

To

The Secretary

Telangana Electricity Regulatory Commission

Sy. No.145-P, Vidyut Niyamtran Bhavan

Kalyan Nagar, GTS Colony, Hyderabad

February 7, 2026

Respected sir,

Sub : Further submissions in OP Nos.79 and 80 of 2025 filed by TGNPDCL and TGSPDCL, respectively, for their retail supply business for the FY 2026-27

Further to our preliminary submissions dated 9.1.2026 in subject petitions relating to ARR, FPC and CSS of the two TGDISCOMs for 2026-27, we are submitting the following additional points for the consideration of the Hon'ble Commission:

- 1. I thank the Hon'ble Commission for allowing me to file my objections and suggestions on the subject issues even after the last date for filing the same, as orally conveyed. I request the Commission to take my submissions on record. For the FY 2026-27, the DISCOMs have projected availability, requirement and surplus of energy as given below:**

Energy availability is projected as 1,13,006 MU, requirement of both the DISCOMs as 1,01,981 MU and surplus as 11,025 MU. Even while claiming that short-term purchases would be need-based, the DISCOMs have projected requirement of short-term power in the market and through exchanges as 11,641 MU - SPDCL 8186 MU and NPDCL 3455 MU - with a variable cost of Rs.3.45 per unit. While the plant load factor of thermal power stations is projected as 85%, availability of hydel energy is estimated as 3827 MU, taking the average of hydel dispatch in the last seven years. We request the Hon'ble Commission to examine the following points, among others:

- a) The estimated surplus energy for FY 2026-27 works out to 9.76%. The projected availability of power is without considering availability of 1000 MW from CSPDCL the dispute relating to which is pending before appellate authority. What would be actual availability, requirement and surplus power for the next financial year are uncertain, going by the experience of the last three financial years. For the last three financial years and FY 2025-26, the DISCOMs have not given the actual surplus that has been backed down and fixed charges paid for**

the same in their true-up claims for the last three FYs and for the current FY in the subject petitions.

- b) For the FY 2025-26, the DISCOMs have projected availability of 1,23,630 MU against their projection for the same year of 1,34,159 MU in their filings for the 5th control period and 1,14,299 MU determined in the RST and ARR order for the 5th control period and 1,05,391 MU determined in the RSTO for the same year by the Commission. What is the actual availability of power for 2025-26? The changing projections and estimates of availability of power for the same FY, as shown above, make their reliability and the purpose of such changes questionable. While the Commission has approved requirement of 90,971 MU for 2025-26, the DISCOMs have now estimated it as 91,825 MU.
- c) Compared to the need for market purchases determined by the Commission for the last three FYs, actual market purchases increased several folds, leading to additional expenditures and claims for true-up of variations in cost of power purchases. For the FY 2025-26, the Hon'ble Commission has not considered any market purchases in the RSTO. However, in the subject petitions, the DISCOMs have estimated market purchases for 2025-26 as 15,328 MU - 11,405 MU by SPDCL and 4923 MU by NPDCL - against projection of surplus of 28,504 MU.
- d) The DISCOMs have estimated sale of surplus power of 1216 MU for 2025-26. Against sale of surplus power, while the DISCOMs have projected revenue of Rs.2739.83 crore, they have now estimated the same as Rs.360.05 crore. How such vast variations are taking place vis a vis what is projected by the DISCOMs and determined by the Commission remains inexplicable, in the absence of any explanation given by the DISCOMs. Experience over the years confirms that the scope for selling surplus power in the market, at least, for no loss and no profit, if not at the tariff for which such surplus power is purchased plus reasonable profit, is extremely limited. It is because surplus power is always with higher variable charges. Second, need for market purchases arises, generally, to meet peak demand and the cost of power in the market during peak hours tends to be higher, especially, when exchanges have become platforms for legalized black marketing. Third, other states, too, have surplus power. For 2025-26, the DISCOMs have not shown any estimate of revenue gap/surplus to be claimed under true-up/true-down in the subject petitions.
- e) The DISCOMs submitted that for the year 2025-26, "the surplus power is intermittent, and power plants will dispatch energy for most of the period to meet the required demand to maintain uninterrupted power supply. As the Licensee is anyway

