

To, The Secretary, T.S. Electricity Regulatory Commission, Vidyut Niyamtran Bhavan, GTS Colony, Kalyan Nagar, Hyderabad – 500 045	From, 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 – 500 048
---	--

Date: 26-02-2025

Dear Sir;

Sub: - Comments on TGDISCOMs’ ARR and tariff proposals for FY 2025-26 in OP Nos. 21 and 22 of 2025, and I.A. Nos 4 and 5 of 2025.

Ref: - Public notices dated: 07-02-2025.

1. In response to the above Public Notices we are submitting the following comments on TGDISCOMs’ ARR and tariff proposals for FY 2025-26.

2. According to MYT Regulation No. 2 of 2023, the ARR petition for FY 2025-26 commencing from 01.04.2025 shall be filed by distribution licensee on or before 30.11.2024. TGDISCOMs have filed Petition for determination of Revised ARR and Tariff of Retail Supply Business for FY 2025-26 on 28-01-2025. There is delay of two months in filing these petitions. TGDISCOMs have listed several reasons for delay in making these filings. An examination of the TGDISCOMs’ ARR and tariff proposals shows that these reasons were not factored in to and as such this delay cannot be condoned. According to Clause 29 of the MYT Regulations 2023, “Provided that in case of delay in submission of tariff/true-up filings by the generating entity or licensee or SLDC, as required under this Regulation RoE shall be reduced by 0.5% per month or part thereof.” There is a delay of two months in submitting ARR and tariff filings for the FY 2025-26. Following the Clause 29 of the MYT Regulations RoE of TGDISCOMs shall be reduced by 1%.

Power requirement

Table 1: Power requirement during FY 2025-26 according to DISCOMs’ filings

Particulars	NPDCL	SPDCL	Total
Sales (MU)	23,951	63,432	87,383
Energy requirement (MU)	27,143	71,176	98,319
T&D Loss (MU)	3,192	7,744	10,936
T&D loss %	11.76	10.88	11.13

Table 2: Power requirement during FY 2025-26 according to ERC's 5th Control Period Order

Particulars	NPDCCL	SPDCCL	Total
Sales (MU)	21,541	56,721	78,262
Energy requirement (MU)	24,201	63,087	87,288
T&D Loss (MU)	2,660	6,366	9,026
T&D loss %	11.00	10.09	10.34

3.1 The Commission through the Order on ARR of Retail Supply Business for 5th Control Period and Retail Supply Tariffs for FY 2024-25 of TGDISCOMs dated 28-10-2024 estimated total power requirement during FY 2025-26 to be 87,288 MU. At the same time TGDISCOMs arrived at 98,319 MU as their energy requirement during the same year. TGDISCOMs' estimate of energy requirement is 12.64% higher than that of the Commission.

3.2 T&D losses shown by TGDISCOMs are also higher than that projected by the Commission. Lower T&D losses imply lower power requirement.

3.3 TGSPDCL is underestimating Open Access (OA). In the case of income from open access while it earned Rs. 19.08 Crore during the FY 2023-24 it is estimating its income under this head to be Rs. 1.19 crore only during the FY 2025-26. Under estimation of OA results in overestimation of energy requirement by DISCOMs.

3.4 Requirement will also be impacted by deployment of solar power by some of the consumers. Singareni Collieries, Hyderabad Metro, and Railways are planning additions to their solar energy generation capacity. To these one has to add rooftop solar units being undertaken as a part of state as well as central govt initiatives.

3.5 TGDISCOMs applied category wise CAGR (Compound Annual Growth Rate) trend during the last 5 years, 4 years, 3 years, 2 years, 1 year over the previous year to arrive at energy requirement during FY2025-26. But there was no proper justification for using the particular CAGR in the case of different consumer categories. For example, TGSPDCL adopted a CAGR that implies growth of more than four times in the case of electrical vehicles during FY 2025-26. Similarly, in the case of HMR traction at 132 kV CAGR adopted is 25.57%, which is too optimistic.

3.6 During the FY 2025-26 agriculture services are estimated to consume 10,457 MU accounting for 38.53% of energy requirement in the case of TGNPDCCL and 17,124 MU accounting for 24.06% of energy requirement in the case of TGSPDCL. While TGNPDCCL adopted 5 year CAGR of 6.56% TGSPDCL adopted 1 year CAGR of 4.41%. As agriculture services are not metered estimating consumption by this category has become a contentious issue. In the filings for FY 2024-25 TGDISCOMs stated that from the next year agriculture consumption would be estimated based on meters installed on segregated feeders serving agriculture services. Instead for FY 2025-26 TGDISCOMs adopted different CAGRs without recording any justification. Feeder based agriculture consumption estimation has been already taken up by AP DISCOMs. TGDISCOMs should clarify when they plan to use feeder meter based agriculture consumption estimation.

