Southern Power Distribution Company of Telangana Limited
#6-1-50, Corporate Office, Mint Compound, Hyderabad 500 063
Phone No.(040) 2343 1008 Fax Nos.(040) 2343 1395/1452 website www.tgsouthernpower.org

From
Chief Engineer (RAC),
TGSPDCL, Corporate Office,
6-1-50, Mint Compound,
Hyderabad - 500 063.

To
The Commission Secretary,
Vidyut Niyantran Bhavan,
G.T.S. Colony,
Kalyan Nagar,
Hyderabad - 500 045.

Lr.No.CE(RAC)/SE(RAC)/DE(RAC)/F.No.[redacted] DB Filings/D.No.731/24, Dt. 08.02.2025.

Sir,

Sub:- TGSPDCL – RAC – Petitions filed for a)Annual Performance Review of Distribution Business for FY 2023-2024 b) End-of-Control Period Review Petition for Distribution Business for 4th Control Period (FY 2019-20 to 2023-24) c) Determination of ARR & Wheeling Tariffs for Distribution Business for FY 2025–2026 – Objections by Stakeholders on filings – Approval – Replies to Stakeholders & Hon'ble TGERC – Submitted – Reg.

Ref:-1.Lr.No.CE(RAC)/SE(RAC)/DE(RAC)/F.No.APR23-24/D.No.622/24, Dt.29.11.2024.
2.Lr.No.CE(RAC)/SE(RAC)/DE(RAC)/F.No.DBARR2526/D.No.623/24, Dt.30.11.2024.
3.Lr.No.CE(RAC)/SE(RAC)/DE(RAC)/F.No.DB/D.No.668/24, Dt.23.12.2024
4.Lr.No.TGERC/Secy/JD(TE)/F.No.767055&767060/D.No.874/25, Dt.09.01.2025.
5.Public Notice issued by TGSPDCL on 11.01.2025.
6.Lr.No.Secy/JD-Engg/DD/CA/D.No.37/25,Dt.31.01.2025

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It is to submit that the TGSPDCL filed Petitions for a) Annual Performance Review of Distribution Business for FY 2023-2024 b) End-of-Control Period Review Petition for Distribution Business for 4th Control Period (FY 2019-20 to 2023-24) c) Determination of ARR & Wheeling Tariffs for Distribution Business for FY 2025 – 2026 vide 1st to 3rd references cited above.

Cont.,

The Hon'ble TGERC vide 4th reference cited above informed to have taken the petitions filed on record and further instructed to issue Public Notice on dt.11.01.2025 for facilitating interested persons to view filings and to arrange responses to the Objectors received on or before 01.02.2025 objections by 08.02.2025 and forwarded the queries/ comments received from the objectors for arranging responses to the consumers.

In compliance to the directions of the Hon'ble TGERC, the responses/replies to the objectors received on or before dt.01.02.2025 are herewith submitted for favour of kind perusal and further, the responses have also been sent to the objectors via mail please.

Yours faithfully,

Chief Engineer (RAC),
TGSPDCL, Gr. Hyderabad.

Southern Power Distribution Company of Telangana Ltd (TGSPDCL)

Responses to Objections / Suggestions

On

Annual Performance Review for FY 2023-24 of 4th Control Period (FY 2019-20 to 2023-24) for Distribution Business

Aggregate Gains and Losses of Annual Performance Reviews (APR)/End-of-Control Period Review Petition of 4th Control Period (FY 2019-20 to 2023-24) for Distribution Business

ARR requirement for Distribution Business and determining of wheeling tariffs for FY 2025-26

Table of Contents

1. Mr. M. Venugopal Rao, Senior Journalist & Convener, Centre for Power Studies, H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Serilingampally Mandal, Hyderabad - 500 032 3

2. Advocate Sai Sanjay Suraneni, 14, Bhai Veer Singh Marg, New Delhi – 110001, Tel: +91-11-23349275, fax: +91-11-23349276, email: contact@coai.in, website: www.coai.in 18

3. M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation, H. No. 3-4-107/1, Plot No. 39, Radha Krishna Nagar, Attapur, Hyderabad – 500048 19

Response to Mr. Venugopral Rao

<table>
<tr><td colspan="3">1. Mr. M. Venugopal Rao, Senior Journalist & Convener, Centre for Power Studies, H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Serilingampally Mandal, Hyderabad - 500 032</td></tr>
<tr><th>S.No.</th><th>Summary of Objections / Suggestions</th><th>Response of the Licensee</th></tr>
<tr><td>1</td><td>For the financial year 2023-24, TGSPDCL has shown a net revenue surplus of Rs.243.07 crore and a net revenue gap of Rs.442.81 crore for the 4th control period (2019-20 to 2023-24). Similarly, TGNPDCL has shown a net revenue surplus of Rs.935.28 crore for FY 2023-24 and of Rs.512.46 crore for the 4th control period. While SPDCL is seeking true-up for the net revenue gap, NPDCL is seeking true-down for net revenue surplus. For the FY 2023-24, SPDCL has shown a loss of Rs.4909.53 crore and NPDCL has shown a loss of Rs.1441.18 crore. They have not shown cumulative loss/profit position at the end of the 4th control period. They have also not explained the reasons for incurring such huge losses and how they propose to bridge or overcome the losses.</td><td>The revenue surplus of Rs. 243.07 crore for FY 2023-24 is due to reduction in depreciation, However there is a Capital work in Progress of Rs.1,747.75 crores which will be capitalized in the upcoming financial year.
The revenue loss of Rs. 4909.53 crores for FY 2023-24 is due to the expenditure incurred towards increase in Power Purchase Cost & ISTS charges and does not pertains to the Distribution Business. The cumulative losses / profits position for 4th control period are tabulated below for reference.
<table>
<tr><th colspan="3">Accumulated Profit/Loss for the 4th Control Period</th></tr>
<tr><th>Financial Year</th><th>Net Profit/Loss for the Year</th><th>Cumulative Net Profit /Loss</th></tr>
<tr><td>Up to 2019</td><td></td><td>(24362.30)</td></tr>
<tr><td>2019-20</td><td>(4933.41)</td><td>(29309.38)</td></tr>
<tr><td>2020-21</td><td>(4245.96)</td><td>(33555.34)</td></tr>
<tr><td>2021-22</td><td>(626.80)</td><td>(34182.14)</td></tr>
<tr><td>2022-23</td><td>(8147.48)</td><td>(42329.62)</td></tr>
<tr><td>2023-24</td><td>(4909.53)</td><td>(47239.15)</td></tr>
</table>
The huge losses incurred by the TGSPDCL is mainly due to increase in Power Purchase Cost for extension of uninterrupted quality power supply to the consumers to meet the rapid load growth. However, the DISCOM has to receive the arrears from the Government Department service connections towards energy drawl.</td></tr>
<tr><td>2</td><td>As has been the standard practice, the Hon'ble Commission has been determining revenue requirement of the DISCOMs for their distribution business for the control period and wheeling tariffs to recover the revenue requirement. Moreover, the Hon'ble Commission has been determining additional revenue requirement, if any, for their distribution</td><td>For 4th control period i.e., FY 2019-20 to FY 2023-24, the Distribution Wheeling Charges approved in the Distribution MYT Order by the Hon'ble Commission was not recovered for the FYs 2019-20 to 2021-22 and recovered for FYs 2022-23 to 2023-24 in the Retail Tariffs. For FYs 2019-20 to 2021-22 the expenditure incurred towards Distribution Business increased and due to not passing over of approved Wheeling</td></tr>
</table>

