

SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED



RESPONSES TO OBJECTIONS / SUGGESTIONS

On

ARR & Tariff Filings Proposals of Retail Supply Business for FY 2023-24

and

Power Purchase True-Ups for FY 2016-17 to FY 2022-23

Response to the objections of Sri. GRK Prasad, Director

S.No.	Summary of Objections / Suggestions	Response of the Licensee
1	<p>The licensees in the tariff filings for FY 2022-23 have proposed to levy Grid Support Charges on the Captive consumers in their area, for the alleged benefits they were availing during their parallel operation with the licensees' grid network. The licensees had requested the Hon'ble Commission to consider the methodology adopted in the APERC Order dated 08.02.2002 and subsequently upheld by Supreme Court via judgment dated 29.11.2019 as below:</p> <p>"Persons operating Captive Power Plants (CPPs) in parallel with T.S. Grid have to pay 'Grid Support Charges' for FY 2022-23 on the difference between the capacity of CPP in kVA and the contracted Maximum Demand in kVA with Licensee and all other sources of supply, at a rate equal to 50% of the prevailing demand charge for HT Consumers. In case of CPPs exporting firm power to TSTRANSCO, the capacity, which is dedicated to such export, will also be additionally subtracted from the CPP capacity".</p>	No Comments
2	<p>Regarding the above proposal, the Hon 'ble Commission, in the Retail Supply Tariff Order for FY 2022-23 dated 23.03.2022 in O.P.Nos.58 & 59 of 2021 has referred the matter to the Grid Coordination Committee (constituted in accordance with Clause 5.1 of the Regulation No. 4 of 2018). The relevant extracts of the Hon 'ble Commission's ruling in the RSTO for FY 2022-23 is as follows:</p> <p>"6.25.6 In accordance with Clause 5.1 of the Regulation No.4 of 2018, a Grid Coordination Committee has been constituted with representation</p>	No Comments

	<p>from wide spectrum of generating companies, transmission licensees, distribution licensees, electricity traders, OA consumers etc. Clause 5.2(v) of the Regulation No. 4 of 2018 specifies that "the Grid Coordination Committee shall be responsible for such matters as may be directed by the Commission from time to time ". The Commission finds it appropriate to refer the matter to the Grid Coordination Committee for a detailed study on the issue of parallel operation of CPPs and consequent levy of GSC."</p>	
3	<p>In line with the Hon'ble Commission's ruling, the Grid Coordination Committee has initiated the detailed study on the matter of parallel operation of CPPs and consequent levy of GSC, however, admittedly, the proposal for levy of GSC for FY 2022-23 has not attained finality as on date.</p>	No Comments
4	<p>The 3rd meeting of the Grid Coordination Committee (GCC) was held on 16.07.2022 on study on the issue of parallel operation of CPPs and consequent levy of Grid Support Charges (GSC). As a member of the GCC, on behalf of Captive Power generating plants, the Objector had submitted its written submissions to The Chairperson, GCC, under a copy to this Hon 'ble Commission that grid support charges are not at all required to be collected in the state of Telangana and requested the DISCOMS to withdraw the proposal.</p>	No Comments
5	<p>The Applicant Licensees now propose to levy Grid Support Charges for FY2023-24 on all the generators (Captive Generating Plants, Cogeneration Plants, Third party Generation units, Merchant Power Generation units, Rooftop Power Plants etc.) who are not having</p>	No Comments

	<p>PPA/having PPA for partial capacity with the licensees as follows:</p> <p>Grid Support Charges Total Installed Capacity X Rate of GSC (Rs./kW/month) Rate of GSC:</p> <ul style="list-style-type: none"> i. The parallel operation/grid support charges are to be applied to the total installed capacity of the generators connected to the Grid. ii. Conventional generators shall pay Rs. 50 per kWper month. iii. Renewable energy plants including waste heat recovery plants, the plants based on municipal solid waste, and the co-gen plants shall pay Rs.25 kW per month. iv. Rooftop solar plants under net metering/gross metering policy shall pay Rs. 15 per kWper month. v. Co-gen sugar mills shall pay charges of Rs. 25 per kW per month, for a period of 4 months or actual operation period, whichever is higher. <p>vis These charges shall not be applicable when the plants are under shutdown for any reason and when such shutdown period exceeds two months.</p> <p>vii. To the extent ofPPA capacities of the generators with the DISCOMs shall be exemptedfrom payment of these charges.</p>	
6	<p>In the above matter, this Hon'ble Telangana Commission has invited the stakeholders to file their comments/suggestions/objection, if any, on or before 31.01.2023.</p>	No Comments
7	<p>The Objector runs a 150 MW Independent /Merchant thermal power</p>	No Comments

