

KERALA STATE ELECTRICITY REGULATORY COMMISSION
THIRUVANANTHAPURAM

Petition No. : OP 18/2014

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 2014 to July 2014

Petitioner : Kerala State Electricity Board Limited
Vydyuthi Bhavan, Pattom, Thiruvananthapuram

PRESENT : Shri. T.M.Manoharan, Chairman
Shri. Mathew George, Member

ORDER DATED 08.01.2015

Background

1. Kerala State Electricity Board Limited (*hereinafter referred to as the KSEBL or the licensee*) filed a petition dated 21-10-2014 for the recovery of fuel surcharge on all consumers including bulk consumers and other licensees to recover the additional financial liability of Rs.32.39 crore estimated as per KSERC (Fuel Surcharge Formula) Regulations, 2009 for the first quarter of the financial year 2014-15 i.e., for the period from April 2014 to June 2014. As per clause 3(7) of the said regulations, the petition for fuel surcharge is to be filed within 15 days from the close of each quarter. Though there is delay in filing the petition, the Commission condoned the delay and admitted the petition as OP No.18/2014 on 7-11-2014 and public hearing on the petition was held on 3-12-2014.
2. In the petition, KSEBL has estimated the additional financial liability on account of increase in fuel cost as follows:

Additional liability on account of fuel price for the period from April to June 2014

Source	Energy procurement			Per unit cost		Add 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	776.30	796.65	738.39	1.54	1.53	-0.64	-0.60
Ramagundam-	588.20	638.17	588.20	2.14	2.45	19.99	18.40
NLC-II Stage-1	96.86	126.94	96.86	2.14	2.22	1.04	0.79
NLC-II Stage-2	137.95	172.91	137.95	1.99	2.22	4.01	3.19
NLC- Exp- Stage-1	108.78	137.03	108.78	2.14	2.10	-0.56	-0.45
Jhajjar	154.55	168.20	144.97	3.57	3.93	6.03	5.00
Simhadri	152.05	213.27	152.05	2.09	2.65	12.03	8.58
Vallur STPS	60.23	59.74	57.98	2.15	2.01	-0.83	-0.81
KDPP	74.10	88.38	74.10	11.31	11.07	-2.09	-1.71
Total	2149.02	2401.30	2099.29			38.97	32.39

3. The Commission issued press release on the petition for inviting objections and comments from stakeholders. Shri. M. Muhammad Hassan Master, Chairman, Kerala Janavedi State Committee, Thiroorangadi, in his written objections stated that the proposal for fuel surcharge is to be rejected since KSEBL failed to submit the petition on time. Shri, Dejo Kappen, Managing Trustee, Centre for Consumer Education, in his written submissions also raised objections on the petition. He stated that the percentage tariff increase in domestic category is highest between 2007 and 2014 and urgent steps should be taken to reduce the domestic tariff to 510 paise from 750 paise. According to him, the rich and influential consumers like HT-EHT consumers, who can influence the decisions of Government, KSERC and KSEBL are the least affected category. The interest of common man is not properly represented before KSERC. He suggested that a subsidy fund viz., Kerala State Domestic consumers electricity subsidy creation fund is to be created by charging Rs.2 per unit of hydro power generated. He further stated that even after 10 years of enactment of the Electricity Act, the KSEB has not been separated into three companies. Unless separate ARR&ERC are filed there is no meaningful analysis of performance of KSEB. The arrears of large consumers amounting to Rs.471.62 crore are still not collected and about Rs.392.66 crore is under dispute before High Court of Kerala. In many cases, the KSEBL has not even filed its objections and counters. KSEBL may be asked to submit the details of employee costs before allowing any revision in tariff. The benefits of low priced energy supplied to HT-EHT consumers are not transferred to the general public by way of lower price of the products.

4. The HT-EHT Industrial Electricity Consumers Association in their written objections stated that there is delay in filing the petition as per the KSERC (Fuel Surcharge Formula) Regulations. Hence, the petition is to be rejected summarily. They also stated that the KSEBL has not filed petitions for fuel surcharge for certain quarters, which means, that the petition is filed only if it is favourable to KSEBL. KSEBL is giving unnecessary information in the petition which are not required as per the regulations. According to the association, additional cost other than provided under the regulations need not be part of the petition. Even if the entire claim is accepted it amounts only to 7 paise, which is very small and hence there is no need to disturb the tariff.