	business and allowing permissible true-up. When such is the position, where is the scope for the DISCOMs incurring huge losses for their distribution business? While determining ARR and retail supply tariffs for the DISCOMs, the Hon'ble Commission has been factoring wheeling charges for distribution business and transmission charges to be paid to TGTRANSCO and PGCIL into account. The Hon'ble Commission has been determining, after taking into account other income and subsidy the state government agrees to provide, tariffs to bridge the projected revenue gap of the DISCOMs for their retail supply business. In addition, the DISCOMs are being allowed to collect not more than Re.0.30 per unit under fuel surcharge adjustment, without prior permission of the Commission. Furthermore, true-up, with true-down being exceptional, of the claims of the DISCOMs for variations in their revenue requirements to the extent permissible is being allowed by the Commission. In other words, DISCOMs are getting ARR for their distribution business, in the form of wheeling charges and as a part and parcel of retail supply tariffs, other income, subsidy of the government, true-up claims, etc., for retail supply business. Therefore, the huge losses projected by the DISCOMs for their distribution business are inconceivable.	Charges for the said period in the Retail Tariffs, the DISCOM incurred losses in the Distribution Business.
3	Over the years we have been pointing out that the projections of TGDISCOMs and TGTRANSCO and determinations made by the Commission for their distribution business and transmission business, respectively, for the control period concerned tend to be inflated, thereby allowing them to collect wheeling charges and transmission charges higher than what are due to them. Experience for the earlier periods, both in the undivided Andhra Pradesh, and in Telangana after bifurcation of the state, confirms this. The huge revenue surplus shown by NPDCL confirms continuation of this unwarranted trend. This surplus is not the result of any efficiency gains, but of the failure of the DISCOM to take up and complete the proposed works, which were approved, and capitalize the same. This trend once again underlines the need for making realistic	The projections of infrastructure developments of Distribution Business is being made based on the expected Load Growth with comparison to the Load Growth of previous years. However, due to uncertainty in the expected load growth, which are beyond the control of the Distribution Licensee, the infrastructure development activities were taken up as per the requirements which resulted in the less capitalization of the works proposed and approved in the Distribution Business MYT Orders. The less capitalization made due to the impact of Covid 1st and 2nd waves were completed in the succeeding years. The DISCOM has been communicating to the Hon'ble Commission the progress of works completed and capitalized on quarterly basis as per the direction issued by the Hon'ble Commission in the 4th MYT Distribution Order.

	projections and determination of various factors associated with revenue requirement of the licensees, while determining their MYT and annual tariffs. It further underlines the need for reviewing progress of works and the capital investments approved and made therefor and revise the wheeling charges annually to the extent required.	
4	NPDCL has stated that, against a capital investment of Rs.2104 crore approved by the Commission for the FY 2023-24, it has invested only Rs.723 crore, i.e., less by Rs.1381 crore or 65.63%. However, it has not given any explanation as to why it could not make capital investment as approved by the Commission, which are the works for which it could not make capital investment and the impact of its failure in terms of maintaining and strengthening distribution network. As a result, operation and maintenance expenses, return on capital employed, depreciation, etc., have come down substantially vis a vis what were approved by the Commission, leading to a net regulatory gap of Rs.935.28 crore to be trued down. Despite reduction of capital investment by 65.63%, that administrative and general expenses are increased by Rs.36.33 crore or 25.46% indicates elements of profligacy, rather than efficiency improvement. That the DISCOM need not pay the approved income tax of Rs.46.34 crore in the light of incurring a huge loss of Rs.1441.18 crore again indicates its poor performance. Furthermore, that employee cost is lesser by Rs.368.49 crore (13.36%) vis a vis Rs.2757.50 crore approved by the Commission shows how projection of employee cost was inflated. It is also not clear whether there is any intrinsic link between lesser capital investment and lesser employee cost.	For FY 2023-24 the capital investments made by TGSPDCL is Rs.2,256.14 crores against Capital Investment of Rs. 2,299.33 crores approved in the Distribution MYT Order for 4th Control Period which is less than by 1.8%. Thus the Capital Investments made by TGSPDCL for FY 2023-24 is as per approved in the Distribution MYT Order. The assets capitalized are of Rs. 1,686.89 crores which includes the Capital Works of previous Financial Year due to spillover of works and still there is Capital Work-In Progress of Rs. 1,747.75 crores of FY 2023-24. By considering the Capital Work-In Progress, the capital investments made by the TGSPDCL are as per approved in the Distribution MYT Order. Though the Capital Investments reduced by 1.8%, the Distribution Business ARR trued-down by Rs. 263.27 crores due to less depreciation of Capitalized assets of Rs. 316.40 cr. and reduction in O&M expenses of Rs. 69.04 crores.
5	TGERC MYT Regulations, 2023, provide for Return on Equity (RoE) for distribution licensee : “29.2 Return on Equity shall be computed at the following base rates: (e) Distribution licensee: Base Return on Equity of 14% and additional Return on Equity up to 2% linked to Licensee’s performance towards meeting standards of performance: Provided that the Commission at	The TGSPDCL has claimed RoCE as per the provisions of the Regulation No. 4 of 2005 in the APR for FY 2023-24. The Return on Equity @ 14% and Additional Return on Equity @ 2% is applicable for Distribution and Retail Supply Businesses as per the MYT Regulation 2 of 2023 which is effective from 01.04.2024. Hence the DISCOM has not claimed in the present APR filings.

