

To
The Secretary
Telangana Electricity Regulatory Commission
Vidyut Niyamtran Bhavan, G.T.S. Colony
Kalyan Nagar, Hyderabad – 500 045

March 7, 2025

Respected sir,

Sub : Further submissions in OP Nos. 19 and 20 of 2025 for true-up for 2023-24 and revised ARR for 2025-26 for transmission business of Transmission Corporation of Telangana Ltd., and SLDC business, respectively.

Further to our submissions dated 10.2.2025, we are submitting the following points in response to the responses of TGTRANSCO to our earlier submissions:

- 1. The evasive response or non-response of TGTRANSCO that our contention that the surplus for the 4th control period worked out by TGTRANSCO indicates that it is due to under-performance and that there is scope for improving its performance is a “submission to Commission” is amusing. Its reluctance to rebut or accept the point raised by us is indicative of lack of valid grounds to rebut our contention or willingness to recognize reality, as the case may be. Irrespective of the stand the Hon’ble Commission takes, it is a point pertaining to performance of TGTRANSCO, which cannot absolve itself of its responsibility.**
- 2. TRANSCO has contended that decrease in capitalization during the 4th control period by Rs.7662.84 crore or 45.11% against capitalization approved in MYT order is due to delay in completion of certain major projects like Dameracherla-YTPP. A marginal variation can be understood, but such a vast variation over a period of five years shows how unrealistic the projections and their requirements have been.**
- 3. It is strange that capital expenditure for 2023-24 increased slightly, but capitalization is lesser by Rs.3597.06 crore or 383.77%. It confirms non-completion of works to facilitate capitalization in time and meet requirements of the network.**
- 4. That TRANSMISSION, as well as distribution, network expansion works need to be taken up and executed in time to meet requirements of evacuating and transmission from the generation projects is obvious. If generation projects are completed as scheduled and if required transmission works are not completed as per contracted capacities, it will create problems for evacuation of power from the projects concerned. If generation projects are not completed and commercial operation dates are not declared in time, and if required transmission works are**

completed as scheduled, the latter will remain idle till CoDs of projects concerned are declared. Since completion of transmission works are expected to synchronize with CoDs of generation projects, due to delays in execution of generation projects or lift irrigation schemes of the department of I&CAD, several problems do arise. It may lead to deferring execution of works in the middle, resulting in cost escalation, including interest during construction. Such burdens are being proposed to be imposed on the consumers under true-up claims, unjustifiably. TRANSCO has avoided its response to our query that it has to explain the items for which it could not incur expenditure permitted by the Commission and whether the purpose which the said expenditure was permitted was really required and served or not in maintaining its network. Higher capital expenditure and lesser capitalization have to be examined in the light of these implications.

5. The contention of TRANSCO that some of the schemes proposed for 2023-24 could not be taken up, since some other projects had to be taken up as per field exigencies indicates lop-sided planning. If there was delay in supply of materials due to lock-down restrictions imposed during the period of C ovid-19, it should be confined to that period. For subsequent periods of the 4th control period when no such restrictions were imposed, the question of cascading effects of the said restrictions does not arise. TRANSCO has pointed out that works based on deposit contribution of the department of irrigation and command area development will be executed as per its request shows that time schedules of the works keep changing and that there has been no certainty, as well as stability, in the projections made for the control period. The projections have simply been desultory. If, for 2023-24, progress of some of the works was slow because of payments pending from I&CAD, how did the capital expenditure increase? In this connection, I request the Hon'ble Commission to examine the following points, among others:
 - a) What have been the works executed by TRANSCO during the 4th control period and the current FY and proposed to be executed for the next financial year with the contributions of the department of I&CAD and such other consumers, if any, the expenditures incurred or to be incurred work-wise and scheme-wise?
 - b) For works taken up with the contribution of consumers, that amount should not be included in the total capital expenditure of TRANSCO.
 - c) Such contributions should not be taken into account for working out and determining aggregate revenue requirement of TRANSCO.
 - d) For determining transmission charges, expenditures incurred for such works executed with contributions of consumers should not be taken into account. If not, it gives undue benefit to TRANSCO in the form of claiming depreciation charges for

such works also and collecting higher transmission charges from all the consumers covered under its transmission system.

