

BEFORE THE ORISSA ELECTRICITY REGULATORY COMMISSION

BHUBANESWAR

IN THE MATTER OF

An Application for approval of Open Access Charges for the financial year 2019-20, in accordance with the para 4(1)(xiv), 4(2)(vii) and 4(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

Wesco Utility

Head Office Burla, Sambalpur, Odisha-768017.

-----Utility

Humble application of the Utility above named for determination of Transmission / wheeling charges, Surcharges, Additional surcharges and miscellaneous charges for FY 2019-20 applicable to Open Access customers

MOST RESPECTFULLY SHEWETH :

1. Wesco Utility, Burla,(WESCO), is the holder of the Odisha Distribution and Retail Supply License, 1999 (No 4/99) and has been carrying out the business of distribution and retail supply of electricity in the nine districts of Odisha, namely, Sambalpur, Sundargarh, Bolangir, Bargarh, Deogarh, Nuapara, Kalahandi, Sonepur and Jharsuguda. This submission is made by the Utility before the Honorable Commission for the determination of Open Access Charges for the Financial Year 2019-20.

That, Hon'ble Commission in their Order dated 04.03.2015 in Case No. 55/2013 have revoked the Licences of NESCO, WESCO and SOUTHCO (Distribution Companies) under Section 19 of the Electricity Act, 2003.

Consequent upon such revocation and considering the situation at hand due to such revocation of Licences of NESCO, WESCO & SOUTHCO and also keeping in view, the salient objectives and purpose of the Electricity Act, 2003 Hon'ble Commission in exercising powers conferred on it under Section 20 (d) of the Electricity Act, 2003 vests the management and control of NESCO, WESCO and SOUTHCO utilities along with their assets, interests and rights with Chairman-Cum-Managing Director, GRIDCO (CMD, GRIDCO) in order to ensure the maintenance of continued supply of electricity in the Northern, Western and Southern Zone (area of supply of NESCO, WESCO and SOUTHCO) in the interest of consumers and the public interest at large. This is an interim arrangement under Section 20 (d) of the Electricity Act, 2003.

Hon'ble Commission further directs that the management and control of the utilities of NESCO, WESCO and SOUTHCO with all the assets, interests and rights shall vest with Chairman-Cum-Managing Director, GRIDCO with immediate effect and he shall manage the electricity supply activities in the revoked licensed area of NESCO, WESCO and SOUTHCO respectively till further orders of the Hon'ble Commission.

Subsequent to above direction of Hon'ble Commission the Administrator of the Utility has appointed an Authorised officer to look after the day to day operation of the utility without affecting the consumer service of the western part of the state.

2. That, as per OERC (Determination of Open access charges) Regulation, 2006 the licensee is required to file the application with Hon'ble Commission. Accordingly, this application is being filed along with ARR and tariff application for FY 2019-20.
3. 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.

4. 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.
5. 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 Utility submits as under:

1. That the Utility 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 and additional surcharge before the Commission for approval.
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, 2006
2.0	Requiring power exceeding 2 MW	April 1, 2007
3.0	Requiring power exceeding 1 MW	April 1, 2007

3. That the licensee is required to provide non-discriminatory open access to the consumers within the period as stipulated by the 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.
4. That the Utility 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.

5. That the Utility 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 7.74 and 7.75 of the OERC (Terms and Conditions for determination of wheeling tariff and retail supply tariff) Regulations 2014.
6. That the Utility submits before the Commission that at present no consumer is permitted by the utility to opt for Open access for getting compensation towards additional surcharge to meet the fixed cost. The utility reserves the right to file before the commission with the relevant short fall of fixed cost as and when the issue comes in future.
7. That, the present application is presented before the Honourable Commission for the approval of the wheeling charges and Cross-Subsidy surcharge for FY 2019-20.

Background

1. Wesco Utility is the holder of license No.4/99 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.
2. 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.
3. The Commission notified the OERC (Terms and Conditions for determination of wheeling and retail supply Tariff) Regulations, 2014 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.

