

**BEFORE THE ODISHA ELECTRICITY REGULATORY COMMISSION
BHUBANESWAR**

IN THE MATTER OF

An Application for approval of Open Access Charges for the financial year 2015-16, 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, Additional Surcharge and Misc. charges 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 Odisha Ltd

(CIN: U40109OR1997PLC005107)

(SOUTHCO) Corporate Office : Courtpeta, Berhampur-760004

-----Licensee

Affidavit verifying the application for Approval of Open Access Charges for the FY 2015-16.

I, Shri Samir Kumar Swain, Son of Sri Umesh Chandra Swain, aged about 47 years, residing at Ambapua, Berhampur do hereby solemnly affirm and state as follows:

I am the Asst. Vice President (Commerce & RA) of the Southern Electricity Supply Company of Odisha Limited (SOUTHCO), Corporate Office, Courtpeta, Berhampur-760004

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.

Bhubaneswar

Date 29.11.2014

DEPONENT

AVP(Commerce & RA)

SOUTHCO

1 Executive Summary

Southern Electricity Supply Company of Odisha Limited, Berhampur, (SOUTHCO), is the holder of the Odisha 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 Odisha namely Ganjam, Gajapati, Kandhamal, Boudh, Rayagada, Koraput, Nabarangpur and Malkanagiri. This submission is made by the licensee to the Honourable Commission for the determination of Open Access Charges for the Financial Year 2015-16.

The Odisha 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 Odisha.

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 Odisha.

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 Commission that at present no consumer is permitted by the licensee to opt for Open access for getting compensation towards additional surcharge to meet the fixed cost. The licensee reserves the right to file before the commission with the relevant short fall of fixed cost as and when the issue comes 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, Additional Surcharge and Misc. Charges for the Financial Year 2015-16.

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, additional surcharge and Misc. charges on record.
- Approve the Wheeling charges and Cross Subsidy Surcharge, additional surcharge and Misc. Charges for FY 2015-16.
- 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 Odisha 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 Odisha 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.
- d. Miscellaneous Charges.

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, Additional Surcharge and Miscellaneous charges for use of the intra-State transmission network within 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, additional surcharge and Miscellaneous charges. 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	199

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, for EHT and HT category of consumers which is mentioned in the following table.

Table showing cross subsidy surcharge :-

Surcharge (P/KWH) EHT	Surcharge (P/KWH) HT
339	188

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

The above cross subsidy surcharge has been calculated considering the Avg EHT Tariff derived from proposed EHT sale in MU and proposed Revenue from EHT Sale considering approved tariff of Hon'ble Commission for FY 2014 -15. The Power Purchase cost has been determined by adding Bulk Supply price of 185 paise per unit, Transmission charge 25 paise per unit, SLDC charge 0.16 paise per unit for EHT category of consumers.

For HT category of consumers Wheeling charge @ 199 paise per unit and System loss at HT supply has been considered at 8%. The Cross-subsidy surcharge has been calculated considering the average HT tariff derived from proposed HT sales in MU and proposed Revenue from HT sales considering approved tariff of Hon'ble Commission for FY 2014 -15. The Power Purchase cost for HT Consumer has been determined by adding Bulk Supply price of 185 paise per unit, Transmission charge 25 paise per unit, SLDC charge 0.16 paise per unit.

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.

3.4 Reactive Energy Charges :

- (i) The Commission shall separately determine charges for KVARH consumption from the grid in terms of paise/unit and the open access customers shall pay the same.
- (ii) The payment for the reactive energy charges for the direct customers on account of open access shall be calculated in accordance with the scheme applicable to transactions involving intra state transmission or distribution approved by the commission in the tariff order.

3.5 Unscheduled Interchange Charges(UI Charges) :

- (i) The mismatch between the scheduled and actual draw/scheduled and the actual injection at the interface points may be met from the grid, which shall be governed by UI pricing mechanism. However, the tariff payable by the open access customers to the licensee may contain a component of incentive to be decided by the Commission.
- (ii) A composite UI bill for the State as a whole shall be issued by ERLDC, the segregation of which shall be done at State level by the SLDC for the UI charges payable by the Open access customers.

3.6 Miscellaneous Charges:

- (i) Penal charges, if any, for wrongful use of the transmission and/or distribution systems that adversely affect the power system, shall be decided by the Nodal agency and borne by the Open Access Customers.
- (ii) Meter rent as applicable to EHT/HT consumers shall be borne by the Open access Customers.

In view of the above, Hon'ble Commission may decide the Penal charges and requisite meter rent for the Open access Customers.

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."

5.4 That the Licensee further submit that the ARR and the Tariff approval of the Licensee for FY 2014-15 has been filed and the public hearing process is under way. The Retail Supply Tariff (RST) and Bulk Supply Price(BSP) to be determined by Hon'ble Commission for FY 2014-15 may be adopted for approval of Wheeling Charges and Cross-Subsidy-Surcharge for FY -2014-15.

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 and Cross Subsidy Surcharge, additional surcharge and Misc. charges on record.
- Approve the Wheeling charges and Cross Subsidy Surcharge, additional surcharge and Misc. Charges for FY 2015-16.
- 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.

Berhampur

Date : 29.11.2014

By the Applicant

Through it's AVP(Commerce & RA)

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AND

IN THE MATTER OF

Southern Electricity Supply Company of Odisha Ltd
(SOUTHCO)

Applicant

The humble applicant above named respectively showeth.

**AVP(Commerce &RA)
SOUTHCO**