	plant and export the entire generated power through Grid at all times.	
	Our objections against the proposed Grid Support Charges are set out below for this Hon'ble Commission's kind consideration and disposal:	No Comments
	<p>THE IMPACT OF THE ELECTRICITY ACT, 2003:</p> <p>1. In 2003, the Electricity Act, 2003 ("Act") came into force. The Act brought in substantial changes to the previous regime, including the establishment of State Commissions, delicensing of Generation, unbundling of transmission and distribution, specification of tariffs and charges, crystallized the scheme of Open Access, brought in procedures and standards to enforce discipline, etc. However, it left the Commissions established by States under earlier State enactments (such as the AP Electricity Reform Act, 1998) untouched and treated them to be Commissions established under the Act, essentially conferring them with powers under both Acts, in as much as the State enactments were not in derogation to the Act.</p>	No Comments
	2. Open Access was introduced under Section 42 of the Act, in pursuance to which APERC Regulation Nos.2 of 2005 and 2 of 2006 were also promulgated by the erstwhile Commission.	No Comments
	<p>No jurisdiction to Propose or Levy GSC:</p> <p>2.0 Earlier TS DISCOMS proposed to levy the grid support charges on captive generating plants considering captive load burden on Grid .But we surprise to note that now the DISCOMS proposed to levy such charges on all generating plants including Independent power generating plants and Merchant power generating plants without</p>	No Comments

	<p>explaining any reason/basis for levy of such charges.</p> <p>2.1 The IPPs and Merchant power generating plants are meant for generate and export entire power to grid and accordingly always supportive to grid but never opt grid support to run the plant.</p>	
	<p>3. Under the provisions of the Act, separate entities, being the SLDC/RLDC/NLDC were created to take care of the Grid. SLDC/RLDC is responsible for maintaining grid security, Load forecasting, scheduling and dispatching and balancing of generation and demand (load). The ARR of SLDC was already approved in the MYT Tariff 2021-23. The DISCOMs have no role in maintaining Grid security and have to comply with the directions issued by SLDC/RLDC. Hence, in the present scenario, there is no need to propose GSC by DISCOMs and the DISCOMs have no role in seeking GSC at all.</p>	<p>The grid support charges are being proposed by the Distribution Licensee for consumers who are having parallel operation of Captive Power Plants with grid. The Distribution Licensee's 132kV & above level HT consumers are not paying Transmission charges & SLDC charges to respective entities even though connected to 132kV & above level. These consumers are paying retail supply Tariffs as approved by the Hon'ble State Commission from time to time which is inclusive of all costs (Incl SLDC & Transmission Charges).</p> <p>The advantages of parallel operation with the grid are benefited by the CPPs in addition to other facilities of other consumers. In view of the additional benefits than the normal other consumers, the CPPs who intended to use and benefit from parallel operation need to compensate through Grid Support charges.</p>
	<p>4. The Applicant DISCOMs are responsible for their distribution business only and can at most levy wheeling charges, and nothing more. Any GSC as sought to be levied would have to be proposed and substantiated by TSSLDC, being the entity tasked with grid security under the Act. Therefore, DISCOMs have nothing to do with GSC. The ARR of the Applicant DISCOMs Distribution Business is recovered through wheeling charges as approved in the relevant MYT orders. As the present the ARR and the FPT is to recover the costs of the Applicants' Retail Supply Business, and the Applicant DISCOMs have no role in proposing GSC, and certainly not at 132 KV voltage.</p> <p>5. It is also pertinent to note that this Hon'ble Commission is constituted under the Act, and thus the earlier AP Electricity Reform Act, 1998</p>	<p>The said Grid Support charges are also part of Retail Supply Tariffs and these charges are proposed to levy on the CPPs who intended to use and benefit from parallel operation. Hence the proposal of Grid Support charges for FY 2022-23 are well within the provisions of Act. However, the full Bench of Tribunal in Appeal No. 120 of 2009 relating to Parallel Operation Charges(Grid Support Charges) in Chhathisgarh by Order dated 18.02.2011 stated that <i>the State Commission is empowered to deal with the question as to whether the levy of parallel operation charges is permissible or not. This aspect has been dealt with by this Tribunal in judgment dated 12.9.2006 in Appeal No.99 of 2006. In the said judgment,</i></p>

