

Before

UTTARAKHAND ELECTRICITY REGULATORY COMMISSION

In the Matter of

- (i) Determination of Additional Surcharge to meet the fixed cost of UPCL arising out of his obligation to supply and**
- (ii) Re-determination of cross-subsidy surcharge.**

AND

In the Matter of:

**Uttarakhand Power Corporation Limited,
Urja Bhawan, Kanwali Road, Dehradun**

Applicant

Coram

Shri Jag Mohan Lal- Chairman

Date of Order: 18th August 2011

ORDER

A petition was filed before the Commission by Uttarakhand Power Corporation Limited, the sole Distribution licensee in the State, on 10.03.2011 seeking determination of Additional Surcharge to meet the fixed cost of UPCL arising out of its obligation to supply together with re-determination of cross subsidy surcharge.

2. Copy of the petition was forwarded to constituent members of Industries Associations of Uttarakhand for seeking their comments on behalf of their associations. No Comment has been received in the matter.
3. The Commission in its Order dated 29.11.2010, in the matter of determination of charges applicable on the consumers seeking open access to intra-State/transmission and/or distribution system had inter-alia determined the cross subsidy surcharge for the years 2010-11& 2011-12 in accordance with the provisions of the UERC (Terms and Conditions of Intra- State Open Access) Regulations, 2010.
4. The petitioner in the said petition has proposed different methodology for determination of cross subsidy surcharge for normal, peak and off-peak hours and requested the Commission to implement the same. The Commission is of the view that since the cross subsidy surcharge have been determined in accordance with the provisions of the regulations it shall not be appropriate to revisit the issue of re-determination of cross subsidy surcharge at this point of time.
5. For justification of validity of Additional Surcharge and its determination, the petitioner in its petition has brought to the notice of the Commission that 50% of its total power purchase cost is of fixed nature, which it is liable to pay in full to the generating stations/traders from whom it arranges power, even when it draws no power. The petitioner further contended that since it has an obligation to supply power, it has to enter into agreements for purchase of power from various generating stations/traders for meeting the entire demand of the State, well in advance. As such, when these embedded consumers draw power from any other person under open access, the fixed cost of the supply taken by these consumers from elsewhere is still payable by the licensee.
6. The Commission is fully aware of the fact that the petitioner's fixed cost of the power arranged by it, well in advance, for meeting the demand of embedded

consumers would get stranded when such consumers draw power through open access from elsewhere for meeting their part/full load requirements during the day.

7. Before examining the matter it is pertinent to refer to the following provisions contained in the Tariff policy and the UERC (Terms and Conditions of Intra-State Open Access) Regulations, 2010 with regard to additional surcharge:

The National Tariff Policy very categorically states:

“The additional surcharge for obligation to supply as per section 42(4) of the Act should become applicable only if it is conclusively demonstrated that the obligation of a licensee, in terms of existing power purchase commitments, has been and continues to be stranded, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract. The fixed costs related to network assets would be recovered through wheeling charges.”

The regulation 24(3) of UERC (Terms and Condition of Intra-state Open Access) Regulations, 2010 state:

“The distribution licensee shall submit to the Commission, on six monthly basis, a detailed calculation statement of fixed cost which the licensee is incurring towards his obligation to supply.

The Commission shall scrutinize the statement of calculation of fixed cost submitted by the distribution licensee and obtain objections, if any, and determine the amount of additional surcharge:

Provided that any additional surcharge so determined by the Commission shall be applicable only to the new open access consumers.”

8. Based on the above provisions, it is implied that additional surcharge to be recovered from open access consumers is justified when licensee’s fixed cost component of power purchase remains stranded and is not being recovered in

a situation when an embedded consumer of the licensee also starts drawing power through open access for meeting its part/full load requirements.

