

**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**

Western Electricity Supply Company of Orissa Ltd (WESCO)

Regd. Office-Plot No.1/22, Nayapalli, Bhubaneswar-751012. (Previously Plot No.123, Sector-A, Zone-A, Mancheswar Industrial Estate, Bhubaneswar-751010)

-----Licensee

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

I, Prasanta Kumar Pradhan, Son of Shri Kasta Charan Pradhan, aged about 53 years, residing at Pradhanpara, Sambalpur, do hereby solemnly affirm and state as follows:-

I am the Chief Executive Officer of the Western Electricity Supply Company of Orissa Limited (WESCO), Regd. Office-Plot No.1/22, Nayapalli, Bhubaneswar-751012. (Previously Plot No.123, Sector-A, Zone-A, Mancheswar Industrial Estate, Bhubaneswar-751010).

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

**Burla**

**Date 5<sup>th</sup> January 2009**

**DEPONENT**

**Chief Executive Officer.**

**WESCO**

## **1 Executive Summary**

Western Electricity Supply Company of Orissa Limited, Burla,( WESCO), is the holder of The Orissa 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 Orissa namely Sambalpur, Sundargarh, Bolangir, Bargarh, Deogarh, Nuapara, Kalahandi, Sonapur and Jharsuguda. 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 6<sup>th</sup> 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 6<sup>th</sup> 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 Commission has directed WESCO vide letter No.DIR (T)-331/ 08/ 2716 dt.19-12-08 to submit the Open Access Charges based on the above regulations for FY 2009-10.

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 and additional surcharge 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.

<b>Phase</b>	<b>Eligibility Criteria</b>	<b>Commencement date</b>
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 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 Honourable Commission for the approval of the wheeling charges and Cross-Subsidy surcharge for FY 2009-10.
- 1.8 Petitioner crave leave and reserve the right to make further submission.

**1.9 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 on record.
- Approve the Wheeling charges and Cross Subsidy Surcharge as prayed for FY 2009-10. Alternatively the existing charges may please be continued.
- Any other relief, order or direction which the Hon'ble Commission deems fit be also issued.

## **2 Background**

Western Electricity Supply Company of Orissa Limited (WESCO) is the holder of license No.4/99 granted by OERC under Section 15 of the OERA vide their order dated 31<sup>st</sup> 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 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.

### 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 Commission may determine from time to time.
- (ii) The formula prescribed by the 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:-

$$ST\_RATE = 0.25 \times [NATC / \text{Average\_Demand in MW}] / 365$$

- (iii) Wheeling cost as calculated by WESCO is annexed as **Annexure-A**.

#### Table showing wheeling charge:-

Description	EHT	HT
Wheeling charges (Paise per unit)	Not Applicable	28

- (iv) Accordingly, the licensee computed the average compensation of the system voltage level as approved by the Hon'ble Commission in terms **RS/MW/Day in case of uncongested transmission corridor** is as under.

LT\_Rate :- Rs.4383 per MW/Day

ST\_Rate:-Rs.1096 per MW/Day

### 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 Electricity 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.

However in case of WESCO, since the Licensee is purchasing power in bulk from Gridco and the BST is fixed every year by the Hon'ble Commission 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 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. The statement of detail computation is annexed as **Annexure-B**.

**Table showing cross subsidy surcharge:-**

Description	EHT	HT
Specified Public purpose		51
General Purpose(>110kVA)		62
Public Water Works		71
Large Industry	156	48
Power Intensive Industry	177	34
Mini Steel Plant	204	34
Railway Traction	201	79
Heavy Industry	171	

### 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 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 Commission may determine from time to time.

- (iv) The Hon'ble Commission shall scrutinise the statement of account 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 of the licensee submission in accordance to the provision of the regulation.

#### 4 Other proposal

4.1 It is submitted that Hon'ble Commission has notified 1<sup>st</sup> time the open access charges applicable from 1<sup>st</sup> April 08 vide notification no.711 dt.29-03-2008 and the same is continuing till date.

The wheeling charges and surcharge as applicable for HT & EHT industries for WESCO effective form 1<sup>st</sup> April 08 are as follows:-

**For HT Industries:-**

Wheeling charges =52 paise per unit

L.F. in %	100	90	80	70	60	50	40	30	20
Surcharge paise per unit	47	54	64	77	94	116	132	157	208

**For EHT Industries:-**

Wheeling charges =21 paise per unit

L.F. in %	100	90	80	70	60	50	40	30	20
Surcharge paise per unit	98	106	117	130	148	173	188	213	264

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

4. 3 It is submitted that the BST rate for the units consumed by the open access consumer from DISCOM other than the incumbent distribution licensee may be determined at a higher rate in order to avoid the unwanted competition/ discrimination among the DISCOMs.

4.4 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 pay. Here the licensee draw the attention of 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."

### **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 on record.
- Approve the Wheeling charges and Cross Subsidy Surcharge as prayed for FY 2009-10. Alternatively the existing charges may please be continued.
- Any other relief, order or direction which the Hon'ble Commission deems fit be also issued.

By the Applicant  
Through it's Chief Executive Officer

Burla

Dated 5<sup>th</sup> January 2009

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**BHUBANESWAR**

**FILE NO**\_\_\_\_\_

**CASE NO**\_\_\_\_\_

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-----Licensee

Humble application of the Licensee above named

**MOST RESPECTFULLY SHOWETH:**