obligated to pay fixed costs to the respective Generating Stations for dispatch to meet energy demand, the Licensee deems it fit to determine the revenue from sale of surplus power only considering the variable charges of the respective generating stations” (pages 106 and 107 of RSTO for 2025-26). **Further they maintained that, “since the fixed cost is paid to the Generating companies irrespective of the quantum of energy dispatched due to variable nature of the demand curve, the fixed cost component is not factored in while comparing the market prices with the variable charges” (page 107 of RSTO). The arguments of the DISCOMs are untenable. If the DISCOMs have to pay fixed charges for dispatch of energy by generators, the question of backing down that power does not arise. While availability can be projected based on the threshold level of PLF of the power plants, to what extent the power plants concerned can declare availability from time to time cannot be presumed in advance. Fixed charges have to be paid for the actual supply the power plants make and for capacities the DISCOMs back down, not “anyway.” If the power plants declare availability at less than threshold level of PLF as incorporated in the PPAs, for lesser supply of power, the DISCOMs need not pay fixed charges for power not supplied. If DISCOMs are considering only variable charges for purchases being made in the market, it implies that they are making market purchases by backing down thermal power of power plants with whom they had PPAs in force. If such is the case, they have to justify backing down thermal power in order to purchase power in the market on short-term basis and clarify whether it is beneficial or not to the consumers. Without backing down surplus power, if DISCOMs are purchasing power in the market, the question of paying fixed charges to the generators under PPAs in force additionally and non-consideration of fixed cost for market purchases would not arise, and the DISCOMs have to show the total cost per unit, i.e., both variable and fixed charges, paid for purchasing power in the market. They have to show prices paid unit-wise for such market purchases, not average cost per unit for overall market purchases made.**

- f) **As the Hon’ble Commission did not determine to what extent market purchases would be required and at the maximum price per unit such purchases can be made for FY 2025-26, nothing is in public domain whether the DISCOMs have sought and got its prior consent to purchase the estimated 15,328 MU in the market and the limit of maximum price to be paid per kWh.**
- g) **When the DISCOMs are obligated to follow the principle of merit order dispatch, when surplus power is available, whether it is permissible to back down thermal power plants in order to purchase power in the market, especially, if it results in additional cost and imposes avoidable burden on the consumers, is**

a moot point which the Hon'ble Commission has to examine, clarify and give necessary directions to the DISCOMs.

h) We are not repeating the other problems with market purchases which we submitted in our submissions on ARR and tariff proposals of the DISCOMs for 2025-26 and on earlier occasions and are incorporated in the RSTO issued for that year.

2. In the RSTO for 2025-26, the Hon'ble Commission elucidated that “even though the TGDISCOMs have projected surplus, the variability of demand due to seasonal changes and unforeseen circumstances can render these projections unreliable. Relying solely on surplus figures without accounting for potential spikes in demand could lead to energy shortages, which would ultimately harm consumers more than fixed charges would. Fixed charges associated with the PPA can be viewed as a form of insurance against future shortfalls. It is crucial to ensure energy stability, which sometimes necessitates maintaining capacity even when not fully utilized. The long-term benefits of reliability and stability in energy supply may outweigh the short-term costs, providing consumers with assurance and preventing potential financial losses from outages or insufficient supply” (page 111 of RSTO for 2025-26). We request the Hon'ble Commission to examine the following points, among others:

a) Availability of any quantum of surplus power and imposing avoidable burdens on the consumers, cannot be justified under generalized and sweeping observations.

b) The very purpose of making projections in load forecast, procurement plans and other plans for the control period concerned by the transmission and distribution licensees and determination of such projections by the Commission is to ensure a harmonious balance between fluctuating demand curve and power mix to the extent technically practicable so as to avoid availability of unwarranted surplus or deficit.

c) It is generally agreed that a five percent of spinning reserve or reserve margin is prudent to take care of fluctuations in generation of power and demand due to unforeseen circumstances.

d) It is difficult to understand the intended purport of the contention that “fixed charges associated with the PPA can be viewed as a form of insurance against future shortfalls.” When fixed charges have to be paid or not is explained under point No.1 (e) above. Even when availability of abnormal quantum of surplus power is

projected, that market purchases are being made by the DISCOMs shows that availability of such surplus power does not ensure balance between fluctuating demand curve and power mix. Such an imbalance is the result of imbalanced decisions taken while entering into long-term power purchase agreements and regulatory consents given to the same. Long-term benefit is linked to periodical and timely addition of required generation capacity and not based on availability of abnormal quantum of surplus power now and in future.