Table 3: Electricity consumption by Lift irrigation schemes

	NPDCL		SPDCL	
	Growth rate	Consumption (MU)	Growth rate	Consumption (MU)
11 kV	2% Manual	25	10% Manual	25
33 kV	2% Manual	31	30.34% 5yr CAGR	86
132 kV	2% Manual	1525	8% Manual	1644
Total		1581		1755

3.7 The two TGDISCOMs adopted different growth rates in estimating power consumption by lift irrigation schemes. At the same time, they did not provide any rationale for the growth rates adopted. In majority of the cases Manual growth rate is adopted as “historical CAGR is erratic” They should be having information on ground level situation of lift irrigation schemes and the same should have been explained/taken in to account.

Power availability

Table 4: Power availability during FY 2025-26 (MU)

Source	DISCOMs’ 5 th Control Period filings	TSERC Retail Supply Tariff and ARR 5 th CP Order	DISCOMs’ ARR Filings 2025-26
GENCO Thermal	70,009	55,887	57,930
GENCO Hydel	5,741	5,742	5,742
CGS	29,477	25,436	25,148
NCES	17,446	17,446	18,804
SEIL	2,006	1,773	2,006
Singareni	8,936	7,916	8,935
Short-term	544		1,065
Total	1,34,159	1,14,200	1,23,630

4.1 TGDISCOMs in their ARR filings for the FY 2025-26 estimated availability of 1,23,630 MU of electricity. This is 9,430 MU higher than the electricity availability approved by the Commission for FY 2025-26 as a part of the Order on ARR of Retail Supply Business for 5th Control Period and Retail Supply Tariffs for FY 2024-25 of TGDISCOMs dated 28-10-2024. This includes 1,065 MU under short term procurement.

4.2 TGDISCOMs projected higher availability of power from each source compared to the levels approved by the Commission while claiming to follow the same method of normative plant availability net of auxiliary consumption.

4.3 TGDSCOMs projected procurement of 1,065 MU through short-term sources. This is 100% higher than their projections made as a part of their submissions for 5th Control Period. The Commission did not allow short-term purchases as a part of its Order dated 28-10-2024.

4.4 TGDISCOMs in their present filings noted their proposal to purchase power from short term sources on need-to-need basis. As the State is facing surplus power situation there shall be no place for short-term power purchases. Following the power availability and power requirements estimated by TGDISCOMs during the FY 2025-26 the state will have surplus power of 25,311 MU which is equal to 20,47% of the power availability. In such power surplus situation there shall be no place for short-term power procurement.

4.5 Under power availability TGDISCOMs did not include some sources. Under reasons for delay in filing ARR for FY 2025-26 TGDISCOMs included floating tenders for empanelment of vendors for supply and erection of Solar Power Plants up to 1 MW for self-help group (SHG) under “Indira Mahila Shakti Program’ of the Govt. of Telangana and floating of tenders with RFP for supply and erection of Solar Power Plants upto 4000 MW under ‘Kusum Component – C. [TGDISCOMs should take lessons from states which have already started implemented such projects. They should also provide the details and time line and status of feeder separation, which is required for feeder solarisation under KUSUM – C] TGGENCO also floated tender for 500 MWh battery storage based solar power. State’s RE policy envisages addition of 20,000 MW solar power by the end of 5th Control Period.

Power procurement cost

5.1 TGDISCOMs estimated the total power purchase cost to be Rs. 50,572 Crore during the FY 2025-26 compared to the Commission’s estimate of Rs. 46,836 Crore. TGDISCOMs’ estimate of power purchase cost is 7.8% higher than that of the Commission.

5.2 Net power purchase cost arrived at by TGDISCOMs as well as the Commission depends on revenue envisaged from sale of surplus power during the FY 2025-26. While DISCOMs projected sale of 24,505 MU of surplus power the Commission projected sale of 21,669 MU of surplus power. In the case of FY 2024-25 the Commission approved sale of 4,431 MU of surplus power. Compared to this projected surplus power sale during FY 2025-26 is nearly five times. Hitherto experience with selling surplus power is not very encouraging. Inclusion of estimated revenue from sale of surplus power only helps to show lower power purchase cost burden which in turn leads to lower or no tariff hike and lower subsidy burden on the state government. But reality will catch up at the time of true-up.

