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Date: Tue, 06 Jan 2026 12:24:45 +0530
Subject: PMGER on distribution business ARR FY 2026-27
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To, The Secretary, T.S. Electricity Regulatory Commission, Vidyut Niyantran 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
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Date: 06-01-2026

Dear Sir;

Sub: - Comments on true up claims of TGDISCOMs for distribution business for the FY 2024-25 and determination of ARR of wheeling business and wheeling tariffs for 2026-27 in OP Nos. 70, 71, 72 and 73 of 2025.

Ref: - Public notices dated 21.12.2025.

1. In response to the above Public Notices we submitting the following comments on annual performance review of distribution business of TGDISCOMs for 4th control period (2019-24) and determination of ARR and wheeling tariffs for 2025-26.

2.1 For the FY 2024-25, as a part of the true up filings, TGSPDCL is claiming 20.18% higher ARR than allowed by the Commission. It is claiming 51.17% higher depreciation and 48.29% higher interest on working capital. Similarly, TGNPDCL is claiming 6.06% higher ARR, 30.60% higher depreciation, 34.02% higher interest on long-term loans and 41.38% higher interest on working capital. As the expenditures claimed by TGDISCOMs deviate significantly from the approval given by the Commission these claims shall be subjected to critical scrutiny.

2.2.1 While TGSPDCL is claiming 78.67% higher expenditure under return on equity (RoE) TGNPDCL is claiming 110.71% higher expenditure under RoE during the FY 2024-25. TGDISCOMs are claiming higher RoE than allowed by the Commission in the Order dated 28-10-2024 on ARR and Wheeling Tariff for Distribution Business for Control Period FY 2024-25 to FY 2028-29.

2.2.2 The Commission in its Order reduced the RoE for the FY 2024-25 to 11% for delay in filing ARR and tariff proposals (para 4.6.8). The same rate shall be maintained. Allowing the TGDISCOMs claim amounts to condoning this delay.

2.2.3 TGDISCOMs are claiming 2% higher RoE for achieving standards of performance (SoP). TGDISCOMs’ claims on SoP cannot be accepted. Their claims related to achieving SoP needs to be verified on the ground. Their claims related to achieving SoP shall be subjected to third party scrutiny. We request the Commission not to approve higher RoE claimed by TGDISCOMs.

2.2.4 Frequently we come across news about arrest of TGDISCOMs staff by Anti Corruption Bureau (ACB) for indulging in corrupt practices. These facts deny TGDISCOMs’ claims about achieving SoP. We request the Commission to direct TGDISCOMs to provide details regarding their staff arrested by ACB and action taken against them.

Distribution ARR for FY 2026-27 (Rs. in Cr)

Particulars	TGSPDCL			TGNPDCL		
	Approved (Rs.CR)	Revised (Rs.CR)	Increase %	Approved (Rs.CR)	Revised (Rs.CR)	Increase %
O&M Charges	3,653.41	4,072	11.47	2,679.46	2,818	5.19
Depreciation	670.55	1,034	54.10	413.49	595	44.07
Interest and finance charges on loans	553.87	840	51.62	358.53	360	
Interest on working capital	102.51	150	45.63	71.11	100	40.85
Return on equity	314.37	434	38.22	190.88	220	15.18
Impact True up 2024-25		545			484	
Non-tariff income	159.75	532		178.63	183	
Income from Open Access	1.28	1.20		9.00	3.23	
Distribution ARR	5,133.68	6,542		3,525.84	4,391	

3.1 The Commission had issued the MYT Wheeling tariff order for distribution business related to 5th control period on 28th October 2024. In that order the Commission had approved distribution business ARR for each year of the 5th control period. TGDISCOMs in their present filings have claimed that in accordance to the regulation, the DISCOMs have computed the ARR of Distribution business against each cost element based on the Distribution MYT Tariff Order for 5th Control Period as approved by Hon'ble TGERC. But there is wide variation between the distribution ARR approved by the Commission for the FY 2026-27 as a part of 5th Control Period wheeling tariff order and the present filings by the TGDISCOMs. At the same time TGDISCOMs did not provide reasons for the variations in expenditure and income figures. In the case of TGNPDCL while the Commission had approved Rs. 3,525.84 crore in the ARR for FY 2026-27 the DISCOM is claiming Rs. 4,391 crore. Similarly, in the case of TGSPDCL while the Commission had approved Rs. 5,133.68 crore the DISCOM is claiming Rs. 6,542 crore. Even after taking in to account the impact of true up for FY 2024-25 TGDISCOMs' claims are higher than that approved by the Commission.