- e) **Transmission charges for consumers, who have not contributed any amounts, and for consumers, who have contributed amounts, should be worked out and determined, separately, taking relevant factors into account.**
 - f) **Who owns the transmission infrastructure developed with the contributions being made by consumers like I&CAD? What is the agreement, as well as arrangement, between TRANSCO and I&CAD for adjustment of the contributions being made by the latter and transmission charges to be collected by TRANSCO?**
 - g) **For schemes of I&CAD, power is not required throughout the day and year, as it depends on availability and requirement of water. Is transmission capacity created with the contributions of I&CAD being used for other consumers, when the former is not using it? Are transmission charges being collected from I&CAD and other consumers for the transmission network created with the contributions of the department of I&CAD?**
 - h) **Transmission charges are being determined voltage-wise. However, the elements of expenditure required or actually incurred for consumers depending on their vicinity to the generation stations and variations thereof are not being taken into account, while determining transmission charges. This dichotomy is continuing, without any rectification.**
 - i) **We request the Hon'ble Commission to deduct contributions made by I&CAD and such other consumers, who contributed contributions, from the capital expenditure incurred and capitalization achieved by TRANSCO for the 4th control period, as well as from capital expenditure and ARR projected for FY 2025-26, and reassess ARR and tariffs. It will result in increase in surplus to be trued up for the 4th control period and reduction in ARR and tariffs proposed for 2025-26. In this connection it may be noted that, in the audited accounts for 2023-24, TRANSCO's auditors pointed out that "The company has capitalized Lift Irrigation schemes including assets pertaining to deposit contribution works pertaining to Consumers i.e., beyond terminal and metering arrangement. The Company has not identified and segregated the assets capitalized under deposit contribution works. The impact on the accounts is not ascertainable."**
- 6. O&M expenditure includes employee cost, based on approved norms. TRANSCO has claimed that it has submitted actual O&M cost as per audited accounts for the FY 2023-24. Simply because its accounts are audited, the amounts claimed by TRANSCO as per audited accounts need not be permissible, if they deviate from approved norms. Therefore, expenditures shown in audited accounts and claimed by TRANSCO should be subjected to prudence check by the Hon'ble Commission**

and allowed to the extent permissible as per norms. It applies to other expenditures of TRANSCO also.

- 7. While considering the claim of TRANSCO for deferred income tax, we request the Hon'ble Commission to consider the observation of the auditors that “deferred tax asset of Rs.11,501 |Lakhs allocated to the Company by APTRANSCO on demerger towards employee terminal benefits is not reassessed using the present enacted tax rates at the end of the reported period, pending receipt of necessary details from APTRANSCO.”**

- 8. We request the Hon'ble Commission to examine the following observations made by auditors in the audited accounts and take appropriate decisions:**
 - a) There are certain unidentified amounts/balances migrated from ifa Accounting Software to SAP accounting software amounting to Rs.3559.55 Lakhs which needs to be identified and reconciled from the date of migration, i.e., 31.08.2016. The impact, if any, on the accounts is not ascertained.
 - b) Company has not provided the details of CWIP Ageing w.r.t Cost run and time over run in the financial statements as required under sch III of Companies Act 2013.
 - c) The Company has not made fair value of other non-current financial liabilities of Rs.52,025.47 Lakhs (Refer note 14.1) and some of the staff loans/advances to the extent of Rs.28.02 Lakhs (Refer Note 3) as per Ind AS 109 - Financial Instruments. The likely impact, if any, on adjustments relating to fair value was not ascertainable.
 - d) In respect of security deposits from suppliers of Rs.2152.04 Lakhs, retention money from suppliers of Rs.48301.09 Lakhs and security deposit-operating charges of Rs,1572.33 Lakhs, the company has not classified into current and non-current portion as per Schedule III to the Companies Act, 2013. Further the likely impact, if any, on adjustments relating to fair value was not ascertainable.
 - e) The company is of the view that the provision and disclosures are required only to the extent of their share of 26% of the Pension & Gratuity obligation in respect of employees on rolls as on 31.01.1999, as per the actuarial valuation, Master trust is contributing 74% of the obligation which in turn is being paid by way of floating interest on the bonds issued by AP Genco to match proportionate outflows on account of pension & gratuity obligations of their share. However, the disclosure is not in accordance with the requirements of Ind AS 19.
 - f) Company is receiving grants from Central govt. towards PSDF schemes and are accounted as Liability till conditions specified in grant are met. Subsequently, on meeting the conditions, the company is amortizing such liability as income over a

period of 15 years, instead of amortizing on systematic basis over the useful life of the asset which is not in compliance with IND AS 20.