	the time of true-up shall allow the additional Return on Equity up to 2% based on Licensee meeting the summary of overall performance standards as specified in Clause 1.11 of Schedule III of TGERC (Licensees' Standards of Performance) Regulations, 2016." NPDCL has not explained whether it has met the said standards of performance and achieved targets like reduction of distribution losses for the FY 2023-24. That the DISCOM has shown return on equity @ 14% indicates that it could not meet standards of performance to claim additional return on equity @ 2%. In fact, there is no critical and objective review of its performance in distribution business, except giving statistics.	
6	For the FY 2023-24, regulated rate base has come down from Rs.6254.26 crore approved by the Commission to Rs.2851.55 crore, i.e., by Rs.3402.70 crore or 54.40%. At the same time, consumer contributions increased from Rs.1572.16 crore approved by the Commission to Rs.2216.35 crore, i.e., by Rs.644.19 crore or 40.97%. However, requirement for working capital has come down from Rs.238.97 crore approved by the Commission to Rs.218.79 crore, i.e., by Rs.20.18 crore or 8.44% only. Compared to substantial reduction in capital investment and regulated rate base, on the one hand, and substantial increase in consumer contributions, on the other, the reduction in need for working capital seems meagre and disproportionate. The DISCOM has to explain as to how collection of consumer contributions is increased by 40.97% compared to what were approved by the Commission, when capital investment has come down by 65.63%. "Consumer/User Contributions" means any contributions made by those using or intending to use the Distribution network of a licensee for supply or wheeling of electricity. Any grant received by the licensees would also be treated as Consumer/User Contribution, the DISCOM has explained. It has shown an income of Rs.2.47 crore from open access For the FY 2023-24, regulated rate base has come down from Rs.6254.26 crore approved by the Commission to Rs.2851.55 crore, i.e., by Rs.3402.70 crore or 54.40%. At the same time,	For FY 2023-24, the Regulatory Rate Base has come down from Rs. 5355.75 crore approved by the Hon'ble Commission to Rs. 5036.58 crores i.e., by Rs. 319.17 crore i.e., 5.59% only. The consumer contributions decreased from Rs. 1291.43 crores approved by the Hon'ble Commission to Rs. 1157.80 crores i.e., by Rs. 134.60 crores i.e., by 10.42% and the requirement of working capital of Rs. 302.43 crores approved by the Hon'ble Commission has decreased to Rs. 296.68 crores i.e., by Rs. 5.75 crore i.e., 1.90% only. The TGSPDCL fulfilled the capital investment approved by the Hon'ble Commission.

	consumer contributions increased from Rs.1572.16 crore approved by the Commission to Rs.2216.35 crore, i.e., by Rs.644.19 crore or 40.97%. However, requirement for working capital has come down from Rs.238.97 crore approved by the Commission to Rs.218.79 crore, i.e., by Rs.20.18 crore or 8.44% only. Compared to substantial reduction in capital investment and regulated rate base, on the one hand, and substantial increase in consumer contributions, on the other, the reduction in need for working capital seems meagre and disproportionate. The DISCOM has to explain as to how collection of consumer contributions is increased by 40.97% compared to what were approved by the Commission, when capital investment has come down by 65.63%. "Consumer/User Contributions" means any contributions made by those using or intending to use the Distribution network of a licensee for supply or wheeling of electricity. Any grant received by the licensees would also be treated as Consumer/User Contribution, the DISCOM has explained. It has shown an income of Rs.2.47 crore from open access	
7	NPDCL has claimed that it has paid a sum of Rs.21.01 crore towards compensation/ex-gratia to victims of electrical accidents against Rs.20 crore approved by the Commission for the FY 2023-24 and has shown it under A&G expenses. It has claimed that it has carried out capital works worth Rs.8.07 crore towards safety measures. It is fair that the amounts paid towards compensation/ex-gratia to victims of electrical accidents should be borne by the DISCOMs, whether they are caused due to fault of the department or otherwise. The DISCOM has claimed that majority of faults are on consumer side. Allowing such payment of ex-gratia paid by the DISCOMs as pass-through to be collected from all their consumers by including the same in their ARR or under true-up is misplaced, as it would be tantamount to shifting the said liability of the DISCOM concerned to all its consumers. Such a stance, in practice, absolves the DISCOMs of their responsibility and liability. The successive Commissions continue to disagree with such a view expressed earlier during public hearings.	The payment of ex gratia is a statutory and regulatory requirement mandated by the Hon'ble Commission vide Proceedings No. TSERC/Secy/86 of 2015 dated 28-12-2015 and Proceedings No. TSERC/Secy/64 of 2017 dated 28-12-2017 which also determines the amount to ensure fairness and consistency. These expenses, arising from compliance with safety measures and unforeseen accidents, are legitimate operational costs and have been approved for inclusion in the Aggregate Revenue Requirement by the Hon'ble Commission in the form of special appropriations. Capitalizing these expenses, as permitted by the Hon'ble Commission, ensures that the cost is distributed over time, minimizing the immediate impact on consumers while maintaining the financial viability of DISCOMs. Excluding these costs would place an undue financial burden on DISCOMs and hinder their ability to fulfill their social and regulatory obligations. Furthermore, the inclusion of ex gratia payments aligns with regulatory directives and supports the implementation of safety measures mandated by the Hon'ble Commission. Therefore, TGSPDCL respectfully requests the Honorable Commission to retain the inclusion and pass through.

