

**BEFORE THE ORISSA ELECTRICITY REGULATORY COMMISSION
BHUBANESWAR**

IN THE MATTER OF

An Application for approval of Open Access Charges for the financial year 2009-10, in accordance with the para 1(xiv), 2(vii) and 3(vi) of chapter II (Charges for Open Access) of OERC (Determination of Open Access Charges) Regulation, 2006, Transmission/Wheeling Charges, Surcharge and Additional Surcharge applicable to open access customers for use of intra -state transmission/ distribution system, in view of section 42 of the Electricity Act-2003.

AND

IN THE MATTER OF

Southern Electricity Supply Company of Orissa Ltd (SOUTHCO) Regd. Office-Plot No.N1/22, IRC Village , Nayapalli, Bhubaneswar -751012.

-----Licensee

Affidavit verifying the application for approval of Open Access Charges for the year FY 2009-10.

I, Shri A K Bohra, Son of Late Dr. Y D Bohra, aged about 54 years, residing at Courtpeta, Berhampur, do hereby solemnly affirm and state as follows:-

I am the Chief Executive Officer of the Southern Electricity Supply Company of Orissa Limited (SOUTHCO), Regd. Office-Plot No.N1/22, IRC Village , Nayapalli, Bhubaneswar -751012.

The statements made above along with the annexures annexed to this application are true to the best of my knowledge and the statements made are based on information and records and I believe them to be true

Berhampur

Date 17th January-2009

DEPONENT

Chief Executive Officer.

SOUTHCO

1 Executive Summary

Southern Electricity Supply Company of Orissa Limited, Berhampur,(SOUTHCO), is the holder of the Orissa Distribution and Retail Supply License, 1999 (No 2/99) and has been carrying out the business of distribution and retail supply of electricity in the eight districts of Orissa namely Ganjam, Gajapati, Kandhamal, Boudh, Rayagada, Koraput, Nabarangpur and Malkanagir. This submission is made by the licensee to the Honourable Commission for the determination of Open Access Charges for the Financial Year 2009-10.

The Orissa Electricity Regulatory Commission (herein after referred to as Commission), in exercise of the Power vested in it under Sections 42, 61 and 86 of the Electricity Act 2003 (herein after referred to as EA 2003) and all other powers enabling in this behalf, determines the frame work for computation and implementation of cross subsidy surcharge for open access transactions within the State of Orissa.

The Hon'ble Commission in its Notification dated 6th June 2005 made the Regulations for open access to the intra-state transmission and distribution systems and terms and conditions thereof.

Further, the Hon'ble Commission in its Notification dated 6th June 2006 made the Regulations for Determination of Charges for Open Access customers in the intra-state transmission and distribution systems in the State of Orissa.

The Hon'ble Commission directed to the Distribution licensees to file the Open Access charges based on the above regulations for FY 2009-10 by 31.12.2008 without fail.

The licensee has requested the Hon'ble Commission on dt.31.12.2008 to grant 20 days time for submission of computation of Open Access charges.

In view of above the licensee submits

- 1.1 That the Licensee in accordance with regulations framed by Hon'ble Commission under the provision of Electricity Act 2003 is required to file the wheeling charges, Cross-Subsidy surcharge, additional surcharge and Miscellaneous charges etc. before the Commission for approval.
- 1.2 That the consumers intend to have open access to the distribution and/or intra state transmission systems to avail supply of electricity from any licensee other than the distribution licensee of their respective area of supply, are to be permitted by the nodal agency in accordance with the following phases.

| Phase | Eligibility Criteria | Commencement date |
|--------------|--------------------------------|--------------------------|
| 1.0 | Requiring power exceeding 5 MW | August 1, 2005 |
| 2.0 | Requiring power exceeding 2 MW | April 1, 2006 |
| 3.0 | Requiring power exceeding 1 MW | April 1, 2008 |