The 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 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 prescribed the issue of methodology to be followed for determination of transmission charges, wheeling charges, cross-subsidy surcharge and additional surcharge. It is envisaged that based on the prescribed methodology, the transmission charges, wheeling charges, cross-subsidy surcharge would be calculated during the tariff determination exercise currently underway.

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.

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 Commission may determine from time to time.
- (ii) Wheeling charges as calculated by WESCO is annexed as **Annexure-A**.

Table showing wheeling charge:-

Description	EHT	HT
Wheeling charges (Paise per unit)	Not Applicable	97

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 Electricity Policy is as under;

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

Where S is the surcharge

T is the tariff payable by the relevant category of consumers, including reflecting the Renewable Purchase Obligation

C is the per unit weighted average cost of power purchase by the Licensee, including meeting the Renewable Purchase Obligation

D is the aggregate of transmission, distribution and wheeling charge applicable to the relevant voltage level

L is the aggregate of transmission, distribution and commercial losses, expressed as a percentage applicable to the relevant voltage level

R is the per unit cost of carrying regulatory assets.

Now, Hon'ble Commission vide Order dt.10.10.2014 in case no.16,17,18 & 23 of 2014 has recommended the method of calculation in line with earlier years order considering the structural and functional aspect of power sector in Odisha where in;

T=Applicable tariff for EHT and HT category of consumers at 100% load factor.

C=Power purchase cost (consider BSP of respective licensee as the power purchase cost for calculation of cross-subsidy surcharge) plus transmission charge and SLDC charges payable by licensee.

The above method adopted for power purchase as Odisha follows single buyer model, the power purchased from different generators first and then pooled at GRIDCO end. The same power is resold to the licensees at a price called Bulk Supply Price as approved by Commission and include the intra state transmission loss. In addition to that the licensee is required to pay transmission charges to OPTCL and SLDC charges to SLDC.

L=loss at HT **8%** , since EHT loss factored in BSP.

D=Wheeling charge levied by licensee for power handled in HT=Distribution cost/Input unit at HT.

Accordingly the Licensee computed the cross subsidy surcharge which is mentioned in the following table. The statement of detail computation is annexed as **Annexure-B**.

Table showing Cross Subsidy Surcharge

Surcharge (P/KWH) EHT	Surcharge (P/KWH) HT
340	118

The above cross subsidy surcharge has been calculated considering the average EHT Tariff derived from proposed EHT sale in MU and value for FY 2019-20.

For HT category of consumers Wheeling charge @ 97 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 value for FY 2019-20.

The Power Purchase cost is the combination of Bulk Supply price of 300 paise per unit, Transmission charge 25 paise per unit, SLDC charge 0.0015 paise per unit as per prevailing tariff w.e.f. 01.04.2018 has been considered.

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 its area of supply.
- (ii) It is humbly submitted that the Hon'ble commission may determine the additional surcharge upfront due to the following reasons

With the above the utility submits that it is required to be addressed the following issues in particular while determining open access charges of the utility for the ensuing year FY 2019-20.

Cross subsidy surcharge during peak and off peak hour:-

During off peak hour the consumer is getting TOD benefit as per prevailing RST as a result tempted to draw more power from DISCOM and avoiding peak hour drawal due to higher RST. So to maintain disparity there should be two rates for CSS.

There should be an annual plan for open access drawal:-

Industries those who are intends to draw power under open access should at least give their annual tentative plan to the DISCOMs or to OERC for proper planning of INPUT requirement of the Utility, so that procurement of costly power would be avoided as well as Utilities BSP would be protected.

Drawal of open access more than the contract Demand :-

To avail open access most of the industries are trying to reduce their CD. So to avoid such difficulties of the DISCOMs open access should not be permitted for the consumer who intends to draw more than its contract demand (CD).

Wheeling of power by industries having CGP:-

CGP are allowed to carry their own power to the destination without levy of CSS. However, they are supposed pay wheeling charges to the respective licensees. But, most of the industries are trying to avoid the same as because they have drawn the line of their own. As per Electricity Act a consumer is not permissible to operate a distribution system without having a distribution licensee and hence

the line so drawn is the part of the distribution system and levy of wheeling charges is inevitable. Necessary direction in this regard may kindly be given while approving open access charges for the ensuing year for the utility.