	Going by the hefty ARR, FSA, true-up and other charges being allowed by the Commission to be collected by the DISCOMs from their consumers, the ex-gratia/compensation being paid in cases of electrical accidents may be insignificant. Nevertheless, as a matter of principle, it should not be difficult to the DISCOMs to bear the amount for paying ex-gratia/compensation in cases of electrical accidents. The consumers of the DISCOMs have been paying the expenditure being allowed by the Commission for taking safety measures to prevent electrical accidents. Despite that, compensation/ex-gratia paid and to be paid in cases of electrical accidents is being imposed on the consumers at large, without any justification. In fact, the DISCOMs used to bear such compensation from their internal resources and rightly so. For example, in their replies, APDISCOMs stated that "the ex-gratia paid towards victims due to electrocution is being met from the internal resources of the DISCOM which is not recovered from ARR" (page 110 of RSTO for 2017-18 issued by APERC). Subsequently, APERC had brought about an amendment to the regulation concerned, allowing the DISCOMs to collect the ex-gratia or compensation paid to victims of electrical accidents as a part and parcel of tariff and true-up, without any justification. The same position continues in Telangana also. The request of the DISCOM to consider compensation/ex-gratia amount paid towards electrical accidents as a safety measure in the true-up calculations defies logic. Expenditure incurred for safety measures to prevent electrical accidents is one thing and payment of ex-gratia/compensation towards electrical accidents cannot be treated as a safety measure is quite another, because, the need for such a payment arises as a result of deficiency or failure of safety measures to prevent electrical accidents. During the 4th control period, the DISCOM has paid Rs.107.58 crore towards compensation/ex-gratia towards electrical accidents. The amounts paid year-wise indicates that there has been no perceptible improvement in reduction of electrical accidents. Moreover, the number of electrical accidents in	

	which compensation/ex-gratia is paid or not paid also needs to be examined to understand the real magnitude of such accidents. We request the Hon'ble Commission to re-examine this issue and take an appropriate decision so as not to impose such compensation/ex-gratia on consumers who are not responsible for electrical accidents.	
8	The DISCOM has based its claims for true-up/true-down on expenditures it claimed to have incurred as per its accounts. It has not given details of its expenditure item-wise and variations, if any, compared to the amounts determined by the Commission in the MYT. Nor has it submitted its annual accounts audited for the FY 2023-24. It is not entitled to pass through of the entire expenditure it has claimed to have incurred as per its accounts, if that expenditure exceeds the amounts determined item-wise in the MYT order by the Hon'ble Commission. Here, expenditure item-wise needs to be subjected to prudence check and permissible expenditure only needs to be allowed, examining physical completion certificates and financial completion certificates.`	The true-up petitions include expenditures necessary to maintain and improve the distribution network, which often may vary due to uncontrollable factors such as inflation, demand growth, unforeseen maintenance repairs, and compliance with safety mandates etc. These deviations from the MYT-approved amounts are justified and incurred in the interest of providing quality and reliable power to consumers. Further TGSPDCL has already submitted the annual audited accounts for FY 2023-24 to the Hon'ble Commission for its prudence check which is also available on the website of TGSPDCL. Moreover, TGSPDCL would want to highlight the fact they operate in a challenging environment where cost recovery through true up filings is critical for ensuring financial sustainability of the TGSPDCL. Delays or disallowance of legitimate expenditures may impact the ability of DISCOMs to undertake necessary capital and operational investments/ expenditure. Therefore, we respectfully request the Hon'ble Commission to kindly consider these and approve the true-up claims as per DISCOM filings
9	The payment of ex gratia is a statutory and regulatory requirement mandated by the Hon'ble Commission vide Proceedings No. TSERC/Secy/86 of 2015 dated 28-12-2015 and Proceedings No. TSERC/Secy/64 of 2017 dated 28-12-2017 which also determines the amount to ensure fairness and consistency. These expenses, arising from compliance with safety measures and unforeseen accidents, are legitimate operational costs and have been approved for inclusion in the Aggregate Revenue Requirement by the Hon'ble Commission in the form of special appropriations. Capitalizing these expenses, as permitted by the Hon'ble Commission, ensures that the cost is distributed over time, minimizing the immediate impact on consumers while maintaining the financial viability	Pertains to TGNPDCL.