3.2 In the case of TGSPDCL revised claims on O&M charges are higher by 11.47%, on depreciation higher by 54.10%, on interest on long term loans higher by 51.62%, on interest on working capital higher by 45.63% and on return on equity higher than 38.22%. Similarly, in the case of TGNPDCL revised claims on O&M charges are higher by 5.19%, on depreciation higher by 44.07%, on interest on working capital higher by 40.85% and on return on equity higher than 15.18%. Given this wide deviation TGDISCOMs' claims related to distribution ARR for the year 2026-27 shall be thoroughly scrutinised.

3.3 In the present filings for the FY 2026-27 while TGNPDCL has proposed a rate of interest of 10.76% on loans, TGSPDCL has proposed a rate of interest of 9.97%. These rates of interest are higher than those claimed during the 4th control period. As such TGDISCOMs' proposed rates of interest for the FY 2026-27 need to be brought down. TGDISCOMs may be advised to go in for swapping of loans to bring down interest burden.

3.4.1 As a part of distribution business ARR for FY 2026-27 TGDISCOMs are claiming return on equity of 16%. This includes 14% towards regular return on equity and 2% for achieving Standards of Performance (SoP). The Commission in its Order dated 28-10-2024 on ARR and Wheeling Tariff for Distribution Business for Control Period FY 2024-25 to FY 2028-29 adopted 14% as return on equity. The same shall be applied to present application of TGDISCOMs for the FY 2026-27.

3.4.2 This additional 2% towards return on equity may be allowed after completion of the FY if DISCOMs achieve the target SoP. TGDISCOMs' 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. Arrested DISCOM staff are initially suspended and reinstated after 6 months, without any punishment. We request the Commission to direct TGDISCOMs file details of the DISCOM staff arrested by ACB during the FYs 2024-25 and 2025-26 and action taken on these staff. Electricity consumers in the state deserve better service.

3.5 TGSPDCL mentioned that it will be spending Rs. 176 Crore towards AT&C loss reduction during the ensuing financial year. TGNPDCL will be spending Rs. 9 Crore under the same heading. Past experience shows that there was not much improvement on this front. Given zero or negative returns this expenditure on AT&C loss reduction shall not be allowed.

3.6 TGDISCOMs' expenditure on capital and other expenditure shall be prudent and taken up through transparent bidding process. It has to be seen that bid terms are not drafted to benefit a select few vendors. There were also instances of spending more than necessary leading to higher capital expenditure. According to a news report published in Namaste Telangana on 10th October 2025 while bid rate for cable per meter was Rs. 3,019 TGSPDCL spent Rs. 5,200 per meter.

3.7.1 TGSPDCL proposed converting overhead lines in to underground cables in Hyderabad for reliable and safe electricity distribution at a total estimated cost of Rs. 14,725 Crore. The DISCOM proposes to spend Rs. 4,725 Crore on this during the FY 2026-27. In the write up it was stated that details were provided in Annexure-III (para.2.3). But no Annexure-III was provided as a part of the petition.

3.7.2 Underground cable work is also described as an aesthetic exercise, to improve the looks of Hyderabad city. Will there be any financial support from GHMC or GoTG for the proposed underground cable work?

3.7.3 Underground cable works are being rushed through in the background of electrical accidents involving overhead lines during the month of August 2025. In the background of these accidents overhead internet and TV cables were removed from electric poles. During this exercise some cable operators claimed that they have paid service charges for using electric poles to hang the cables. We would like to know whether income from this source is included under non-tariff income.

We request the Commission to take our above submissions on record.

Thanking you.

Sincerely yours,

M. Thimma Reddy.