

PUNJAB STATE ELECTRICITY REGULATORY COMMISSION  
SCO NO. 220-221, SECTOR 34-A, CHANDIGARH

Petition No. 21 of 2018

Date of Order: 20.07.2018

Present: Ms. Kusumjit Sidhu, Chairperson  
Sh. S.S. Sarna, Member  
Ms. Anjali Chandra, Member

In the matter of: Petition for approval of Fuel Cost Adjustment (FCA) Surcharge for 4<sup>th</sup> quarter (January, 2018 to March, 2018) of FY 2017-18.

AND

In the matter of: Punjab State Power Corporation Limited (PSPCL), The Mall, Patiala.

**ORDER**

PSPCL has filed Petition No. 21 of 2018 for approval of Fuel Cost Adjustment (FCA) Surcharge for 4<sup>th</sup> quarter (January, 2018 to March, 2018) of FY 2017-18 to adjust the tariff by incorporating the effect of change in fuel cost in respect of its own Thermal Generating Stations and change in cost of power purchase from other thermal generating stations through long term contracts during the period, under the provisions of Section 62(4) of the Electricity Act, 2003, provisions of Regulation 55 of the Punjab State Electricity Regulatory Commission (Conduct of Business) Regulations, 2005 and provisions of para 5.9 (Fuel Cost Adjustment) of Tariff Order for MYT Control Period from FY 2017-18 to FY 2019-20. The Petition was admitted on 08.06.2018.

2. During the hearing on 11.07.2018, PSPCL submitted memo no. 2285 dated 10.07.2018 stating that the following factors with

respect to Coal price and rail freight have led to the increase in variable cost of power purchase during the 4th quarter of FY 2017-18:

- i) M/s CIL rationalized coal prices from 09.01.2018 vide notification dated 08.01.2018 due to which coal prices of Grade-6 to Grade -14 increased by 3 to 22%.
- ii) Royalty (14% of base price), 30% on Royalty towards District Mineral Foundations Trust (DMFT), 2% on royalty towards national Mining Exploration Trust (NMET) is leviable on basic price of coal, so these have also increased proportionately thus resulting in net increase in coal price by 0.55% to 4.07%.
- iii) CIL levied "Evacuation Facility Charge" @ Rs. 50 per MT w.e.f. 20.12.2017 vide notification dated 19.12.2017.
- iv) CIL Management fees @ Rs. 1 per MT has been levied w.e.f. March, 2018.
- v) Sizing/Breaking Charges increased by 10% w.e.f. 01.09.2017 resulting in increase by Rs. 8 to 10 per MT.
- vi) The Surface Transport Charges (STC) has been rationalized w.e.f. 04.11.2017. Due to this, the STC has been increased from Rs. 57 to Rs. 73/90 for 3 to 10 km distance and from Rs. 116 to Rs. 123/155 for 10 to 20 km distance.
- vii) The Railway imposes "Busy season charge" at the rate of 15% over and above the base freight rate for all the period during the year except 1<sup>st</sup> July to 30<sup>th</sup> September (in this regard copy of Railway Board letter No. TR/1078/2015/14 dated 20.07.2015 is enclosed). Due to this, the effective increase in freight comes out to be 16.54% taking into account

development charges @ 5% and GST @ 5%. Now, Railways vide rates Circular No. 1 of 2018 has rationalized the coal rates by merging busy season surcharge & development charges applicable w.e.f. 15.01.2018.

- viii) The levy of GST @ 5% w.e.f. July 2017 in place of 4.5% Service Tax.
- ix) Further in case of NPL Rajpura, in addition to the above factors, the additional payment to NPL towards GCV at project site, Washing Charges, Surface transportation charges etc. as per Hon'ble Supreme Court judgments dated 05.10.2017 and 15.12.2017, has also increased the fuel cost. The variable cost considered for H2 of FY 2017-18 is of month September 2017 which is without effect of Hon'ble Supreme Court judgment.
- x) As per CERC notification dated 10<sup>th</sup> October 2017 there has been increase in Escalation rates from 01.10.2017 to 31.03.2018 leading to increase in Escalation index for fuel energy charges, transportation charges and fuel handing charges for Mundra UMPP.
- xi) For Pragati TPS, the variable cost increased due to increase in prices of primary fuel i.e. RLNG from \$2.48/MMBTU to \$2.89/MMBTU w.e.f. 01.10.2017. Moreover, US Dollar rate has also increased during the period.
- xii) For power from NPC plants (NAPP & RAPPs), the tariff rates have been revised by Department of Atomic Energy Tariff notification dated 22.03.2018 applicable from 1<sup>st</sup> April 2017. The energy bills for January, 2018 onwards are as per this notification.

xiii) The landed coal price increased during 4<sup>th</sup> quarter as compared to September 2017 for Durgapur, Rihand & Kahalgaon TPSs.

Further, on query, it was explained by PSPCL that the reason for lesser fuel cost of PSPCL's own thermal plants as compared to the IPPs is on account of adjustment of credit in fuel cost afforded by the Coal companies in the 4<sup>th</sup> quarter.