	of DISCOMs. Excluding these costs would place an undue financial burden on DISCOMs and hinder their ability to fulfill their social and regulatory obligations. Furthermore, the inclusion of ex gratia payments aligns with regulatory directives and supports the implementation of safety measures mandated by the Hon'ble Commission. Therefore, TGNPDCL respectfully requests the Honorable Commission to retain the inclusion and approval of these expenses in the APR filings	
10	For the FY 2023-24, TGSPDCL has shown a revenue variation of Rs.263.27 crore, with actual revenue of Rs.4510.59 crore against Rs.4773.86 crore approved by the Commission. Its new investment is less by Rs.612.44 crore, with actual investment of Rs.1686.89 crore against Rs.2299.33 crore approved. Similarly, investment capitalized is less by Rs.710.38 crore, with an investment capitalized of Rs.1763.52 crore against Rs.2473.90 crore approved by the Commission. Regulated rate base also is less by Rs.319.13 crore, with actual of Rs.5036.58 crore against R.5355.75 crore approved. Decreases are shown in O&M expenses by Rs.69.04 crore and in depreciation by Rs.316.40 crore. Towards compensation/ex-gratia for electrical accidents, SPDCL has paid a sum of Rs.84.94 crore during the 4th control period, including Rs.20.20 crore paid during the FY 2023-24 itself. With a huge loss shown by SPDCL, need for paying income tax of Rs.63.47 crore approved by the Commission has not arisen for the FY 2023-24. Return on equity also is calculated @ 14%, thereby indicating that the DISCOM could not meet standards of performance to claim additional return on equity @ 2%.	TGSPDCL has computed the true up/ true down calculations purely based on actual cost incurred, without estimating any kind of potential implications on tax payment arising out of true-down figures. The additional ROE @ 2% is under the provisions of new MYT Regulation No. 2 of 2023 which is effective from 01.04.2024 and will be covered in the APR Filings for FY 2024-25.
11	SPDCL has shown the rate of cost of debt as 10.05% against 9.85% approved by the Commission. It may be noted that, for the same FY, in the case of NPDCL, rate of cost of debt has come down to 9.33% from 9.85% approved by the Commission. This variation between rates of cost of debt between the two DISCOMs shows need and scope for obtaining loans at lower rates of interest possible and	The TGSPDCL has claimed the Rate of Cost of Debt as 10.05% which is Weight Average. The TGSPDCL has strived and putting it's best efforts to reduce the burden on Rate of Cost of Debt by exploring all the possibilities.

	exploring possibilities for swapping old loans with higher rates of interest with new loans with relatively lower rates of interest.	
12	SPDCL has shown that revenue from open access has come down by Rs.30.76 crore, i.e., from Rs.49.84 crore approved by the Commission to Rs.19.08 crore. Similarly, its non-tariff income also has come down by Rs.129.12 crore, i.e., from Rs.585.52 crore approved by the Commission to Rs.456.40 crore. SPDCL has not shown any contributions from consumers separately.	TGSPDCL acknowledges the observation raised regarding the revenue from open access and non-tariff income. The reduction of revenue from open access is due to reduction of purchase of power from the power exchanges by consumers. The reduction in Non-Tariff Income is due to reduction of Amortization of consumer contribution assets. The TGSPDCL has shown the consumer contributions in the Regulatory Rate Base calculations which is part of arriving the Regulatory Rate Base for FY 2023-24 and it is to mention that, the consumer contribution during the FY 2023-24 are Rs. 1157.80 crores and total amounting to Rs. 10,117.82 crores up to FY 2023-24.
13	For the 4th control period, SPDCL has claimed a net true-up of Rs.442.81 crore, with revenue gaps of Rs.418.14 crore, Rs.542.68 crore and Rs.31.46 crore for the first three years, respectively, and revenue surplus of Rs.369.4 crore for 2022-23 and Rs.243.07 crore for 2023-24. After considering true-down and true-up claims of both the DISCOMs for the 4th control period, the net true-down works out to Rs.69.65 crore. Compared to substantial reduction in capital invested and capitalized, depreciation, Return on Equity, O & M expenditure, no payment of income tax, etc., the overall amount for true down is a pittance.	TGSPDCL would like to bring to the kind notice of the Hon'ble Commission that during the 4th Control Period (i.e., from FY 2019-20 to FY 2023-24), the licensees had only filed for tariff filings for the FY 2022-23 and FY 2023-24. As a result, no tariff orders were issued by the Hon'ble commission for the FY 2019-20, FY 2020-21 and FY 2021-22. Since the tariff order for FY 2018-19 and the associated retail supply tariff schedule was passed to the consumers in the subsequent financial years i.e., FY 2019-20, FY 2020-21 and FY 2021-22, therefore it is rightfully justified that all true up/ true down figures be computed considering the base year to be FY 2018-19 which is what TGSPDCL has proposed in its APR filings and requests Hon'ble TGERC to approve the same. Further, TGSPDCL would like to clarify that the claims presented by the DISCOMs are reflective of actual operational and financial expense, which align with the regulatory framework and principles. The true-up mechanism is designed to ensure recovery of legitimate costs incurred by the DISCOMs in the course of providing uninterrupted and quality electricity supply to consumers. The revenue gaps and surpluses reported for the 4th control period are based on detailed calculations of actual revenues and expenditures vis-à-vis the projections approved by the Hon'ble Commission. These variations have been influenced by factors which were beyond the control of the DISCOMs. It is important to highlight that the net true-down figures no matter how small reflects ground realities. Therefore, the reported amount no matter however

		small shall not be considered as “pittance”. TGSPDCL therefore respectfully requests the Hon’ble Commission to consider the submitted claims based on prudence and regulatory principles. These claims are essential for ensuring the continued reliability and efficiency of power supply while supporting the DISCOMs’ financial sustainability.
14	For the FY 2025-26, NPDCL has shown a net ARR of Rs.3928 crore for distribution business, after transferring 10% to retail supply business. It has projected a capital expenditure of Rs.1413 crore, depreciation of Rs.414 crore, consumer contributions of Rs.182 crore, new loans (excluding consumer contributions) of Rs.1096 crore and operation and maintenance expenditure of Rs.3003 crore, among others. SPDCL has shown ARR of 5414 crore (after deducting 10% to be transferred to retail supply business of Rs.601 crore), capital expenditure of Rs.2467 crore, depreciation of Rs.831 crore, consumer contributions of Rs.798 crore, new loans of Rs.139 crore, O&M expenditure of Rs.3823 crore, new loans of Rs.1329 crore, among others. We request the Hon’ble Commission to examine the following points, among others: a) Both the DISCOMs have shown return on equity @ 16%, out of which they will be entitled to get 2% RoE, if only they achieve standards of performance. In view of continuous failures of the DISCOMs to achieve standards of performance, we request the Commission to consider rate of interest as per applicable regulations. If the DISCOMs achieve standards of performance, they can claim 2% RoE additionally under true-up later.	a) TGSPDCL has claimed additional 2% ROE indicating that they are well poised to meet the standard of performance and have therefore factored it in their ROE computations for FY 2025-26. The Standard of Performance is determined on various parameters or service areas such as Normal fuse-off calls, line breakdowns, distribution transformer failure, period of scheduled outage, street light faults and continuity indices. In each of the above mentioned areas, TGSPDCL has carried out extensive work in terms of improving the response time of 1912, carrying out scheduled and regular maintenance activities as part of summer action plan preparedness, launching of Emergency Response Team Vehicles to quickly turnaround/ restore normalcy. Hence, TGSPDCL’s claim of additional 2% ROE in the ROE computation is valid and justified and it humbly prays to the Hon’ble Commission to kindly approve the computations as per its filings.
	b) While SPDCL has proposed a rate of interest of 10% on loans, NPDCL has proposed a rate of interest of 10.75%. There is no justification to project higher rate of interest. The variation of rates of interest between the two DISCOMs also shows scope for getting loans at relatively lower rates of interest. We request the Hon’ble Commission to examine the rates of interest the DISCOMs have to	b) The rate of interest in the filings for TGSPDCL is based on its weighted average interest rates of existing and new loans and hence the same has been considered for computation purpose. Further, the TGSPDCL is exploring all possibilities to reduce the interest rate on loans as a result the interest on loans has reduced from 10.05% to 10%.

