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Date: 08/10/2014

To,

The Secretary,
Tamil Nadu Electricity Regulatory Commission
19-A Rukmini Lakshmi pathy Salai
Egmore
Chennai-600008

Subject: Comments and suggestions with respect to suo-moto tariff determination process initiated by TNERC.

Ref: Public Notice by TNERC dated 23rd September 2014.

Dear Sir,

This letter is with respect to the matter mentioned above. At the outset, we wish to clarify that we are not an active stake holder in the Tamil Nadu power sector and this request is based on study of relevant documents and our experience of working with the regulatory processes in other states.

It is heartening to know that TNERC is initiating a suo-moto tariff determination process for the year 2014-15, performance review for the year 2013-14 and true up for the year 2011-12 and 2012-13 for TANGEDCO.

Given TANGEDCO's financial position and the challenges with power procurement, a timely and transparent tariff determination process will help acquaint the public with the performance of TANGEDCO and provide more information on the issues faced by the generation and distribution company. In a regulated business as consumers have to bear all the prudent expenses of the regulated utility they have a right to participate in the determination of necessary expenses that have been incurred by the regulated utility. As per the section 62 and 64 of the Electricity Act 2003, public participation is mandatory for a meaningful tariff process.

Further, considering the precarious situation of TANGEDCO's finances, the proposal for the creation of a regulatory asset and the tariff hike of 21% being proposed by TNERC, it becomes extremely important to allow such transparent and participatory public scrutiny of the company's expenses and performance. If transparency or participation in this process is not ensured in its true spirit, it will not only be against the spirit of the Electricity Act 2003 but also significantly erode the credibility of the entire exercise.

Therefore, in order to enable more informed public participation and to further public interest, it is imperative for the Commission to transparently share all the information used in this suo-moto process. The 28 page document titled 'Summary of the ARR determination of TANGEDCO for

FY2014-15' provides only some basic information used for the tariff determination process. To assess and analyse the utility's performance in a more detailed manner and to aid effective public engagement in the process, we request the commission to provide the following information:

1. Detail break-up of sales and revenue:
 - a. Consumer category wise, slab-wise break up of number of consumers, sales, revenue and connected load for the years 2011-12, 2012-13, 2013-14 and projections for 2014-15. This should also have category wise break up of metered and unmetered sales.
 - b. Category wise assumptions for sales growth rate for the year 2014-15
2. Detail break-up of power purchase costs:
 - a. Source/station wise contracted and actual MUs and MW, fixed cost, variable cost, for the years 2011-12, 2012-13 and 2013-14 including market, IPP and bilateral purchases. Station wise information of PLF, SHR and Auxiliary consumption for all TANGEDCO power plants for the years 2011-12, 2012-13 and 2013-14.
 - b. Station wise capacity in the pipeline, delays in commissioning and IDC accruing to capacity commissioned by TANGEDCO.
 - c. Station wise contracted capacity in the pipeline, delays in commissioning for sources other than State Generation.
 - d. Projections of open access sales and wind banking and estimation of impact on TANGEDCO's sales and expenditure.
3. Clarity on the renewal of contracts with IPPs whose PPAs terms are over or are due to be over especially for the IPPs mentioned below.

PPAs	MW	FUEL	DATE OF PPA	Term of Contract	Per Unit Cost (2012-13)
Madurai Power	106	LSHS	21.05.1998	15	14.1
Lanco Aban	113.2	Natural Gas	01.09.2003	15	3.4
Pioneer Penna	52.8	Natural Gas	25.08.2004	15	3.6
ST CMS	250	Lignite	20.11.1996	30	4.5
GMR	196	LSHS/HFO	12.09.1996	15	13.1
Samalpatti Power	105.6 6	LSHS	22.05.1998	15	13.5
PPN	330.5	Natural Gas/Naptha	03.01.1997	30	10.2

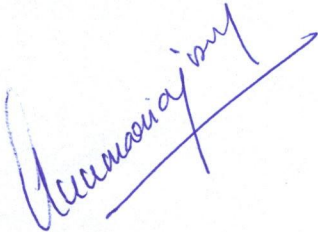
4. Scheme/DPR wise information of capital expenditure and capitalisation at the distribution level
5. Information of short term liabilities, rate of interest, lender and term of loans incurred by the generation and distribution business.

The above list is only indicative of the kind of data that will be needed for analyzing TANGEDCO's performance. To make the tariff process more meaningful the Commission can also consider addressing the issue of delay in capacity addition of base load capacity, the possibility of equitable sharing of power shortages and can also assess the efficacy of the restriction and control measures initiated by TNERC. Like MERC, TNERC can consider the possibility of utilizing the tariff process to

formulate a transparent load shedding protocol. The commission can also address issues such as compliance with standards of performance (as per section 57 (2) and section 59) to help the public relate the utility's service quality performance with its finances.

This submission is to request for additional data to enable effective participation in the suo-moto tariff process and we request the commission to take this on record. We will be sharing another submission shortly which would greatly benefit from more information and request the commission to take that on record as well. We will be glad to clarify any particular issue or assist in any manner as the commission may so desire in this regard. We also thank the commission for this opportunity and request the commission to allow us to make further submissions in this matter, if any.

Thanking you
Sincerely,



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