9. Before estimating as to what should be the additional surcharge to be levied for the current year 2011-12, it is pertinent to refer to UERC (Terms and Conditions of Intra-State Open Access) Regulations, 2010 wherein it has been provided that open access charges applicable for the financial year shall be based on the ARR of the preceding year. Accordingly, in order to analyse the issue of additional surcharge, it is relevant to ascertain in the first instance the fixed cost component of power purchase of UPCL for the FY 2010-11. Based on the Tariff Order dated 10.04.2010 for FY 2010-11, power purchase fixed cost of UPCL for FY 2010-11 has been presented in Table 1 below:

Table1 : Power Purchase Fixed cost of UPCL for FY 2010-11

Description	MU	Crores	Rs./unit
Sales	6280.11		
Sales with Eff improvement	6384.16		
(A) Other Fixed cost of UPCL (wheeling charges)		418.81	0.66
(B) Total Power Purchase costs		1720.49	2.69
<i>(i) Variable cost</i>		1116.83	1.75
<i>(ii) Fixed cost</i>		603.66	0.95

10. Since, embedded consumers of UPCL would be seeking open access at different periods/time-intervals during the day, the fixed cost component of power purchase of the licensee, which is dependent on the time of drawl, would be varying based on the CGS/other stations being dispatched including over-drawl of power under UI. Therefore, in a situation where cost of power purchase varies frequently during the day, it may not be prudent to fix a single rate for additional surcharge.
11. Further, as stipulated in the Tariff Policy and Open Access Regulations that the additional surcharge should commensurate with the stranded fixed cost on account of power purchase committed by the licensee, therefore, it is justifiable to apply this additional surcharge on consumers availing continuous supply

option and still wanting to draw power through open access in various time periods.

12. Based on the above and considering the uncertain scenario of power purchase cost on a day to day basis, it has been considered that, since, embedded consumers of licensee, availing continuous supply option, are liable to pay the open access charges namely wheeling charges, transmission charges, cross-subsidy charges etc. except continuous supply surcharge of 15% while availing open access, a normative additional surcharge of 15% on prevalent energy charges as per Tariff Order, may be levied on energy drawn through open access by these embedded consumers availing continuous supply option and seeking to draw part or full of its demand through open access.
13. However, the embedded consumers who do not have continuous supply option agreement with the licensee and are subject to power cuts, need not pay the additional surcharge, as the licensee has not committed purchase of power from any generating station/trader for this category of consumers during the period of power cuts and as such the question of fixed cost of the licensee remaining stranded does not arise.
14. Taking a sample case of HT industry consumers having load factor above 50%, the ToD rate of energy charge along with 15% additional surcharge have been summarised below:

Table 2 : Rate of Energy charge along with 15% additional surcharge

	Normal Hours	Peak Hours	Off-peak Hours
ToD rate of energy charge	3.20/kVAh	4.80/kVAh	2.88/kVAh
15% of ToD rate of energy charge	0.48/kVAh	0.72/kVAh	0.43/kVAh

15. It can be seen from Table 2 above that normative surcharge calculated @ 15% on energy charges to a larger extent cover the Additional Surcharge estimated in Table 1 on the basis of details given in the Tariff Order for FY 2010-11.

16. In the light of the above, the Commission Orders that:

- (i) The licensee shall charge Additional Surcharge only from those embedded consumers who avail the continuous supply option and draw power through open Access for meeting their part/full load requirements.
- (ii) The Additional Surcharge shall be levied on the energy drawn through open access @ 15% of the applicable ToD rate of energy charge on the basis of prevalent Tariff Order.
- (iii) If UPCL feels that the above normative additional surcharge determined above is not adequate and does not cover the entire power purchase fixed costs of the licensee, UPCL may submit a proposal giving a detailed calculation statement for recovery of the any such shortfall in accordance with provisions of UERC (Terms and Conditions of Intra-State Open Access) Regulations, 2010 and Tariff policy.

The Petition is disposed off accordingly.

(Jagmohan Lal)
Chairman