	pay to existing loans and new loans and determine rates of interest in a realistic manner, giving them a piece of advice to try to get loans at lowest rates possible and get new loans at relatively lower rates of interest for swapping their old loans with higher rates of interest to the extent possible. Similar should be the approach of the DISCOMs for getting loans for working capital.	
	c) The DISCOMs have claimed that they have projected various factors for the FY 2025-26 as per normative parameters permissible under the applicable regulations. The normative parameters, being changed by the Commissions periodically by amending the applicable regulations, tend to be very much liberal. When projections of capital expenditure, requirement of loans for the same and working capital, annual revenue requirement, and based on all such applicable factors, the wheeling charges worked out turn out to be unrealistic and inflated, and if they are approved by the Commission, it would lead to imposition of avoidable burdens on the consumers, as experience has been proving. Therefore, a near realistic assessment and determinations of all such factors is imperative.	c) TGSPDCL would like to reiterate the fact that computation of wheeling charges has been done as per the DB MYT approved figures and variation in the computed wheeling charges is bound to occur as the input parameters such as increase in Employee Cost, depreciation (including amortization of cc assets), Interest on working capital and Return on Equity.
	d) Tendering process being adopted by the licensees for purchase of materials and execution of works should be subjected to prudence check by the Commission and the details be made public to ensure transparency and accountability.	d) The tendering procedures followed by the TGSPDCL are already subjected to multiple layers of scrutiny, including internal audits. Furthermore, all tenders are issued through e-procurement platforms, which guarantee transparency and equal opportunity for all eligible bidders. The contracts are awarded based on well-defined evaluation criteria, ensuring the selection of the most qualified and cost-effective vendors.

		e) How much additional capacity for distribution needs to be added during the FY 2025-26 and the expenditure therefor need to be determined in a realistic manner, taking into account various factors like availability of existing distribution capacity, to what extent it is being utilised, new generation capacity required and likely to be added during the FY to meet growing demand, etc. If based on the decisions taken by the government directing the DISCOMs to enter into long-term power purchase agreements, unrelated to realistic requirement of generation capacity to be added, and distribution capacity to be added in accordance with the same, it would lead to stranding of unwarranted additional distribution capacity till it is required. f) Power to be procured under long-term PPAs should ensure a balance between fluctuating demand, daily, monthly and seasonal, and power mix to the extent technically practicable so as to see that availability of surplus power is the lowest possible. If such a balance is not maintained, availability of unwarranted surplus, its backing down and payment of fixed charges for the capacities backed down would impose avoidable burdens on the consumers. If transmission and distribution capacities are added as per the quantum of power that can be generated at threshold levels of the capacities of the plants concerned, both unwarranted generation capacity and distribution capacity would become stranded. If PPAs are entered into and regulatory consents given to the same for purchasing unwarranted renewable power, it would further intensify the adverse situation, with the DISCOMs being compelled to purchase unwarranted RE, which is treated as must-run, and in order to purchase the	e) TGSPDCL would like to reiterate the fact that capital expenditure and estimating the distribution capacity required for FY 2025-26 basis resource plan approved figures and growing demand. f) The expansion of Distribution capacity has been considered based on the growing demand and not based on the power purchase agreements entered with the conventional and RE generators. The power mix contracts have been entered with the generators to optimize the power purchase cost and to reduce the burden on the retail consumers. Power Purchase mix contracts will also lead in meeting the peak demand of the consumers seasonally without backing down of the conventional generation stations and to avoid purchase of costly power to the extent from short term sources.

	same, to back down thermal power and pay fixed charges therefor. Since RE, with various problems of intermittence, grid integration, etc., associated with it, and in view of the fact that RE cannot meet peak demand, the DISCOMs will be compelled to make additional purchases of power on short-term basis through exchanges and in the market at higher prices, which would again impose avoidable additional burdens on the consumers. While issuing orders of renewable power purchase obligation, the Commission has to take requirements of the state into consideration for fixing the targets of minimum purchase of RE by the DISCOMs, not the targets being proposed by the government of India arbitrarily and without any responsibility and accountability for the adverse consequences that are, and would be, arising as a result of implementing its diktats. All the above factors are interlinked.	
	g) Based on changing ground realities, requirements as permitted in the long-term load forecast, resource plan, state electricity plan, etc., approved by the Commission for the control period concerned, an objective review periodically, especially when new PPAs come before the Commission for its consideration and consent, apart from annual review of performance of the licensees, need to be undertaken by the Hon'ble Commission to re-determine the requirements of the licensees already approved so as to ensure that addition of generation, transmission and distribution capacities are restricted to the extent required. It is all the more imperative in view of the constraints for the DISCOMs to sell surplus power in the market profitably, or, at least, without loss and profit, and non-availability of viable and	g) The power purchase quantum is determined on the basis of hourly demand and available energy sources to meet the demand in hourly blocks. In peak hours and peak months, there are situations where the available dispatch from tied up sources is not enough to meet demand and hence market purchases are considered. Further, market sales are also considered in cases where available dispatch is higher than demand. However, it is imperative to mention that TGDISCOMs are already exploring the solutions mentioned by the Objectioner.