- 1.3 That the licensee is required to provide non-discriminatory open access to the consumers within the period as stipulated by the Hon'ble Commission in accordance with the provisions of Section 7 (d) under Chapter-III of the OERC (Terms and Conditions for determination of tariff) Regulations 2004.
- 1.4 That the licensee is required to get compensation for the loss of cross subsidy element from the consumers or category of consumers who have opted for Open Access to take supply from a person other than the licensee in accordance with the provisions of Section 7 (c) under Chapter-III of the OERC (Terms and Conditions for determination of tariff) Regulations 2004.
- 1.5 That the licensee is required to get additional surcharge to meet the fixed cost arising out of his obligation to supply to the consumers or category of consumers who have opted for Open Access in accordance with the provisions of Section 7 (e) under Chapter-III of the OERC (Terms and Conditions for determination of tariff) Regulations 2004.

1.6 That the licensee submits before the Hon'ble Commission that Hon'ble OERC directed SOUTHCO as a part of BSP order 2008-09 to explore consumers to access power from SOUTHCO on Open Access. Accordingly, SOUTHCO contacted M/s FACOR & M/s Balasore Alloys of NESCO and made an agreement with M/s FACOR. The copy of the agreement also filed before Hon'ble Commission. M/s FACOR applied before SLDC but the matter could not be materialised due to certain hassels mainly related to Security Deposits, SCADA connectivity, SMD calculation of different licensees etc. which need further clarifications from Hon'ble OERC. The licensee reserves the right to file before the commission Additional Surcharge to offset the shortfall of fixed costs if any in future.

1.7 That the present application is presented before the Hon'ble Commission for the approval of the wheeling charges, Cross-Subsidy surcharge and Additional Surcharge in the order of Retail Supply Tariffs for FY 2009-10.

1.8 Prayer

In the aforesaid facts and circumstances, the licensee requests that the Hon'ble Commission may be pleased to:

- ? Take the Petition for wheeling charges and Cross Subsidy Surcharge and additional surcharge on record.
- ? Approve the Wheeling charges and Cross Subsidy Surcharge and additional surcharge for FY 2009-10.
- ? Cross Subsidy surcharges is subject to change if the BSP and Transmission charges changes w. r. t the approved BSP and Transmission charges of previous year.
- ? Any other relief, order or direction which the Hon'ble Commission deems fit be also issued.
- ? Petitioner craves leave and reserve the right to make further submission.

2 Background

Southern Electricity Supply Company of Orissa Limited (SOUTHCO) is the holder of license No.2/99 granted by OERC under Section 15 of the OERA vide their order dated 31st March, 1999 and has been operating under the license granted by the Commission.

The Electricity Act 2003 (EA 2003) enables eligible consumers to have non-discriminatory Open Access (OA) to the network of a Licensee on payment of applicable charges. The EA 2003 and National Electricity Policy (NEP) formulated therein mandate the State Electricity regulatory Commissions to frame the terms and conditions and timeframe for introduction of OA in the State.

The Commission notified the OERC (Terms and Conditions of Tariff) Regulations, 2004 for Utilities in the State of Orissa as well as OERC (Terms and Conditions for Open Access) Regulations, 2005. However, in order to implement Open Access in the State, Hon'ble Commission is required to determine the following charges to be paid by the OA consumers:

- a. Transmission charges/ Wheeling charges;
- b. Cross-subsidy surcharge;
- c. Additional surcharge.

The Hon'ble Commission has defined the methodology in its Regulation, 2006 (Determination of Open Access Charges) for determination of transmission charges, wheeling Charges, Cross Subsidy surcharge and Additional Surcharge for use of the intra-State transmission network within the State. Further, the Hon'ble Commission will determine the above open access charges during the tariff determination process currently underway for all Utilities in the State.

In the said Regulation 2006 the Hon'ble Commission has prescribed the methodology to be followed for determination of transmission charges, wheeling charges, cross-subsidy surcharge and additional surcharge. It is requested that based on the prescribed methodology, the transmission charges, wheeling charges, cross-subsidy surcharge would be calculated during the tariff determination exercise currently underway.

3. Open Access Charges

The OERC (Determination of Open Access charges) Regulation, 2006 provides that the Open Access Customers shall pay the following charges besides the other charges mentioned in the regulation for the use of the intra-state distribution system.