- g) In our opinion and based on the information and explanations provided to us, the company has a policy of continuous physical verification of inventory. However, we observed that these verifications have not been conducted at the regular intervals as envisaged by the policy. Consequently, we are unable to confirm whether all discrepancies, if any, between the physical inventory and the book of records have been identified and appropriately dealt with in the financial statements.
9. **TRANSCO has pointed out that both true-up and true-down are being adjusted after completion of the control period only. It has further pointed out that, for the 3rd control period, Hon'ble Commission approved a net surplus of Rs.520.51 crore plus carrying cost at interest rate of 9.85% of Rs.25.64 crore on the surplus and recovered a total of Rs.546.15 crore as per applicable regulation. We request the Hon'ble Commission to examine the following points, among others:**
- a) **Though true-up or true-down is being approved after completion of the control period, it is not an equitable arrangement, because, it has been true-down only, in practice.**
- b) **Even for the second control period true-down was approved. For the 4th control period also, true-down is shown by TRANSCO. These trends confirm that true-down for control periods has been going on as a continuous phenomenon, that true-downs are not a result of efficiency improvement, but of inflated claims of the licensee as approved by the Commission.**
- c) **How the true-down amount approved by the Commission after end of control period is being passed on to the consumers is a moot point that needs to be re-examined and decided by the Commission.**
10. **To my objections to TRANSCO deducting the true-down amount of Rs.1608.87 crore for the 4th control period from its ARR for 2025-26, TRANSCO has simply maintained that it is a "submission to Commission." This evasive approach of TRANSCO indicates that it has neither valid grounds to oppose my objections, nor does it have intellectual honesty to agree with my suggestion that the true-down amount should be passed on to the consumers, not factored in its projected ARR for 2025-26. Since deduction of true-down amount for the 4th control period from its ARR for 2025-26 is an action of TRANSCO, it is its responsibility to justify it or admit that it is a mistake and impermissible, notwithstanding the decision the Hon'ble Commission would take while finalizing and issuing its order.**
11. **Regarding my submission that TRANSCO should try to maintain the level of transmission losses for FY 2025-26 at the lowest percentage already achieved, if**

not reducing them further, its response that it is a “submission to Commission” is evasive again. Since the proposal is made by TRANSCO, it is its responsibility to justify it and explain as to why it cannot maintain transmission losses for the next financial year at the lowest level already achieved, notwithstanding the decision the Hon’ble Commission would take.

12. Regarding imbalance between contracted capacity and higher capital expenditure and capitalization proposed for FY 2025-26, TRANSCO has stated that there is a difference of 383 MW between the contracted capacity filed by it of 23454 MW and 23797 MW filed by TGDISCOMs for the FY 2025-26. It has referred to the resource plan and business plan approved by the Commission for the 5th control period. It is obvious that the said plans are considered by the Commission on the basis of the projections made by the DISCOMs and TRANSCO. I thank TRANSCO for enlightening me that the PPAs with the generators are entered by the TGDISCOMs and not TGTRANSCO. The question is not who is signing PPAs with generators. When the plans are prepared by the licensees and approved by the Commission, it is based on the presumption that such capacities for generation, transmission and distribution are required. Contrary to such projections and presumptions, ground reality is turning out to be different. In the face of projecting availability of an abnormal quantum of surplus power of 28,504 MU or 30% excess compared to projected requirement, whether the surplus capacity also is considered for expansion of transmission and distribution networks is the moot point. There is no answer from TRANSCO. TRANSCO has maintained that after the Commission approved capital investment plan and resource plan for the 5th control period in its order dated 29.12.2023, “the transmission capital expansion plan has been revised to strengthen the existing network for providing quality & reliable power to the consumers to meet high demand expected for the summer of 2025-26 based on the high demand experienced during hot summer in 2024-25.” It is a sweeping observation, without any substantiation. In other words, TRANSCO is admitting that its network is deficient, despite the fact that nearly 30% of surplus power is projected to be available (with or without required transmission and distribution network?), with no additional generation capacity is being added during 2025-26, and no need for addition of generation capacity, and PPAs for a capacity of about 2000 MW being not in force. Against an increase of just 4.40% in contracted transmission capacity for 2025-26, is capital expenditure required to increase by 388.73% within a span of about one year from the date of the said order given by the Commission? For the year 2025-26, summer period confining to April, May and June or a part thereof, to what extent and when TRANSCO is going to strengthen its existing network and how much expenditure is required for it? The casual approach of TRANSCO in responding to the objections and queries shows that seriousness, inclination to recognize and tell the truth, what is right or wrong, how to correct the blunders committed, the lessons learnt or to be learnt from them and how to proceed in the right direction,

and above all, its respect and accountability for regulatory process of the Hon'ble Commission, are found wanting.

13. The casual reply of TRANSCO to my submission that a realistic balance between demand, procurement of power and addition of transmission and distribution capacities needs to be maintained to the extent technically possible is that it is a "submission to Commission," as if it were not the responsibility of TRANSCO and DISCOMs.

14. I request the Hon'ble Commission to consider the above submissions and my earlier submissions, among others, and take appropriate decisions. I request the Hon'ble Commission to provide me an opportunity to make further submissions in person during the scheduled public hearing.

Thanking you,

Yours sincerely,

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