with a total capacity of 350MW.

KSEB Ltd in the petition submitted that, in compliance of the earlier orders of the Commission on the Fuel Surcharge for the first and second quarter of the year 2019-20, KSEB Ltd has limited the payment towards the three unapproved DBFOO contracts at the rate of BALCO at KSEB Ltd periphery. KSEB Ltd further submitted that though the three generators has claimed the Fuel Surcharge for the fourth quarter of the FY 2020-21, KSEB Ltd has not admitted and released the payment.

The Commission noted that the claim of Fuel Surcharge for the above three unapproved DBFOO sources alone for the fourth quarter is Rs 8.62 crore. KSEB Ltd further submitted that they had withheld Rs 18.34 crores during the fourth quarter of the year 2020-21 by limiting the payment of power purchase at the rate of BALCO at Kerala periphery.

5. Public hearing on both the petitions are conducted at Ernakulam on 26.08.2021. The summary of the deliberations during the hearing is given below.

- (1) 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 following;

- Changes in the normative values of SHR and auxiliary consumption as per the CERC Regulations dated 07.03.2013.
- increase in the cost of coal by the coal supplier M/s Coal India Ltd and its subsidiaries,
- Variation in calorific value of coal.

KSEB Ltd further submitted that, as directed by the Commission, the licensee had not claimed fuel surcharge for the three unapproved DBFOO sources for the third and fourth quarter of the FY 2020-21.

The additional liability claimed as fuel surcharge for the third quarter is Rs 13.33 crore. However, as per the claim of KSEB Ltd, there was a net saving of Rs 19.80 Crore in the fuel surcharge claimed for the fourth quarter of the FY 2020-21.

- (2) Sri Dijo Kappen, representing domestic consumers submitted that, cheaper power is available in the power exchanges, and rates in the power exchanges are much less than most of the long-term contracts

entered into by KSEB Ltd for purchase of power. Mr. Kappen requested before the Commission not to approve any more long-term contracts for purchase of power. He further requested before the Commission to direct KSEB Ltd to terminate the long-term contracts whose cost of power is more than the exchange rates.

Mr. Kappen also raised the issue that, the employee cost of the KSEB Ltd is very much on the higher side. The last pay revision implemented by KSEB Ltd in the year 2020-21 is implemented without the approval of the Commission and hence the increase in employee cost due to the pay revision shall not be allowed to pass on to the consumers.

Mr. Kappen also requested Commission to direct KSEB Ltd to offer the surplus power available with them to open access consumers at the power exchange rate.

The Commission clarified during the hearing that, the new Draft Tariff Regulation 2021, published by the Commission for public comments has considered this issue.

- (3) Sri. Saji Mathew, MRF Ltd, submitted that the HT&EHT Electricity Consumers Association will present a detailed presentation on the subject petition on behalf of the members of the Association. He further submitted, in earlier fuel surcharge petitions, KSEB Ltd had been providing the month wise details of the fuel surcharge petition, however, in the present petitions for the third and fourth quarter, KSEB Ltd has not submitted the month wise details of the actual T&D losses. However, the association estimated the T&D loss based on the data available in the website and noted that in some months the actual T&D loss of KSEB Ltd was much higher than the approval and in some other months the actual loss was very much less than the approved level.
- (4) Sri. Rajesh Kuruvilla, on behalf of the HT&EHT Electricity Consumers Association made a detailed presentation on the subject petitions before the Commission and its summary is given below.
 - (i) T&D loss.
KSEB Ltd has not submitted the month wise details of the actual loss details, citing the reason that the energy sales corresponding to energy input is available from billing only in subsequent months.

However, the Association computed the month wise details of the T&D loss based on the data available at the website as well as the data provided by KSEB Ltd.

The Association further submitted that, as per the SLDC data, the actual T&D loss for the third quarter of the FY 2020-21 is 16.94% and the same for fourth quarter is 16.04%.

The Association were unable to understand any technical or commercial reason for such large variations in the percentage of losses every month. The T&D loss is a key performance parameter of the licensee which affects the cost of supply to all consumer categories. Hence the Association request to the Commission to take up a detailed study and analysis on this issue.