3.1 Transmission/Wheeling Charges

- (i) The Regulation provides that Open access customers connected to the intra-state transmission/distribution systems shall pay the transmission and wheeling charges as applicable to the appropriate licensees, as the Hon'ble Commission may determine from time to time.
- (ii) The formula prescribed by the Hon'ble Commission in the regulation for the computation of open access for long term customer is as under:-

$$LT_RATE = \frac{\text{Net Approved Transmission Cost (NATC)}}{\text{Average_Demand in the State (in MW)}} / 365$$

The transmission charges payable by short-term customers in terms of Rs./MW/Day in case of uncongested transmission corridor shall be calculated in accordance with the following methodology:-

$$ST_RATE = 0.25 \times [NATC / \text{Average_Demand in MW}] / 365$$

The Wheeling cost is to be computed on the basis of the same principle as mentioned above for the transmission charges

- (iii) Wheeling cost as calculated by SOUTHCO is as under and the detail computation is annexed as **Annexure-A**.

Table showing wheeling charge:-

| Description | EHT | HT |
|-----------------------------------|----------------|-----|
| Wheeling charges (Paise per unit) | Not Applicable | 111 |

3.2 Cross Subsidy-Surcharge

- (i) Cross subsidy Surcharge to be levied on open access customers as determined by the Commission keeping in view the loss of cross-subsidy from these customers opting to take supply from a person other than the incumbent distribution licensee.
- (ii) Further submitted that the methodology prescribed in the National Tariff Policy is as under;

$$S = T - [C (1 + L / 100) + D]$$

Where

S is the surcharge

T is the Tariff payable by the relevant category of consumers;

C is the Weighted average cost of power purchase of top 5% at the margin excluding liquid fuel based generation and renewable power

D is the Wheeling charge

L is the system Losses for the applicable voltage level, expressed as a Percentage. It is further provided that the cross-subsidy surcharge should be brought down progressively and, as far as possible, at a linear rate to a maximum of 20% of its opening level by the year 2010-11.

In the above case the weighted average cost of power purchase of top 5% at the margin has been considered basing on the fact that, in case of consumer opting for open access, the Licensee could be in a position to discontinue purchase of power at the margin in the merit order.

Since the Licensee is purchasing power in bulk from Gridco and the Hon'ble Commission fixes the BST every year, in case of a consumer opt for open access will not have appreciable affect on the bulk supply rate. Therefore the computation of the cross subsidy surcharge based on the National Electricity Policy may not be appropriate in case of the Licensee. And it is submitted that "C" should be considered as the weighted average cost of power purchase from all sources.

- (iii) The Hon'ble Commission in it's regulation vide para 2(iv) of the Chapter-II has directed to compute the Cross-subsidy surcharge by the licensee as the difference between (1) the tariff applicable to relevant category of consumers and (2) the cost of the distribution licensee to supply electricity to the consumers of the applicable class.

Accordingly the Licensee computed the cross subsidy surcharge, which is mentioned in the following table.

Table showing Cross Subsidy Surcharge:-

| Description | Paise/Kwh | |
|-------------------------------|-----------|-----|
| | EHT | HT |
| Bulk Domestic | | 52 |
| Agro Industrial Consumer | | -70 |
| Specified Public purpose | | 150 |
| HT Industrial (M) Medium Ind. | | 167 |
| General Purpose (>=110kVA) | | 164 |
| Public Water Works | | 150 |
| Large Industry | 230 | 171 |
| Power Intensive Industry | | 74 |
| Railway Traction | 307 | |

The statement of detail computation is annexed as **Annexure -B**.

3.3 Additional Surcharge

- (i) The open access customer shall also be liable to pay additional surcharge on charges of wheeling, in addition to wheeling charges and surcharge, to meet the fixed cost of the distribution licensee arising out of his obligation to supply as provided under sub-section (4) of section 42 of the Act, in case open access is sought for receiving supply from a source other than the distribution licensee of his area of supply.
- (ii) The distribution licensee whose consumer intends to avail of open access are required to submit to the Hon'ble Commission within 30 (thirty) days of receipt of application, on account of fixed cost, which the licensee is incurring towards his obligation to supply.
- (iii) The additional surcharge shall be leviable for such period as the Hon'ble Commission may determine from time to time.