- e) Addition of generation capacities has to be made in tune with projected requirements periodically, not arbitrarily, by reviewing the same periodically based on changing ground realities and revising already projected requirements. That the DISCOMs have consistently been making market purchases every FY, irrespective of projected availability of abnormal quantum of surplus power, confirms that availability of unwarranted surplus power and the fixed charges associated with its backing down are no “insurance” to ensure energy stability and that there is neither any insurer, nor benefit of “insurance”.
- f) Experience has been confirming repeatedly that availability of unwarranted surplus power is leading to imposition of avoidable burdens on the consumers in the form of paying fixed charges for power backed down, on the one hand, and market purchases at higher prices, on the other, resulting in the claims of the DISCOMs for true-up of thousands of crores of rupees every FY.
- g) Availability of abnormal quantum of surplus power, as well as its backing down, has been affecting the interests of generators like TGGENCO, whose thermal power plants are being backed down, in the form of shortening of useful lifespan of its thermal power plants backed down, consumption of oil, and other technical problems in ramping up and ramping down their generation.
- h) For the years 2022-23, 2023-24 and 2024-25, in their petitions for true-up, TGDISCOMs have shown market purchases of 40169 MU and true-up claims of Rs.17611 crore. The true-up claims are after adjusting true-up claims of Rs.811.38 crore and Rs.409 crore in the retail supply tariff orders for 2022-23 and 2023-24, respectively, and claims for true-down amounts.
- i) TGDISCOMs have estimated market purchases of 15,328 MU for 2025-26 and projected the same as 14332 MU for 2026-27. How much would be their true-up claims for the current and next financial years is to be seen.

- j) Projection of availability of abnormal quantum of surplus power, as well as its backing down and paying fixed charges for the same, coupled with purchase of abnormal quantum of power in the market at higher prices, is leading to imposition of hefty burdens additionally on the consumers of power; it is not acting as “insurance.”**
- k) As a part of lopsided reforms, with a number of imbalances and dichotomies, arbitrary and irrational imposition of obligations under RPPO on the DISCOMs, forcing the DISCOMs to allow private developers of RE units to bank their surplus power with the former, etc., are adding to availability of unwarranted surplus power.**
- l) If flexible generation of thermal power stations, as per the notification of the CEA and regulations of CERC, and renewable generation obligations for thermal power stations, as per the resolution of the Ministry of Power, Government of India, are implemented, it would further precipitate the situation by adding to availability of unwarranted surplus power.**
- m) Even when no tariff hike is effected for any FY, additional burdens in the form of FSA and under true-up claims are cropping up during the same FY, as a result of unrealistic projections and determination of various factors that are being considered in the regulatory process and decisions of the governments, fundamentally, and some unforeseen and uncontrollable factors, marginally. It cannot be asserted, with any degree of certainty, that the situation in FY 2026-27 will be different, except with a difference in degree.**
- n) Ingenious casuistry of protagonists of reforms cannot hide, much less justify, the failures of commission and omission of the powers-that-be in various wings and levels of authority associated with the reforms and their implementation in the power sector and the disastrous consequences that have been arising as a result much to the detriment of larger consumer interest. It is nothing but exercising authority, without any responsibility and accountability for such disastrous consequences.**
- o) Experience has been confirming repeatedly that the disastrous consequences outweigh the benefits, short-term, medium-term and long-term, with ever-increasing burdens on the consumers in the form of tariff hikes, fuel surcharge adjustment, true-up claims and a host of other charges being shown in CC bills, directly, and hefty subsidies being provided by the state government, imposing**

that burden also on the people at large, indirectly, under pro-corporate and anti-consumer reforms.