The Kerala Small Industries Association, Kalamassery also provided similar objections as that of the HT-EHT Association. In their objections, the Small Industries Association stated that the petition without adhering to the regulations need not be admitted and the delay in filing the petition need not be condoned. KSEBL is benefitting from reduction of Rs.63 crore from short term purchase compared to the approved cost. The fuel cost works out only to 7 paise which is insignificant and hence need not be allowed.

Hearing of the matter

6. The public hearing on the Petition was held on 3-12-2014 at the Commissions' office. Other than the representatives of the KSEBL, Shri. Dejo Kappen, representatives of HT-EHT Industrial Electricity consumers Association, and Shri Santhosh were present for the hearing. In the hearing, Shri. Dejo Kappen strongly objected to the petition on fuel surcharge. According to him already tariff for the domestic category was increased three times and by more than 75%. He also repeated some of his written comments. Shri. George Thomas, representing the Kerala HT-EHT Association stated that the petition is not in conformity with the Regulations and hence is to be rejected. Shri. Satheesh, M/s Carborandum Universal stated that KSEBL has gained about Rs.63 crore on purchase from short term markets. The actual availability from GCGS during the period was higher. He also pointed out disparities in the data from Load dispatch centre and that presented in the petition. He suggested that since the amount of fuel surcharge to be collected is below 7 paise, the same need not be allowed now. Shri. Santhosh, stated that already increase in tariff given is abnormally high and it will be difficult for ordinary domestic consumers to pay such high tariff.

Analysis of the Commission

7. The Commission has considered the petition of KSEBL and the objections of the consumers. The fuel surcharge is allowed as per the KSERC(fuel surcharge

formula) Regulations 2009 to recover the difference in fuel cost allowed in the ARR order and the actual cost incurred by KSEBL. The general objection came in the hearing is on the delay in filing the petition. Representatives of KSEBL in the hearing had admitted the delay in filing the petition. Further, in the last two years i.e., 2012-13 and 2013-14, KSEBL has not bothered to file the petition for fuel surcharge. Hence, it is not possible to ascertain the changes in power purchase cost for these years. The Commission has taken serious note of the omission on the part of KSEBL in not having filed the petitions in time. The Commission had in the daily order dated 3-12-2014 had directed KSEBL to furnish the details of generation and power purchase for the years 2012-13 and 2013-14 for the purpose of ascertaining changes in fuel cost as per KSERC (fuel surcharge formula) Regulations, within two weeks. In this context, it is to be emphasized that the Commission may disallow the entire or part of the fuel surcharge if there is delay in filing the petition as per the regulations. However, for the present, the Commission condones the delay and admitted the petition.

8. Other issues relating to KSEBL as pointed out by Shri. Dejo Kappen, cannot be linked to the collection of fuel surcharge. In this context, it is pointed out that Hon. Appellate Tribunal for Electricity, New Delhi in its judgment dated 11-11-2011 on OP 1 of 2011, had directed all State Commissions to ensure that fuel surcharge is passed on periodically as per the regulations framed under Section 64 of the Electricity Act.
9. As per the data provided by KSEBL and based on the provisions of the Regulations, the amount admissible for fuel surcharge for 1st quarter is as follows:

Fuel surcharge admissible for the period from April to June 2014

Source	As per KSEBL Estimates				Commission Estimates	
	Allowable Quantity as per Regulation	Approved Variable cost	Actual Cost	Additional liability	Allowable Quantity	Amount admissible as Surcharge
	(MU)	(Rs/ kWh)	(Rs/ kWh)	(Rs.Cr)	(MU)	(Rs.Cr)
Talcher-II	738.39	1.54	1.53	-0.60	738.38	-0.74
Ramagundam- II&III	588.20	2.14	2.45	18.40	588.20	18.31
NLC-II Stage-1	96.86	2.14	2.22	0.79	96.86	0.78
NLC-II Stage-2	137.95	1.99	2.22	3.19	137.95	3.17
NLC- Exp- Stage-1	108.78	2.14	2.10	-0.45	108.78	-0.43
Jhajjar	144.97	3.57	3.93	5.00	144.98	5.01
Simhadri	152.05	2.09	2.65	8.58	152.06	8.58
Vallur STPS	57.98	2.15	2.01	-0.81	57.99	-0.79
KDPP	74.10	11.31	11.07	-1.71	74.11	-1.84
Total	2,099.29			32.39	2099.31	32.05