	economic storage systems which have not yet materialised. When such systems are developed and put to use, surplus thermal power also can be stored and used as and when required. h) When true up is being allowed for the permissible claims of the licensees annually, true down claims also should be effected annually, not after the end of the control period concerned. When DISCOMs are being permitted to collect wheeling charges based on unrealistic and inflated projections and determination, that is, allowing them to collect more than what is legitimately due to them, allowing the licensees to retain the true-down amounts till review is undertaken for the entire control period, is nothing but penalising the consumers doubly for their no fault. All the above-mentioned issues, among others, which have and will have a bearing on the tariffs to be paid by the consumers at large should be considered and determined after ensuring public consultation and holding public hearings.	 h) As per the provisions of the MYT Regulation 2 of 2023 the Licensees are required to file the ARR for control period and there after revised ARR annually. Hence the true up/true down claims will be effected after approval of the Hon'ble commission in the subsequent years.

15	As per contracted capacities approved in the distribution MYT for the 5th control period, while NPDCL has shown a contracted capacity of 3948 MW - 198 MW under 33 kv, 1212 MW under 11 kv and 2538 MW under LT – SPDCL has shown a contracted capacity of 10010 MW - 1712 MW under 33 kv, 2921 MW under 11 kv and 5377 MW under LT. Both the DISCOMs have proposed the following wheeling charges (Rs. per kv per month for long and medium term and Rs. per kva per hour for short-term open access) for 2025-26: **Long & medium-term** — **NPDCL** / **SPDCL** **33 kv** — **51.26** / **53.21** **11 kv** — **372.00** / **215.23** **LT** — **1107.86** / **705.20** **Short-term open access** **33 kv** — **0.0711** / **0.0739** **11 kv** — **0.5167** / **0.2989** **LT** — **1.538** / **0.9794** There may be specific features in each DISCOM in terms of number of consumers covered under different voltage levels, distances need to be covered, etc. Nevertheless, substantial differences between the wheeling charges proposed by both the DISCOMs for consumers covered under same voltages need to be subjected to prudence check, especially in terms of expenditure incurred and proposed to be incurred for maintaining and adding capacities under distribution network. I request the Hon'ble Commission to prune various expenditures and wheeling charges proposed by the DISCOMs for 2025-26 and determine them realistically.	TGSPDCL would like to reiterate the fact that computation of wheeling charges has been done as per revised Distribution ARR and the consumer contracted capacities as approved in the MYT Order for 5th Control Period.
16	I request the Hon'ble Commission to provide me an opportunity to make further submissions during the scheduled public hearing after receiving and studying responses of the DISCOMs.	The opportunity to make further submissions during the scheduled public hearing lies solely under the purview of the Hon'ble Commission and the TGDiscoms shall abide by the directions given by the Hon'ble Commission.

Response to Advocate Sai Sanjay Suraneni

on Behalf of M/S Bharti Airtel Limited

<table>
<tr><td colspan="3">2. Advocate Sai Sanjay Suraneni, 14, Bhai Veer Singh Marg, New Delhi – 110001, Tel: +91-11-23349275, fax: +91-11-23349276, email: contact@coai.in, website: www.coai.in</td></tr>
<tr><th>S.No.</th><th>Summary of Objections / Suggestions</th><th>Response of the Licensee</th></tr>
<tr><td>1</td><td>It is our humble request that Telecom Industry's electricity tariff may kindly be placed under –
a) Industrial Tariff instead of Commercial tariff for both LT and HT connected Telecom Units
b) No hike in tariffs by Discoms</td><td>a) It is to bring to your kind attention that, consideration of telecom services under industrial category does not arise as per the definition of industry which is placed before the Hon'ble Commission. The Manufacturing, processing and preserving of goods for sale fall under the Industrial activity. However, the services offered by the Telecom companies does not fit in the ambit of Industries. Hence, the request of Telecom Companies to consider the services of telecom under the industrial category is against the above provisions meeting the industrial category.

b)TGSPDCL has not proposed any increase in retail supply tariffs for any of the consumer categories</td></tr>
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Response to Mr. M Thimma Reddy

3. M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation, H. No. 3-4-107/1, Plot No. 39, Radha Krishna Nagar, Attapur, Hyderabad – 500048		
S.No.	**Summary of Objections / Suggestions**	**Response of the Licensee**
1	In the Annual Performance Review filings for the 4th control period TGDISCOMs compared expenditure items of ARR as approved in the wheeling tariff order and the current situation. Under the revenue items they have considered only OA revenue and non-tariff income. They have not included wheeling revenue (distribution business) while arriving at surplus or deficit. Only when wheeling revenue is taken in to account clear picture of wheeling business will come out. For this contracted capacity as mentioned in the wheeling tariff order and the contracted capacity actually served, and wheeling revenue as mentioned in the tariff order and wheeling revenue actually realized shall also be compared. This is particularly important because DISCOMs' projection of distribution business tend to be inflated leading to higher wheeling tariffs.	The actual Distribution wheeling revenue realized by the DISCOM is same as approved wheeling revenue in the Distribution Tariff Order. However, the variations in the actuals vis-à-vis approved of Distribution ARR components will be considered while arriving the revenue surplus / deficit.
2	TGDISCOMs underperformed in terms of achieving capital investment approved by the Commission. For example, for the FY 2023-24 TGNPDCL invested only Rs.723 crore against a capital investment of Rs.2104 crore approved by the Commission, i.e., less by Rs.1381 crore. For the same year TGSPDCL's capital investment is less by Rs.612.44 crore, with actual investment of Rs.1686.89 crore against Rs.2299.33 crore approved. Similarly, investment capitalized is less by Rs.710.38 crore, with an investment capitalized of Rs.1763.52 crore against Rs.2473.90 crore approved by the Commission. Its implications for creating additional or new distribution infrastructure and earning wheeling revenue needs to be examined.	For FY 2023-24 the capital investments made by TGSPDCL is Rs.2,256.14 crores against Capital Investment of Rs. 2,299.33 crores approved in the Distribution MYT Order for 4th Control Period which is less than by 1.8%. Thus the Capital Investments made by TGSPDCL for FY 2023-24 is as per approved in the Distribution MYT Order. The assets capitalized are of Rs. 1,686.89 crores which includes the Capital Works of previous Financial Year due to spillover of works and still there is Capital Work-In Progress of Rs. 1,747.75 crores of FY 2023-24. By considering the Capital Work-In Progress, the capital investments made by the TGSPDCL are as per approved in the Distribution MYT Order. Though the Capital Investments reduced by 1.8%, the Distribution Business ARR trued-down by Rs. 263.27 crores

