

KERALA STATE ELECTRICITY REGULATORY COMMISSION

THIRUVANANTHAPURAM

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

February 3, 2011

Petition No. OP 25/2010

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 April 2010 to September 2010

Kerala State Electricity Board

- Petitioner

ORDER

Background

1. Kerala State Electricity Board (*hereinafter referred to as the Board or KSEB*) filed a petition on 12-11-2010 for imposing fuel surcharge on all consumers including bulk consumers and other licensees to recover the additional financial liability of Rs. 123.84 Crore estimated as per KSERC (fuel surcharge formula) Regulations, 2009 for the period from April to September 2010. The Commission admitted the petition and a hearing on the matter was held on 6-1-2011.
2. In the petition, the Board has estimated the additional financial liability on account of increase in fuel cost as shown below:

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	1502.59	1489.27	1409.05	1.08	1.68	89.29	85.51
Ramagundam	1111.43	1193.10	1098.65	1.40	1.59	22.98	21.90
NLC-II-Exp	186.97	187.94	172.78	1.14	1.66	9.85	9.07
RGCCPP-	466.79	468.27	399.91	7.34	7.17	-8.16	-5.49
BSES	121.01	121.01	121.01	7.16	7.89	8.85	8.85
KPCL	18.12	18.12	18.12	7.26	7.80	0.98	0.98
BDPP	60.93	60.93	60.93	7.10	7.38	1.68	1.68
KDPP	109.10	122.69	109.10	7.07	7.18	1.31	1.34
Total	3576.95	3661.33	3389.55			126.79	123.84

Hearing of the matter

3. The public hearing on the Petition was held on 6-1-2011 at the Commissions' office. KSEB stated that the cost of power purchase from Central Generating stations have increased by about 50% after the new CERC regulations are in force. The fuel prices have also increased which created additional burden on KSEB. The Board further stated that in the ARR order, the Commission has not fully considered the cost of internal generating stations such as KDPP and BDPP and hence actual values need to be considered for the purpose of the fuel surcharge.
4. KSEB's proposal was objected to by the consumers present in the hearing. The representative of HT-EHT Association Shri. George Thomas made detailed objections on the petition. The main objection was that KSEB is not following the regulation and not estimated the changes in fuel cost as provided in the regulation. Further they have pointed out that KSEB has violated Section 65 of the Act by not claiming the subsidy from the Government. They requested that the Commission may ascertain from KSEB that the subsidy ordered by the Government has actually been received by the Board. The Association also made sample calculation on the changes in fuel cost for own stations as per the Regulation. According to their calculations, for BDPP, the change in fuel cost is actually less by Rs.1.43 crore and for KDPP it is less Rs.3.52 Crore than allowed by the Commission. Thus the total variation is less by Rs.4.5 crore than the approved expenses, instead of Rs.3.02 crore more projected by KSEB. Shri George Thomas also pointed out discrepancy in energy input data compared to data available in the SRLDC website and Power Exchanges websites. According to the Association, current year hydro inflow is very good and hence no fuel surcharge is required. Further KSEB holds nearly Rs.2250 crore as surplus of previous years, additional collection of surcharge is not necessary.
5. Shri. A.A Nawas representing M/s Binani Zinc Limited stated that in the event of good rainfall, KSEB can substitute low cost hydro resources with costly thermal sources. KSEB has not provided monthwise data and hence consumers are not able to compare the data. The present market rate of power is less than Rs.4/kWh, but KSEB is scheduling high cost stations such as BSES and KPCL costing more than Rs.7/kWh. The aim of the regulation is given in the statement of reasons; that is to provide only changes in fuel cost periodically. But KSEB in their petition is seeking the cost due to variations in hydro thermal mix. Shri.A.R.Satheesh, representing M/s Carborandum Universal stated that he fully endorses the views of the HT-EHT Association. He pointed out the discrepancies in the data available from Power Exchanges and that given in the

KSEB petition. In reply KSEB pointed out that the data given in the petition is based on the details from regional energy accounting which is the basis for billing. There is always discrepancy in webbased SCADA data and the actual. The difference could also be due to open access charges and loss allocation.