3. The Commission vide Order dated 12.07.2018 directed PSPCL to intimate:

- i) The actual station wise coal cost and the amount of credit adjusted in PSPCL's own generating stations.
- ii) Component wise percentage increase in fuel cost as per details furnished in the aforementioned letter dated 10.07.2018, along with calculation sheets of variable cost of IPPs.
- iii) Justification of higher variable cost of power for GVK than its own plants despite having better normative parameters of SHR & Auxiliary consumption and capping of coal cost of GVK as per weighted average coal cost of PSPCL's own plants.

PSPCL was also directed that, it needs to demonstrate that it has followed the Commission directions (contained in para 3.9.7 of the Tariff Order for FY-2018-19) regarding surrendering of surplus power as per merit order and give justification for procuring power from the generating stations having higher variable cost than its own plants.

4. During the hearing on 17.07.2018, PSPCL submitted the requisite information vide its memo no. 2288 dated 16.07.2018.

The information submitted by PSPCL indicated adjustment of credit of Rs. 14.26 crore and Rs. 20.56 crore respectively in fuel cost of GGSSTP and GHTP, indicating that in case this credit was not given fuel cost of PSPCL's Thermal Plants could have been Rs. 456.72 crore (421.90+14.26+20.56) implying average net generation cost of Rs. 3.43/Unit which works out to be higher than the variable cost of Rs. 3.24/Unit of GVK. On query PSPCL vide its memo dated 17.07.2018 submitted the actual consumption for the 2nd quarter of the previous year as under:

1.	Total Consumption/Sale of metered category	MU	10341.13
2.	Total Consumption/Sale of un-metered category	MU	6337.29
	Total Consumption/Sale (1+2)	MU	16678.42

#### 5. **Commission's Observations and Findings**

In the Petition, PSPCL has worked out the total FCA amount chargeable as Rs. 160.31 crore and calculated chargeable FCA as 17 paise/unit for metered category consumers and 17 paise/unit or Rs. 6.94/BHP/month for unmetered category consumers. The Commission observes that:

- a) PSPCL has worked out the fuel cost of own thermal plants by taking transit loss of coal as 1% instead of actual which is less than 1%. Regulation 40 of Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2014, provides that; the landed cost of fuel in case of coal shall be arrived at after considering normative transit and handling losses as percentage of the quantity of indigenous coal dispatched by the coal supplying company as 1.0% (one) percent or actual, whichever is less, provided that

no transit and handling losses shall be permissible in case of coal which is priced on FOR destination basis. Accordingly, fuel cost of PSPCL's Thermal Generating Stations have been reworked by considering the actual transit loss of (-) 1.22% and (-) 2.86% respectively for GGSSTP and GHTP.

- b) While calculating the chargeable FCA per unit, PSPCL has considered the consumption figures of January 2018 to March 2018. However, the Commission is of the view that since consumption during the 2<sup>nd</sup> quarter is much higher than the 1<sup>st</sup> quarter, per unit FCA rate worked out on the basis of consumption in 1<sup>st</sup> quarter shall result in excess recovery when levied on the consumption during the 2<sup>nd</sup> quarter. Thus, the Commission has decided that to arrive at the appropriate rate of FCA surcharge, projected consumption of the period during which it is to be actually recovered shall be considered. Accordingly, FCA rates have been computed by considering the projected overall/AP consumption for 2<sup>nd</sup> quarter of FY 2018-19 by applying the expected growth rate of 5%/2.25% (i.e. the percentage growth projected in consumption for FY 2018-19 over the consumption approved in APR for FY 2017-18) on the actual consumption of 2<sup>nd</sup> quarter of FY 2017-18 submitted by PSPCL.

The FCA figures submitted by PSPCL and that computed by the Commission are depicted below:

(Rs. Crore)

Sr. No.	Item	As per rates projected in APR of FY 2017-18	Submitted by PSPCL in Petition		Computed by the Commission	
			Amount	Difference	Amount	Difference
1.	a) Fuel Cost of PSPCL's Thermal Generating Stations	446.145	435.853	-10.29	421.90	-24.25
	b) Power Purchase Cost of other Thermal Generating Stations	2011.99	2182.59	170.60	2182.59	170.60
2.	Amount to be adjusted			160.31		146.35
3.	Total Consumption on which amount is to be adjusted/recovered		9239.08 MU		17512.34 MU	
4.	FCA Surcharge (Rs.)		0.17/Unit		0.08/Unit	
5.	FCA Surcharge for all category of consumers except AP (Rs.)		0.17/Unit		0.08/Unit	
6.	FCA Surcharge for AP consumers (Rs.)		0.17/Unit or 6.94/BHP/Month		0.08/Unit or 6.00/BHP/Month	

Thus, the Commission decides to provisionally allow recovery of Rs. 146.35 (-24.25 + 170.60) crore on account of increase in Fuel Cost of PSPCL's own Thermal Generating Stations and increase in Power Purchase Cost from other Thermal Stations under long term contract with PSPCL during the 4<sup>th</sup> quarter of FY 2017-18. The FCA surcharge as indicated above shall be leviable during the 2<sup>nd</sup> quarter of FY 2018-19, subject to reconciliation/ validation during the True up of FY 2017-18.

The Petition is disposed of accordingly.

Sd/-

**(Anjuli Chandra)**  
Member

Sd/-

**(S.S. Sarna)**  
Member

Sd/-

**(Kusumjit Sidhu)**  
Chairperson

Chandigarh

Dated: 20.07.2018