		due to less depreciation of Capitalized assets of Rs. 316.40 cr. and reduction in O&M expenses of Rs. 69.04 crores.
3	As a part of wheeling tariff order the Commission allowed the TGDISCOMs to spend Rs. 20 Crores each year under special appropriation towards improving safety of electrical network. While TGNPDCL reported that it had spent this amount TGSPDCL claimed only part of this amount stating that spending on safety measures was claimed under other heads. In spite of this spending there was no let up in fatal electrical accidents. During the 4th control period TGNPDCL spent Rs. 107.58 Crores towards compensation/ex-gratia and TGSPDCL spent Rs. 84.94 Crores under this head. Still some families of victims had to receive compensation. We request the Commission to order safety audit of distribution network in the state to find out gaps in safety and to plan measures to overcome them.	TGSPDCL is committed to ensure that fatality/ injuries due to electrical accidents are brought down to 0 and is working round the clock towards this goal. TGSPDCL is taking measures for creating awareness for precautions and safety measures during campaigns held in each district.
4	TGNPDCL estimated for FY 2025-26 distribution business ARR to be Rs. 3,928 Crores and contracted capacity to be 3,948 MW. This amounts to distribution cost of Rs. 0.99 Crore per MW in the case of TGNPDCL. Similarly, TGSPDCL estimated distribution business ARR to be Rs. 5,414 Crores and contracted capacity to be 10,010 MW. This amounts to distribution cost of Rs. 0.54 Crore per MW in the case of TGSPDCL. This shows wide variation in distribution cost between the two DISCOMs. This variation between the two DISCOMs is also reflected in the proposed wheeling tariff also. This wide variation in distribution cost between the two DISCOMs needs to be examined.	The difference between the two discoms are a factor of capex incurred by the respective discoms, interest of term loan and working capital, ROE, Depreciation etc., The methodology followed for arriving at the long term and short term wheeling charges are same and any variation in Distribution Cost per MW between the two Discoms is due to variation in the consumer density also which is high in TGSPDCL and less consumer density in TGNPDCL.
5	Newspaper reports indicate that TGSPDCL proposes to take up extensive underground cabling work. We would like to know whether this underground cabling work was approved by the Commission as a part of the distribution business ARR for 5th control period. If not, whether TGSPDCL obtained approval from the Commission separately for this work.	Presently TGSPDCL is currently exploring the possibilities and feasibility of taking up underground power cabling works and under process and will be submitted to the Hon'ble commission after assessment of financial capability and viability.

6	As a part of distribution business ARR for FY 2025-26 TGDISCOMs are claiming return on equity of 16%. This includes 14% towards regular return on equity and 2% for achieving Standards of Performance (SoP). This additional 2% towards return on equity may be allowed after completion of the FY if DISCOMs achieve the target SoP. TGDISCMs' claims on achieving SoP needs to be thoroughly scrutinized by the Commission or shall be subjected to third party verification. Electricity consumers in the state are at the receiving end. TGDISCOMs' claims on achieving SoP do not reflect the ground reality. We often come across news reports of DISCOM staff being arrested by Anti Corruption Branch (ACB) for their corrupt practices. But these arrests represent just tip of an iceberg and the rot runs deep. Electricity consumers in the state deserve better service.	TGSPDCL has claimed additional 2% ROE indicating that they are well poised to meet the standard of performance and have therefore factored it in their ROE computations for FY 2025-26. The Standard of Performance is determined on various parameters or service areas such as Normal fuse-off calls, line breakdowns, distribution transformer failure, period of scheduled outage, street light faults and continuity indices. In each of the above mentioned areas, TGSPDCL has carried out extensive work in terms of improving the response time of 1912, carrying out scheduled and regular maintenance activities as part of summer action plan preparedness, launching of Emergency Response Team Vehicles to quickly turnaround/ restore normalcy. Hence, TGSPDCL's claim of additional 2% ROE in the ROE computation is valid and justified. TGDiscoms do not encourage corrupt practices which is clearly evident in the TGDISCOM's office premises which has provided phone numbers to report any such incidents. This clearly shows the intent of Discoms to be transparent and consumer centric.
7	In the present filings for the FY 2025-26 while TGNPDCL has proposed a rate of interest of 10.75% on loans, TGSPDCL has proposed a rate of interest of10%. These rates of interest are higher than those claimed during the 4th control period. As such TGDISCOMs' proposed rates of interest for the FY 2025-26 need to be brought down.	The rate of interest in the filings for TGSPDCL is based on its weighted average interest rates of existing and new loans and hence the same has been considered for computation purpose. Further, the TGSPDCL is exploring all possibilities to reduce the interest rate on loans as a result the interest on loans has reduced from 10.05% to 10%.