- 3. While variable costs of thermal power plants of TGGENCO, except Kothagudem VI and BTPS, are projected to be lesser for FY 2026-27 compared to the same for FY 2025-26, the DISCOMs have considered 5% escalation of the actual variable costs for H1 of 2025-26 for most of the central generating stations, without explaining the reasons for the same. The variable cost of NTPC Kudigi – I, II and III is projected at Rs..6.50 per kwh, of NLC TS II stage II at Rs.8.10 per kwh and of NCE bundled power (coal) at Rs.5 per kwh. In the face of projected availability of surplus power for the next financial year, such projects are vulnerable to be backed down invariably, thereby imposing avoidable burden of payment of fixed charges for backing down. This brings to the fore the questions whether purchasing power from such plants is required and prudent and whether allowing provisions for adjusting fuel costs, with abnormal increases in their prices as and when they take place, in the PPAs, is prudent. In the RSTO for 2025-26, the Hon'ble Commission rightly responded to objections on proposing escalation of variable charges arbitrarily and rejected their proposals. The Commission observed : “the Commission has noted that the DISCOMs have claimed 3% escalation on variable cost randomly without any statistical data. On considering the objections of the stakeholders, this Commission has taken into consideration the statistics in respect of actual variable costs for the months of November 2024, December 2024 and January 2025 and concluded that the actual variable costs for the said last three month is far less than the escalated variable cost claimed by the TGDISCOMs. Thereby while rejecting the claim of the DISCOMs to consider 3% escalation on variable costs, this Commission has considered the average of variable costs for the last three months to arrive at variable costs” (page 109). We request the Hon'ble Commission to take a similar stand on the proposal of the DISCOMs for escalation of 5% for variable costs for the next financial year.**
- 4. The DISCOMs have projected “additional pension liabilities” of Rs.2815.61 crore - Rs.1164.71 crore by SPDCL and Rs.1650.90 crore by NPDCL - for the FY 2026-27. SPDCL has stated that it includes “water charges.” It is difficult to understand the connection between additional pension liabilities and water charges and as to why both are clubbed together. Responding to objections being raised against imposing interest and additional interest on pension bonds on the consumers, the Hon'ble Commission, in the RSTO for 2025-26, observed: “This issue of interest on pension bonds has been subject matter for every tariff order. It is submitted by DISCOMS during the course of public hearing that allocation of funds towards additional liability on pension bonds is on account of unsettled dispute between the Government of Andhra**

Pradesh and Government of Telangana in respect of sharing of additional liability of pension of the retired employees of the erstwhile APSEB and subsequent retirements.

“After enactment of Andhra Pradesh Electricity Act, 1998 subsequent to unbundling of APSEB into various companies the liability of pensions of the retired employees of the APSEB was taken over by GENCO, TRANSCO and four DISCOMs. Neither the government in the combined state nor the government after bifurcation of the state of Telangana has come forward to accept the liabilities in respect of pensions of the retired employees. Thereby until alternative arrangements are made, this Commission is of the opinion that additional liability on pension of retired shall be allowed to be continued as approved in MYT order.

“The Commission, in spite of advising, to change the nomenclature of the subject, still the petitioners are showing the subject as “interest on pension bonds” as one of the heads of items. In fact, the TGDISCOMs are not paying any interest on pension bonds thereby there is no need for claiming such interest on pension bonds. In fact it is clear that the subject “interest on pension bonds” is in fact “Additional pension liability” to be paid to the retired employees. Therefore, the TGDISCOMs are hereby directed to change the nomenclature of th subject from “Interest on pension bonds” to “Additional pension liability” in subsequent filings” (pp 109-110 of RSTO for 2025-26). **We request the Hon’ble Commission to examine the following points, among others:**

- a) **The dispute, if any, between Telangana and Andhra Pradesh on sharing of additional liability of pension of the retired employees of the erstwhile APSEB and subsequent retirements is not, and should not be, the basis or justification for imposing that burden on consumers of DISCOMs of both the states. Both APERC and TGERC have unjustifiably been imposing that burden on the consumers of their DISCOMs.**
- b) **That neither the government in the combined state nor the government after bifurcation of the state of Telangana has come forward to accept the liabilities in respect of pensions of the retired employees is no basis or justification for imposing that burden on consumers of the DISCOMs.**
- c) **That until alternative arrangements are made, this Commission is of the opinion that additional liability on pension of retired shall be allowed to be continued as approved in MYT order evades the real issues rather than responding to or answering the same. The reference to alternative arrangements implies that the continuing arrangement is not tenable and that it needs to be replaced with an alternative**

arrangement. Therefore, the real question is what is that alternative arrangement, who has to decide it and when and who has to implement it.