Analysis of the Commission

6. The Commission considered the petition of KSEB and the objections thereof by the consumers. As an initial observation, the Commission notes that KSEB is not adhering to the regulation in a proper manner. As per the regulation, the details of fuel cost estimates are to be furnished in systematic manner on quarterly basis in a time bound manner. The present petition is for the two quarters together and that too furnished after considerable lapse of time. Apparently, KSEB approaches the Commission only if there is any additional burden due to increase in fuel costs, which is not proper as per the regulations. The Commission hereby directs that KSEB shall now on furnish the details in time bound manner as provided in the regulations.
7. During the hearing, the Commission specifically sought reply of KSEB on the objections of the consumers on the subsidy receivable from the Government. KSEB stated that though Government has issued orders, till now the cash is not disbursed to the Board. The Commission noted that the objections of the consumers stand vindicated by the reply from the Board that they have not received the subsidy extended to the consumers from Government, which is a violation of the Section 65 of the Act. The Commission is of the view that the Board has no obligation to provide subsidy to the consumers unless the Government releases the amount in advance. Till subsidy is received, the Board shall bill the consumers as per the tariff determined by the Commission. The Commission hereby directs that in future Board shall not extend subsidy to any consumer in violation of Section 65 of the Act. Further Board shall take up the matter with the Government immediately for releasing the subsidy in cash. The Board may also raise the demand for carrying cost for the delay in disbursement of subsidy. The progress shall be reported to the Commission within one month of the date of this order.
8. The main objection of the consumers present in the hearing was that the petition was not in order as per the regulations especially in the case of changes in fuel cost for own stations BDPP and KDPP. The regulations provide to pass on the changes in fuel cost of major fuel, which is estimated based on the bench mark parameter heat rate and auxiliary consumption. In the Order on ARR&ERC for the year 2010-11, the Commission has directed KSEB to provide proposals on

the benchmark parameters for deciding the norms. In the mean time, the Commission used the data given by KSEB earlier as a provisional benchmark. In the ARR&ERC Order the Commission mentioned as follows:

“The Commission is of the view that the proposal of the Board can be considered after a consultation process. In the mean time, for the purpose of estimation, following values based on the data submitted by KSEB is used. which shall be replaced with approved normative parameters as and when it is approved by the Commission”

9. However, the Board could provide these details after the Commission has initiated proceeding for non-compliance of directions. Since the details were given after considerable lapse of time, the Commission could not deliberate on the proposal in a detailed manner, which can be possible only during the ARR&ERC exercise for 2011-12. In the present proceedings, the Commission is going forward with the provisional benchmark parameters as given in the ARR&ERC Order for 2010-11. Once the decision on benchmark parameters for own stations is finally taken based on the proposal of the Board, the Board if they so desire may take up the matter with the Commission for revision of the amount admitted in this Order as per the approved norms.
10. The benchmark parameters fixed in the ARR&ERC order for 2010-11 is as follows:

Initial Benchmark parameters for BDPP/KDPP

	BDPP	KDPP
Gross station heat rate (kCal/kWh)	2000	1945
Average Calorific value of fuel (kCal/kg)	10045	9700
Lubricant oil consumption (ml/kWh)	1.32	0.50
Price of LSHS (Rs./MT)	35000	35000
Price of Lub Oil (Rs./lt)	110	95
Auxiliary Consumption	2.5%	2.5%

11. The Commission has noted that the auxiliary consumption of BDPP and KDPP for certain months are higher than the provisional benchmark of 2.5%. However, the Commission is not considering the same in this proceedings. Based on the above, and as per the regulations, the Commission estimates the changes in fuel cost for April to September 2010 as follows:

Fuel surcharge admissible for the 1&2rd Quarter (April to September, 2010)