- (ii) Variable cost of CGS and IPPs claimed by KSEB Ltd.
- The increase in variable cost of Talcher-II station is upto 19% in the third quarter where as the same in fourth quarter ranges from 8% to 15%.
 - Among IPPs, the variable cost of DVC Reghunathpur station is in the range of 21% to 23% in third quarter, and in the range of 9% to 25% in fourth quarter.

KSEB Ltd has not provided specific reasons for such abnormal increase. Hence the Association requested before the Commission to direct KSEB Ltd to provide clarifications and supporting documents for higher increase in variable cost of Talcher-II, DVC stations and IPPs.

- (iii) The summary of the FSA amount recommended by the Association is given below.

Period	FSA amount claimed by KSEBL	FSA amount recommended (excluding unapproved DBFOO Bid2 stations)
	(Rs. Cr)	(Rs. Cr)
Q1 2020-21	38.94	34.61
Q2 2020-21	41.79	33.79
Q3 2020-21	13.33	13.33
Q4 2020-21	-19.80	-19.80
Total	74.26	61.93

- (iv) The Association recommended to issue necessary orders to collect the FSA dues of Rs 61.93 crore from consumers within the next two quarters of the FY 2021-22.
- (5) Sri. A.R. Satheesh, president of the HT&EHT Association, supported the issues raised by the Association. He further added that, the Commission may seek detailed explanation on the methodology adopted by KSEB Ltd for determining the month wise T&D loss.

He further appreciated the Commission for the proposal in the draft Tariff Regulation 2021 to offer the surplus power available with KSEB Ltd to the open access consumers at the power exchange rate at which KSEB Ltd otherwise sell such surplus power through exchanges. He further pointed out that, open access consumers may purchase

such energy provided the exchange rate is less than the energy charge as per the prevailing tariff Order. If the exchange rates are higher, the open access consumers may even agree to reduce their consumption so that KSEB Ltd can sell such power through exchanges. The Association agreed to submit a detailed procedure in this regard.

- (6) Sri. Shaji Sebastain, in his capacity as an electrical contractor, presented his comments and supported the views expressed by the HT&EHT Association. He further commented on the number of disputes between KSEB Ltd and consumers, pending before various legal forums at various courts including Hon'ble High Court.
- (7) Sri. Aneesh R, Appollo Tyres, fully supported the comments of the HT&EHT Association on the subject petitions.

6. Based on the deliberations during hearing, Commission hereby direct KSEB Ltd to submit the following latest by 18.10.2021.

- (1) Procedures specified by the CEA/PFC/other rating agencies under Ministry of Power, Gol for the computation of T&D Loss and AT&C loss of Distribution Companies in the Country.
- (2) Detailed explanation on the reason for the wide variation in the month wise T&D loss as per the energy input and energy sales submitted by KSEB Ltd with necessary supporting documents.
- (3) Reason for the difference between the T&D loss based on the energy input as per the SLDC SCADA data and energy input claimed by KSEB Ltd.
- (4) Reason for not providing the month wise details of actual T & D loss along with the petition for fuel surcharge.
- (5) The reason for excessive increase in the variable cost of Talcher – II station, DVC stations and other IPPs during third and fourth quarter of the financial year 2020-21.

Sd/-

**Adv A J Wilson
Member (Law)**

Sd/-

**Preman Dinaraj
Chairman**

Approved for issue

**C R Satheeshchandran
Secretary (i/c)**

List of stakeholders participated in the public hearing held on 26.08.2021

1. Sri. K.G.P Namboothiri, Executive Engineer, KSEB Ltd
2. Smt. Seema P Nair, AEE, TRAC, KSEB Ltd
3. Sri. Arun, PTC
4. Sri. Prabhakaran K.V, HT & EHT Association
5. Sri. Rajesh J Kuruvilla, Carborandum
6. Sri. Viswanathan K, HT & EHT Assosiation
7. Sri. A.R Satheesh, President, HT & EHT Association
8. Sri. Shaji Sebastian, Electrical Consultant
9. Smt. Neenu Skaria, Electrical Consultant
10. Sri. Renjith Jacob, Appolo Tyres, Perumbavoor
11. Sri. Saju Thomas, Cochin Refinery
12. Sri. Saji Mathew, MRF Ltd
13. Sri. Dejo Kappan, Pala
14. Sri. Aneesh R, Appolo Tyres, Kalamassery