(iv) The Hon'ble Commission shall scrutinise the statement of accounts to be submitted by the licensee and determine the amount of additional surcharge payable by the open access customer to the licensee on case-to-case basis. As there is no instances of any consumer applying for open access, the licensee humbly submit that the Hon'ble commission may determine the additional surcharge as and when any consumer applying for open access, considering the licensee submission in accordance to the provision of the regulation.

4. Hon'ble Commission vide its order dt. 29.03.2008 and subsequent order dt. 22.08.2008 approved the Open access charges for the FY 2008-09 of SOUTHCO while deciding the case 69 of 2006. The charges approved under different category for FY 2008-09 are as under.

| Wheeling Ch. p/u | Load Factor (%) | 100% | 90% | 80% | 70% | 60% | 50% | 40% | 30% | 20% | Median |
|------------------|------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | Tariff(HT) p/u | 291 | 299 | 309 | 321 | 338 | 361 | 376 | 401 | 452 | 366 |
| 85 | | 108 | 116 | 125 | 138 | 155 | 178 | 193 | 218 | 269 | 182 |
| | Tariff(EHT) p/u | 276 | 285 | 295 | 308 | 326 | 351 | 366 | 391 | 442 | 354 |
| 21 | | 185 | 194 | 204 | 217 | 235 | 260 | 275 | 300 | 351 | 263 |

5 Other proposals

5.1 It is submitted that allowing open access to a consumer, the distribution licensee may be allowed to reserve adequate transmission corridor for new consumer, to safe guard the interest of the new consumers.

5.2 It is submitted that the Regulation as well as the Approval of determination of Open Access charges does not specify about the recording of SMD of the Open access consumer. Now the question arises whether the SMD shall be recorded with the embedded licensee (where the consumer is directly connected with the system) or with the licensee where commercial arrangement has been made.

This need to be clarified and also the approval SMD in respect of the each distribution licensee shall be increased/decreased as the case may be due to the Contract Demand / recorded maximum demand of the Open Access Consumer.

5.3 That the licensee submits that discrimination may not be made between new or existing consumer, new consumers should pay cross subsidy charges as the existing consumers are required to pay. Here the licensee draws the attention to the decision of the Hon'ble Maharashtra Electricity Regulatory Commission in the case no.9 of 2006 on "**methodology for computation of cross subsidy surcharge for open access transaction**" MERC stated that, "New consumers will not be exempted from levy of cross subsidy surcharge."

6. Prayer

In the aforesaid facts and circumstances, the licensee requests that the Hon'ble Commission may be pleased to:

- ? Take the Petition for wheeling charges, cross subsidy surcharge and additional surcharge on record.
- ? Approve the Wheeling charges, Cross Subsidy Surcharge and additional Surcharge for FY 2009-10.
- ? Cross Subsidy surcharges is subject to change if the BSP and Transmission charges changes w. r. t the approved BSP and Transmission charges of previous year.
- ? Any other relief, order or direction which the Hon'ble Commission deems fit be also issued.
- ? Petitioner craves leave and reserve the right to make further submission.

By the Applicant
Through it's Chief Executive Officer

Berhampur
Dated 17th January 2009

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BHUBANESWAR**

FILE No.-----

CASE NO.-----

IN THE MATTER OF

An Application for approval of Open Access Charges for the financial year 2009-10, in accordance with the para 1(xiv), 2(vii) and 3(vi) of chapter II (Charges for Open Access) of OERC (Determination of Open Access Charges) Regulation, 2006, Transmission/Wheeling Charges, Surcharge and Additional Surcharge applicable to open access customers for use of intra -state transmission/ distribution system, in view of section 42 of the Electricity Act-2003.

AND

IN THE MATTER OF

Southern Electricity Supply Company of Orissa Ltd (SOUTHCO)
Applicant

The humble applicant above named respectively showeth.

**Chief Executive Officer.
SOUTHCO**