Source	As per KSEB				Commission Estimates	
	Allowable Quantity	Approved Variable cost	Actual Average Variable Cost	Additional amount	Allowable Quantity	Amount admissible as Surcharge
	(MU)	(Rs/ kWh)	(Rs/ kWh)	(Rs.Cr)	(MU)	(Rs.Cr)
BDPP	60.93	7.10	7.38	1.68	0.00	-1.44
KDPP	109.1	7.07	7.18	1.34	0.00	-3.52
RGCCPP	399.91	7.34	7.17	(5.49)	399.91	-5.43
BSES- Kochi	121.01	7.16	7.89	8.85	121.01	8.88
KPCL	18.12	7.26	7.80	0.98	18.13	0.98
Talcher-II	1409.05	1.08	1.68	85.51	1409.06	85.22
NLC-TPS -1 Exp	172.78	1.14	1.66	9.07	172.77	9.10
Ramagundam	1098.65	1.40	1.59	21.90	1098.65	21.78
Total	3390			123.84		115.58

Monthwise admissible fuel surcharge for 1st & 2rd quarter

Additional Cost	April	May	June	July	August	September	Total
BDPP	(0.57)	(0.08)	(0.30)	(0.20)	(0.12)	(0.17)	(1.44)
KDPP	(0.94)	(0.54)	(0.72)	(0.35)	(0.52)	(0.44)	(3.52)
RGCCPP	4.99	3.90	-	-	-	-	8.88
BSES	0.29	0.47	0.11	0.03	0.03	0.05	0.98
KPCL	0.70	1.69	(2.88)	-	(2.67)	(2.27)	(5.43)
Talcher-	1.82	(0.56)	2.92	3.20	9.30	5.10	21.78
NLC TPS-1 Exp	0.96	1.46	1.47	1.84	1.66	1.72	9.10
Ramagundam	9.85	11.20	19.31	15.91	14.18	14.78	85.22
Total	17.09	17.53	19.90	20.43	21.86	18.77	115.58

12. The total fuel surcharge admissible for the 1st and 2nd quarter of 2010-11 works out to be Rs.115.58 crore, which translate to about 16 paise per unit for 6 months. The Commission has estimated a revenue surplus of Rs.350.57 crores in the ARR&ERC for 2010-11. The truing up for 2007-08 and 2008-09 is under process and the possibility of surplus from these years cannot be ruled out. The Commission had earlier adjusted the fuel surcharge Rs.265.84 Crore on account of change in fuel price for 3rd and 4th quarter of 2009-10 against the revenue surplus arrived at in the Order on ARR&ERC for 2010-11. The balance available is Rs.84.73 Crore. If the balance surplus of Rs.84.73 crore is considered, the requirement of surcharge to be levied from the consumers is only Rs.30.85 crore.

13. Considering the fact that the additional amount required is very small, the Commission feels that the administrative cost of passing on to the consumers for such an amount is not economical since billing computerization is not fully integrated and still the system is not capable of fool proof implementation as has

been evidenced from the experience in earlier occasion. Accordingly, the Commission defers the imposition of fuel surcharge for the next quarter. The balance amount arrived at shall be adjusted with the next quarter fuel surcharge and accordingly no amount is passed on to the consumers now.

Order of the Commission

14. As has been stated above, the Commission has approved Rs.115.58 Crore as fuel surcharge for the 1st and 2nd Quarter (April to September 2010) as against Rs.123.84 Crore proposed by KSEB. After considering the balance revenue surplus estimated for the year 2010-11 (Rs.84.73 Crore), the Commission arrives at a considered view that there is no requirement for imposition of fuel surcharge at present. The Commission hereby orders that the amount due as fuel surcharge for the 1st and 2nd quarter of Rs.115.58 Crore shall be adjusted against the balance revenue surplus of Rs.84.73 Crore for the year 2010-11. The remaining amount shall be considered together with next quarter fuel charge. The Board if deem fit may approach the Commission in case of additional amount once the benchmark parameters are finally decided.
15. The Board shall ensure that the subsidy of Rs.54 crore receivable from the Government seen to be approved for exempting domestic consumers having consumption below 120 units per month from fuel surcharge for the period from April 2009 to September 2009 is received in cash along with its carrying cost, with in a period of one month, failure of which shall be treated as violation of Section 65 of the Electricity Act, 2003 and appropriate penal action initiated.
16. The petition is disposed of. Ordered accordingly.

Sd/-

**P.Parameswaran
Member**

Sd/-

**Mathew George
Member**

Sd/-

**K.J.Mathew
Chairman**

Approved for Issue

Secretary