- d) The opinion of the Commission that until alternative arrangements are made, additional liability on pension of retired shall be allowed to be continued as approved in MYT order implies that, if no alternative arrangement is made to avoid imposition of additional pension liabilities on the consumers, the present questionable and unjust arrangement shall be continued.**
- e) The opinion that additional liability on pension of retired employees shall be allowed to be continued as approved in MYT order, if no alternative arrangement is made, fails to take note of the fact that the orders being given by the SERCs of Andhra Pradesh and Telangana and the MYT are not based on any merits and legal tenability. Such orders and MYT cannot gain legitimacy based on non-arrangement of an alternative to avoid imposition of the unjust burden of additional pension liabilities on the consumers of the DISCOMs.**
- f) This kind of approach of the successive Commissions of A.P. and Telangana reflects arbitrary exercise of powers and fails to explain which law permits such unjust orders.**
- g) The view that “the TGDISCOMs are not paying any interest on pension bonds thereby there is no need for claiming such interest on pension bonds” is ingenious and contrary to factual position. If TGDISCOMs are not paying interest on pension bonds to TGGENCO, then why are they claiming the same and why are successive Commissions allowing the same to be collected from their consumers? The reality is that all the claims being made by the DISCOMs, from power purchase to supply of power to the consumers, to the extent they are being allowed by the Commission, are sought from, and being paid by, the consumers of power at large and subsidy being provided by the state government.**
- h) The approach of successive Commissions of A.P. and Telangana is bereft of equanimity to recognize a blunder committed and rectify it. Simply because the first SERC of Andhra Pradesh, successive Commissions and TGERC have been adopting the same questionable approach, the present Commissions need not, and should not, continue to stick to such a questionable approach and issue questionable and legally untenable orders every year on those lines.**
- i) Whether the Hon’ble Commission would examine the issue on merits, legally and otherwise, and issue orders, making it clear that claims of TGGENCO,**

TGTRANSCO and TGDISCOMs to collect additional pension liabilities from the consumers would not be allowed and that they should seek such liabilities from the state government is the real issue. Untenable orders being given by successive Commissions and the said MYT are not sacrosanct and unalterable.

j) The intended purpose of the Hon'ble Commission directing the DISCOMs "to change the nomenclature from "interest on pension bonds" to "Additional pension liability" is not made clear. Whether this innovative approach of changing nomenclature would make any material difference, as far as imposing all such burdens on consumers of power, much less justifying it, is inexplicable, if it is not like rechristening tweedledee as tweedledom.

5. Since the Hon'ble Commission has relied on the submissions of the DISCOMs on the issue of additional pension liabilities, we would like to set the record straight and request it to examine the following points, too, among others:

a) After trifurcation of the erstwhile APSEB, based on a wrong approach adopted by the then APERC in allowing interest on pension bonds as pass through to be collected from the consumers, successive Commissions continued the questionable and imbalanced approach in their orders. Our repeated and detailed requests to successive Commissions during the last more than two decades to make it clear that interest on pension bonds shall not be allowed as pass through, that the DISCOMs should claim the same from GoAP/GoTS, which should provide funds for those bonds as a one-time measure to resolve the issue permanently, fell on the deaf ears of the powers-that-be. As a result, for more than two decades, the burden of thousands of crores of rupees has been imposed on the consumers to meet interest on the said pension bonds and how long this injustice to consumers will continue is anybody's guess.

b) It is incorporated in the Andhra Pradesh Electricity Reform (Transfer Scheme) Rules, 1999 dated 29.1.1999 that "The State Government shall make appropriate arrangements in regard to the funding of the pension funds and other personnel related funds to the extent they are unfunded on the effective date of transfer of the Personnel from the Board and till such arrangements are made all such payments for personnel who retire after the effective date shall be entirely arranged by the APTRANSCO.

" The State Government shall make appropriate arrangements in regard to the funding and due payment of all terminal benefits to the existing pensioners of the Board as on the effective date of transfer and till such arrangements are made the payment falling due shall be made by the APTRANSCO, subject to such adjustments as may be decided between the State Government and the APTRANSCO." **Seeking regulatory consent for**

imposing such burdens on consumers, as well as allowing the same, is a violation of the said rules.