	<p>under which GSC were earlier determined is neither applicable nor relevant to IPPs and Merchant Power generating plants. The Act, 2003 specifically lays down the charges and tariffs to be collected, and no charges beyond what is prescribed can be levied. Admittedly, there is no charge such as GSC mentioned in the Act or the regulations, let alone under S.62 under which the present petitions are filed, and as such, any such proposal to levy GSC is without jurisdiction.</p>	<p><i>this Tribunal upheld the levy of parallel operation charges by the State Commission.</i> Further, the Apex Court of India by its judgment dated 29.11.2019 in Civil Appeal No 8969 of 2003 (Grid Support Charges Batch matters) held that the State Electricity Regulatory Commission is vested with the power to determine the grid support charges.</p> <p>The licensee has not denied CPPs access to grid or availing of parallel operation benefits.</p>
	<p>6. It is thus submitted that the scope of present ARR for Retail Supply Business for FY 2023-24 should be strictly confined in terms of Section 62 of the Act r/w Regulation 4 of 2005 as adopted under Regulation I of 2014, and Section 42 of the Act for the purpose of determination of CSS and any proposal of the Applicant DISCOMs to levy GSC is itself misconceived and patently without jurisdiction.</p>	<p>It is clarified that the captive generators who intended to use and benefit from parallel operation need to pay the Grid Support charges, in line with the justifications mentioned in the previous sections.</p>
	<p>Without Prejudice to above submissions of the very authority and jurisdiction to levy GSC. the following further submissions are made In relation to the Proposal made by the Applicant Discoms:</p>	<p>No Comments</p>
	<p>7. The Applicant Discoms have proposed Grid Support Charges for all generators, including captive, cogeneration, merchant power plants/IPP, rooftop power plants etc., which is completely against the reasoning of GSC in the first place.</p>	<p>The Captive Power Plants continue to get connected to the licensee network system and operate their plant in synchronism with the grid due to the following reasons.</p> <ul style="list-style-type: none"> ● The fluctuations in the load are absorbed by the utility grid in the parallel operation mode. This will reduce the stresses on the captive generator and equipment. ● Fluctuating loads of the industries connected in parallel with the grid inject harmonics into the grid. The current harmonics absorbed by the utility grid is much more than that by the CPP generator. These harmonics flowing in the grid system are harmful to the equipment and are also responsible for polluting the power quality of the system.

		<ul style="list-style-type: none"> ● Negative phase sequence current is generated by unbalance loads. The magnitude of negative phase sequence current is much higher at the point of common coupling than at the generator output terminal. This unbalanced current normally creates a problem of overheating of the generators and other equipment of CPP, if not running in parallel with the grid. When they are connected to the grid, the negative phase sequence current flows into the grid and reduces stress on the captive generator. ● Captive power plants have higher fault level support when they are running in parallel with the grid supply. Because of the higher fault level, the voltage drop at the load terminal is less when connected with the grid. ● In case of faults in a CPP generating unit or other equipment, bulk consumers can draw the required power from the grid and can save their production loss. ● The grid provides stability to the plant to start heavy loads like HT motors. ● The variation in the voltage and frequency at the time of starting large motors and heavy loads, is minimized in the industry, as the grid supply acts as an infinite bus. The active and reactive power demand due to sudden and fluctuating load is not recorded in the meter. <p>The impact created by sudden load throw off and consequent tripping of CPP generators on over speeding is avoided with the grid taking care of the impact. Thus, the grid acts as the supporting system for the CPPs for its successful operation in terms of electrical performances. However, the grid support being an ancillary service extended by the licensee to the consumers, it has to be charged to the consumers who utilize the grid support.</p> <p>The full Bench of Tribunal in Appeal No. 120 of 2009 relating to Parallel</p>
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Operation Charges (Grid Support Charges) in Chhattisgarh by Order dated 18.02.2011 stated that *the State Commission is empowered to deal with the question as to whether the levy of parallel operation charges is permissible or not. This aspect has been dealt with by this Tribunal in judgment dated 12.9.2006 in Appeal No.99 of 2006. In the said judgment, this Tribunal upheld the levy of parallel operation charges by the State Commission.* Further, the Apex Court of India by its judgment dated 29.11.2019 in Civil Appeal No 8969 of 2003 (Grid Support Charges Batch matters) held that the State Electricity Regulatory Commission is vested with the power to determine the grid support charges. Hence, the levy of grid support charges is well within the provisions.

The grid support charges are not for drawl of power from the Distribution Licensee, but for utilization of parallel operation benefits by captive generators.

The licensee has not denied CPPs access to the network; the captive generators who intended to use and benefit from parallel operation need to compensate through Grid Support charges.