5.3 TGDISCOMs in their power purchase cost proposals have shown Rs. 6858 Crore as fixed cost of YTPS. They have not shown on what basis they have arrived at this figure. Until now the Commission has not approved capital cost and power purchase tariff of this plant. The Commission in the Order on Approval of Business Plan and Capital Investment Plan for MYT 5th Control Period from FY 2024-25 to FY 2028-29 for TSGENCO dated 29-12-2023 directed TSGENCO as follows, “Therefore, considering the directions given in MYT Order dated 22.03.2022 and Clause 4.2.3 & 4.2.4 of the Regulation 01 of 2019, the Commission again directs the Petitioner to submit a proposal for determination of capital cost and tariff for YTPS before its CoD as per applicable tariff regulation for the relevant period.” (para 5.7.5). The Commission did not include YTPS in the Order on MYT for FY 2024-25 to FY 2028-29 for TGGENCO dated 28-10-2024. In this background of the Commission not approving the capital cost and power purchase tariff, inclusion of fixed costs of YTPS in the proposals is questionable.

5.4 Variable cost of YTPS is mentioned as Rs. 3.53 per unit. This is lower than variable costs of most of the pit head plants in the state. Last year it was clarified that in the case of YTPS the price mentioned in DPR was quoted.

5.5 There is wide variation in variable costs of KTPS plants. While variable cost of KTPS VII is Rs. 3.80 per unit that of KTPS V is Rs. 4.41 per unit.

5.6 Regarding fixed costs of central generating stations (CGS) TGDISCOMs submitted as follows, “For FY 2025-26, the Licensee has considered the Fixed Costs approved by the Hon’ble TGERC in the Aggregate Revenue Requirement (ARR) of Retail Supply Business for 5th Control Period (FY 2024-25 to FY 2028-29) Order dated 28.10.2024 escalated by 3% to account for increased costs expected in FY 2025-26.” TGDISCOMs have not provided rationale for adopting this procedure. Fixed costs of CGS units are decided by CERC. According to TGDISCOMs’ submission fixed costs of CGS units during FY 2023-24 were Rs. 2,319 Crore. The Commission approved Rs. 3,456 Crore as fixed costs of these CGS units during the FY 2024-25. The Commission approved fixed costs of CGS units during the FY 2024-25 was 49% higher than the actual fixed costs of CGS units during FY 2023-24 even though there was not much change in the installed capacity of these units. In the background of past experience fixed costs of CGS units needs to be reassessed.

Table 5: ARR of TGDISCOMs for FY 2025-26

(Rs. in Cr)

Expenditure	NPDCL		SPDCL	
	Filings	Approved	Filings	Approved
Transmission cost	613	1001.95	1,468	2,400.26
Distribution cost	3,928	3,186.90	5,414	4,684.44
O&M expenditure	334	279.50	425	381.44
Non-Tariff Income	52	125.84	81	158.71
ARR	19,814	18,296.30	46,035	43,350.80

6.1 The Commission had issued the Retail Supply Tariff Order for FY 2024-25 and ARR for each year of the 5th control period on 28th October 2024. In that order the Commission had approved ARR for each year of the 5th control period. TGDISCOMs in their present filings have claimed that in accordance to the regulation and above Order of the Commission the DISCOMs have computed the ARR for FY 2025-26. But there is wide variation between the ARR approved by the Commission for the FY 2025-26 as a part of 5th Control Period and the present filings by the TGDISCOMs. In the case of all expenditure items except transmission cost DISCOMs have shown higher expenditure compared to that approved by the Commission through the above MYT Order. At the same time TGDISCOMs did not provide reasons for the variations in expenditure and income figures.

6.2 In the case of TGPNPDCL while the Commission had approved Rs. 3,186.90 crore towards distribution cost the DISCOM is claiming Rs. 3,928 crore which is higher by Rs. 741 crore (23.25% higher). Similarly, in the case of TGSPDCL while the Commission had approved Rs. 4,684.44 crore towards distribution cost the DISCOM is claiming Rs. 5,414 crore which is higher by Rs. 730 crore (15.58% higher). Given this wide deviation TGDISCOMs’ claims related to distribution cost for the year 2025-26 shall be thoroughly scrutinised.

6.3 Similar is the case with respect to other expenditure items except transmission cost.

6.4 The TGDISCOMs have not included 1000 MW power from Chhattisgarh State Power Distribution Company Limited (CSPDCL) under availability during FY 2025-26. In the absence of power supply from this plant we would like to know whether the TGDISCOMs are paying transmission charges to PGCIL for the capacity they contracted for supply of power by CSPDCL.