Recovery of Regulatory Assets:-

Recovery of RA should also be a part of CSS or may be recovered through additional surcharge. As because the consumer who is opting for open access was a part of the distribution system when Regulatory Asset were created due to under recovery of tariff.

Recovery of Stranded cost:-

- When an Open Access Consumer's drawal quantum is more Licensee are unable to recover the approved Cost which in turn affects it's BSP.
- The CSS is being determined & recovered based on the ECR, limiting to a capping of (+/-) 20%(as per NTP). However, it is not sufficient enough to neutralise the cost of power being incurred on account of long term PPAs with generators, to whom fixed cost shall have to be paid irrespective of drawl of power in real time.
- Therefore, Additional Surcharge is inevitable in the context of recovery of stranded fixed cost from the Open Access Customers.
- Many States like Gujrat, Maharashtra, Rajasthan, Punjab & Delhi have implemented levy of Additional Surcharge, Standby Charge, Regulatory Surcharges for Open Access Customers.

4 Other proposal

- 4.1 **As per OERC (Terms and Conditions for Open Access) Regulation, 2005 vide para 14(4) All open access customers shall institute an appropriate security mechanism in the agreement to cover charges for a maximum period of one month, however no such consumers are keeping such security with the licensee. Further, as the billing agency is SLDC for short term open access whether the security would be kept by the customers with SLDC is not clear. Therefore, necessary direction may kindly be given in this regard.**
- 4.2 It is submitted that Hon'ble Commission has pronounced the open access charges applicable from 01.04.2018 vide order dated 22.03.2018 in case no.79,80,81 & 82 of 2017 .

The wheeling charges and surcharge as applicable for HT & EHT industries for WESCO effective from 01.04.2018 and continuing till date are as follows:-

For HT Industries:-

Wheeling charges =47.58 paise per unit

Cross Subsidy Surcharge=83.22 paise per unit.

For EHT Industries:-

Cross Subsidy Surcharge=129.28 paise per unit.

- 4.3 It is submitted that the open access to existing consumer should be allowed within limited Transmission / Distribution capacity. A limit should be fixed by the Hon'ble commission so that the distribution licensee may be allowed to reserve adequate transmission/ Distribution corridor for new consumer, to safe guard the interest of the new consumers in the state.
- 4.4 It is submitted that the BST rate for the units consumed by the open access consumer from DISCOM other than the incumbent distribution utility may be determined at a higher rate in order to avoid the unwanted competition/ discrimination among the DISCOMs.

Prayer

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

- Consider the proposal of WESCO in this application for determination of Wheeling Charges and Cross Subsidy Surcharge on record.
- Approve the Wheeling charges and Cross Subsidy Surcharge as prayed for FY 2018-19.
- Fixation of Additional Surcharge in addition to CSS and Wheeling towards recovery of stranded FC, Recovery of Regulatory Assets.
- Approval of CSS for Peak and Off peak hour.
- Fixation of limitation for drawal of open access charges beyond CD.
- Direction to pay wheeling charges by CGPs who are carrying own power through own Line or Net Work Assets created by them.

- Submissions of annual plan by open access consumers with the licensee or before State Commission as the case may be.
- Any other relief, order or direction which the Hon'ble Commission deems fit be also issued.

by the Applicant

Through it's Authorised Officer

Place:

Date:

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AND

IN THE MATTER OF

Wesco Utility

Head Office Burla, Sambalpur, Odisha-768017.

-----Utility

Affidavit verifying the application for approval of Open Access Charges for the year FY 2019-20.

I, Uttam Kumar Samal, Son of late Sarat Chandra Samal, aged about 59 years, residing at, Burla, Sambalpur, do hereby solemnly affirm and state as follows:-

I am the Authorised Officer of Administrator for Wesco Utility (WESCO), HQ. Office-Burla, Sambalpur, Odisha-768017.

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

Place

Date

DEPONENT

Authorised Officer, WESCO UTILITY