Month wise/source wise fuel surcharge admissible

Source	April	May	June	Total
	(Rs.Cr)	(Rs.Cr)	(Rs.Cr)	(Rs.Cr)
Talcher-II	1.02	(1.32)	(0.44)	(0.74)
Ramagundam- II&III	5.62	8.42	4.27	18.31
NLC-II Stage-1	0.29	0.23	0.26	0.78
NLC-II Stage-2	1.09	1.03	1.05	3.17
NLC- Exp- Stage-1	(0.18)	(0.07)	(0.18)	(0.43)
Jhajjar	1.04	1.68	2.29	5.01
Simhadri	2.46	3.21	2.91	8.58
Vallur STPS	(0.28)	(0.14)	(0.37)	(0.79)
KDPP	(0.51)	(0.90)	(0.42)	(1.84)
Total	10.55	12.14	9.37	32.05

10. The total fuel surcharge admissible for the 1st quarter of 2014-15, which is admissible and is to be recovered from the consumers as mentioned in clause 3(6) of the KSERC (Fuel Surcharge Formula) Regulations 2009 is Rs.32.05 crore.

11. The sub-regulation (4) of regulation 3 of the KSERC (Fuel Surcharge Formula) Regulations, 2009 states as follows;

“The approved fuel cost recovery rate (FCRR) shall be in the form of paise per unit (kWh) in addition to the energy charges as per the existing tariff for the energy billed for each consumer on a monthly or bi-monthly basis as the case may be”

In view of the said sub-regulation the rate of fuel surcharge is estimated as given below:

Total amount to be recovered as fuel surcharge	- Rs.32.05 Cr.
Total energy input from April 2011 to September 2011	- 5506.25 MU
Notional sales as per approved T&D loss (14.50%)	- 4707.84MU
Applying notional loss of 5% to sales to Licensees (140.64MU)-	7.032 MU
Total retail sales including licensees	- 4700.80 MU
Fuel surcharge	- <u>6.8 paise/kWh</u>

(Rounded off to 7 paise/kWh)

12. Thus the total amount due as fuel surcharge is assessed at Rs.32.05 crore, which has to be recovered from the consumers as mentioned in sub-regulation

(6) read with sub-regulation (8) of regulation 3 of the KSERC (Fuel Surcharge Formula) Regulations 2009. The said sub-regulations are quoted hereunder;

(6) The FCRR shall be uniformly applicable to all consumers in the State except domestic consumers with connected load less than or equal to 500W and having monthly consumption not more than 20 units.

(8) The Commission may decide appropriate period of recovery or adjustment of the total amount of fuel cost adjustment (F) and suitably adjust the FCRR considering its impact on the retail tariff of consumers.

The recent tariff order was issued by the Commission on 14.08.2014 and it is under implementation. In the said tariff order substantial increase in tariff had to be granted in view of the increasing cost of purchase of thermal power. Therefore another increase in tariff within a short period, by whatever name it is called, is likely to affect the consumer adversely. Therefore the Commission of the view that the recovery of the fuel surcharge approved as per this order may be postponed. The recovery of fuel surcharge can be allowed by the Commission along with the recovery of fuel surcharge pertaining to ensuing quarters. Accordingly the Commission orders as follows:

Orders of the Commission

13. (1) The Commission hereby approves an amount of Rs.32.5 crore as fuel surcharge for the period from April 2014 to June 2014 to be recovered from the consumers at the rate of Rs.0.07 / unit.

(2) The recovery of fuel surcharge as approved above is postponed to be recovered along with the fuel surcharge pertaining to ensuing quarters.

The petitions are disposed off. Ordered accordingly.

Sd/-

Mathew George
Member

Sd/-

T.M.Manoharan
Chairman

Approved for issue

Secretary