6.5 At the same time TGDISCOMs underestimated the revenue from non-tariff income during the FY 2025-26. In the case of NPDCL the Commission estimated Rs. 125.84 Crore towards non-tariff income but NPDCL has shown only Rs. 52 Crore under this head. Similarly, in the case of SPDCL the Commission estimated Rs. 158.71 Crore towards non-tariff income but NPDCL has shown only Rs. 81 Crore under this head.

6.6 Net result of this is that as shown in the above table TGDISCOMs have arrived at higher ARR compared to the ones approved by the Commission. Given this deviation from the ARR approved by the Commission DISCOMs' claims on ARR for the FY 2025-26 needs to be subjected to thorough scrutiny. This is particularly important because TGDISCOMs did not provide justification for higher expenditure over and above the limit set by the Commission.

Electrical accidents:

7.1 During the first half of FY 2024-25 NPDCL recorded 217 fatal accidents involving humans and SPDCL recorded 99 (including 2 departmental) fatal accidents involving humans. A look at the data for the past few years show that there was no let up in occurrence of fatal electrical accidents. NPDCL has not provide details of department or contract labour accidents. Exgratia for human fatal accidents provided by both DISCOMs is less than the number of human fatal accidents. It has been submitted that families of all human fatal accident victims should be provided exgratia as a humanitarian gesture through the own resources of the DISCOMs.

7.2 The information provided by TSDISOMs on electrical accidents show that most of the fatal accidents took place in circles with predominantly rural services. These accidents are low in urban circles. This implies that the rural consumers are not receiving quality service. Every step shall be taken to correct this anomaly.

Arrears:

8.1 According to NPDCL filings of FY 2025-26 total arrears of Rs. 50,000 and more pending for six months as on 30-09-2024 are Rs. 13, 372.61 crore. These arrears are equal to 82.36% of ARR of FY 2024-25. According to SPDCL filings of FY 2025-26 total arrears of Rs. 50,000 and more pending for six months as on 30-09-2024 are Rs. 17, 405.05 crore. These arrears are equal to 45.87% of ARR of FY 2024-25. Both the DISCOMs are facing arrears of Rs. 30,777.66 crores. Substantial portion of these arrears have to come from state government departments. (While SPDCL mentioned the arrears due from Government departments NPDCL did not show these details. NPDCL provided circle wise information). According to SPDCL submission arrears due from state government departments stand at Rs. 11,030.66 crore

accounting for 63.38% of the arrears. Situation may be the same or even worse in the case of NPDCL. According to Section 1.2 i) of UDAY – MoU all outstanding dues from the government departments to DISCOMs for supply of electricity shall be paid by 31-03-2017. Since then, arrears from state government departments in fact have increased.

8.2 If the arrears below Rs. 50,000 are also taken in to account total arrears due to TGDISCOMs will be much higher. Because of these mounting arrears TGDISCOMs are forced in to heavy debt burden and it is one of the reasons for losses incurred by the TGDISCOMs. We request the Commission to advise the State Government to release arrears pending from state government departments in a time bound manner. We also request the Commission to direct DISCOMs to take effective steps to bring down arrears from other consumers.

9. Tariffs are expected to be fixed in such a manner that reasonable costs of licensees are recovered. TGNPDCL's Annual report for FY 2023-24, shows loss of Rs 1441 Crore in FY 2023-24 and cumulative loss at the end of FY 2023-24 as Rs. 20,010.99 Crore. TGSPDCL's Financial report for FY 2023-24 shows loss of Rs.4909.53 Cr in FY24. Cumulative losses of TGSPDCL have reached Rs.47,239.15 Crore. No tariff hike, no true up/FCA, no control on power purchase and other costs, and failure of the State governments to discharge their stated financial commitments to TGDISCOMs have pushed TGDISCOMs in to deep financial troubles.

10. At present tariff for electrical vehicle (EV) is Rs. 6 per unit plus Rs. 100 per kV demand charges. This is the tariff that DISCOMs collect from the agencies that have set up charging stations. But there is no limit or control on what these charging stations collect from vehicle owners for charging their vehicles. These charges are reported to range from Rs. 12 to Rs. 25 per unit. (Eenadu, 24/06/2024, Greater Hyderabad Edition). The Commission is requested to set the tariff for sale of electricity by EV charging stations to electrical vehicle owners. This may be set on the lines Oil Companies determine the prices for dispensing petrol and diesel by oil filling stations.

11. We request the Commission to take our above submissions on record and allow us to make further submissions during the public hearing.

Thanking you.

Sincerely yours,

M. Thimma Reddy.