The advantages of parallel operation with the grid are benefited by the CPPs in addition to other facilities of other consumers. In view of the additional benefits than the normal other consumers, the CPPs who intended to use and benefit from parallel operation need to compensate through Grid Support charges. The said Grid Support charges are also one of the components in Retail Supply Tariffs and these charges are proposed to levy on the CPPs who intended to use and benefit from parallel operation. Hence the proposal of Grid Support charges for FY 2022-23 are well within the provisions of Act.

The above benefits are elaborated by TS Discoms during the GCC meetings with the stakeholders.

8. The Applicant Discoms have arbitrarily and without any substantiation proposed different rates of GSC for different types of generators. There is no reason stated as to why or on what basis such differentiation is made.	The proposed grid support charges of 50% of 475 per KVA per month during the FY 2022-23 RST filings, was supposed to be levied on differential capacity only i.e., difference between CPP capacity and CMD with Distribution Licensee. Whereas in other states, these grid support charges are calculated in entire capacity of Captive Power Plant (CPP).
9. There is no justification at all for how rates of GSC have been arrived at. The proposed levy has no basis and is grossly excessive, arbitrary, and so requires to be rejected.	Considering the interest of all stakeholders involved, the licensee has revised its GSC proposal as :
10. There is no mention of basis and methodology by DISCOMS for the proposed GSC of Rs.50 KW per Month.	<ul style="list-style-type: none"> ☐ The parallel operation/grid support charges are to be applied to the total installed capacity of the generators connected to the Grid ☐ Conventional generators shall pay Rs.50 per kW per month ☐ Renewable energy plants including waste heat recovery plants, the plants based on municipal solid waste, and the co-gen plants shall pay Rs.25 kW per month. ☐ Rooftop solar plants under net metering/gross metering policy shall pay Rs.15 per kW per month. ☐ Co-gen sugar mills shall pay charges of Rs. 25 per kW per month, for a period of 4 months or actual operation period, whichever is higher.
11. The proposed levy of GSC appears to be lifted from the Hon 'ble APERC's RSTO for FY 2022-23, which levy itself has been stayed by the Hon'ble APTEL vide order dated 20.05.2022 in DFR No. 186/2022, and orders dated 01.07.2022 in DFR Nos.240/2022, 241/2022 and 271/2022.	
12. There is no revenue or costs that are shown to be associated corresponding to the levy of GSC. As such, once the entire costs are recovered by the proposed RST alone, any further levy of GSC amounts to illegal and unjust enrichment of the Applicant Discoms at the cost of generating companies.	The detailed responses are already given in above Section 3 to 6
13. There is no provision in the statute that empowers the DISCOMS to levy Grid Support Charges on the Merchant power plants	The detailed responses are already given in above Section 3 to 6

<p>PRAYER:</p> <p>That, in view of the above, we pray that the Hon' ble Commission may be graciously pleased to</p> <ul style="list-style-type: none"> a) reject the proposal levy of Grid Support Charges as there is no such provision in the Statute/Electricity Act, whereas the STU /Transmission and Distribution Licensees are duty bound under the Electricity Act, 2003 and the National Electricity Policy, 2005 to provide connectivity to the generating stations b) In the event the Hon'ble Commission holds the proposal of GSC is valid, within the powers and jurisdiction and are leviable, it is prayed to engage an independent reputed third party to conduct a thorough system study and technical Issues c) To hold the levy till the third-party analysis is completed to the satisfaction of the Hon 'ble TSERC; d) To permit us to submit further submission, if any, on such an independent study for consideration of the Hon 'ble Commission either during the course of public hearing or separately e) Consider our foregoing objections, grant us a personal hearing and grant leave to adduce further evidential data in our support at the time of hearing;It is also requested to permit us to submit further submission, if any, during the course of public hearing either by our representative or legal counsel. 	<p>The detailed responses for levy of Grid Support Charges by TS Discoms are already given in above sections.</p> <p>Hon'ble TSERC has entrusted the responsibility of discussing and proposing the Grid Support Charges/ Parallel Operation Charges to the TS Grid Co-ordination Committee (GCC).</p> <p>The GCC has conducted meetings with all the stakeholders on different occasions to gather their views on the levy of GSC/POC. The detailed objections/ suggestions from the stakeholders received during these meetings were already addressed orally and in written by TS Discoms.</p> <p>Some of the stakeholders like CESS Siricilla, M/s PTC India, Mytrah Vayu (Godavari) Ltd., and representative of STU & person nominated by Hon'ble TSERC under clause 5.3(n) – Chief Engineer/ Transmission have expressed that they are in line with the views of TS Discoms and that the levy of Grid Support Charges is justified.</p> <p>Hence, TS Discoms request Hon'ble Commission to approve the proposal for levy of Grid Support Charges. TS Discoms would abide by the directions of Hon'ble Commission in this regard.</p>
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