- c) It is a standard practice that funds for retirement benefits and payment of pension for employees are maintained to earn interest on them. That is the reason why no private developer of a power plant with whom APDISCOMs had a PPA in force is seeking pension liabilities separately, as they have to maintain funds provided for retirement benefits of its employees in such a that they earn interest thereon. As the erstwhile APSEB did not maintain such funds separately and did not maintain accounts for the same, after unbundling of the Board and as a part of schemes for transfer of assets and liabilities to APGENCO, APTRANSCO and DISCOMs, assets were revalued and a master trust was formed with the responsibility of maintaining it entrusted to GENCO. APGENCO established a Master Trust and issued bonds for Rs. 1320.43 crore for retired employees as on 01.02.1999 and Rs. 3066.52 crore for employees still on the APSEB payroll as on that date. APGENCO assumed the responsibility for servicing these bonds, with redemption timelines set for 2029 and 2033, respectively. After bifurcation of the state of Andhra Pradesh, the said responsibility devolved to TGGENCO, TGTRANSCO and TGDISCOMs, as a part and parcel of sharing of assets and liabilities between power utilities of both the governments.
- d) In its order dated 24.3.2003 in O.P. No. 402/2002, approving the PPA between APTRANSCO and APGENCO, APERC held that *"any excess liability for pension bond interest, beyond what was specified, would be allowed as a pass-through in APGENCO's tariff on a yearly basis."* Following that order, successive Commissions have been allowing interest and additional interest on pension liabilities as a pass-through in the tariff on a year-to-year basis, thereby imposing that burden on consumers at large unjustifiably. TGERC, too, has been following suit.
- e) Responding to our repeated submissions, APERC decided, when Justice G Bhavani Prasad garu was its chairman, that *"the additional interest on pension bonds was accepted to the extent found provisionally admissible on due verification by the Commission. However, the request of the objector that the Government of Andhra Pradesh shall bear the additional burden be extracted and communicated to the Principal Secretary, Energy, GoAP for favourable consideration."* Though the proposal was forwarded to the government by APERC, there was no response to it. The very fact that the Hon'ble Commission forwarded our request to the government shows that it merits favourable consideration by the government. The failure of successive Commissions to make it clear that either the

government or the licensees themselves have to bear the burden of interest and additional interest on pension bonds and that it will not be allowed to be imposed on the consumers of power is nothing but regulatory failure, if not “regulatory capture.”

- f) In the RSTO for 2025-26, APERC has contended, inter alia, that “the Revenue Gap to be determined by the Commission in this Order will be paid by the GoAP, and the DISCOMS have not proposed any tariff hike to meet the Revenue Gap.” If imposing the burdens of interest and additional interest on pension bonds is justifiable on the ground that there is no tariff hike, with the state government agreeing to provide subsidy to bridge the determined revenue gap of the DISCOMS, it implies that, when there is tariff hike, imposition of the said interest burden on consumers as a part of retail supply tariffs is unjustifiable. Moreover, providing subsidy by the state government to avoid tariff hike in the RSTO does not avoid imposition of the burden of additional interest on pension bonds under true-up later, as experience is confirming repeatedly.**
- g) That APERC relied on a judgement of the apex court that “prudently incurred employees' costs need to be reimbursed to the utility” does not establish that imposition of additional interest on pension bonds on the consumers is permissible and justified. The real question is how should the additional interest on pension bonds be paid and by whom, not whether additional interest on pension bonds should be provided. The judgement referred to by APERC does not deal with this issue and a sweeping interpretation or misinterpretation of the judgement cannot establish, much less justify, that imposition of such a burden on the consumers under the garb of “prudently incurred employees' costs” is correct. Here, the real question is not whether providing additional interest on pension bonds is prudent or not; whether imposing that burden on consumers is prudent or not is the real issue which neither the said judgement, nor APERC addressed. Our objection is not to the licensee concerned providing additional interest on pension bonds, but to imposing it on the consumers of power. Imposing such burden on the consumers and allowing it by the Commission is nothing but shifting the responsibility of the licensee concerned on to the consumers of power. No judgement has justified imposition of interest and additional interest on pension bonds on the consumers of power.**
- h) Allowing interest and additional interest on pension bonds to be imposed on the consumers makes a mockery of the parameters being adopted by the Commission for determining employee costs as a part of operation and maintenance costs.**

- i) No private developer of a power plant with whom APDISCOMs had a PPA in force has been making claims for pension liabilities separately.**
 - j) That, for the FY 2026-27, the DISCOMs have projected additional interest on pension bonds of GENCO at Rs.2815.61 crore shows the magnitude of this unwarranted burden on the consumers that has been going on since 2003-04, i.e., for the last 24 years on the consumers in Telangana as well, since they were consumers in the undivided Andhra Pradesh also.**
 - k) The Hon'ble Commission should re-examine the issue and take a fair and balanced stand as suggested based on merits and disallow claims of the DISCOMs (and GENCO and TRANSCO) for interest/additional interest on the said pension bonds.**
- 6. While projecting revenue from current tariffs for FY 2025-26 and FY 2026-27, the DISCOMs have not shown the estimated additional revenue that accrues to them on account of withdrawing incentive to the categories of consumers under ToD charges for the period applicable for 2025-26 and additional revenue on account of continuing ToD charges for the said categories for 2026-27. In its order dated 17.11.2025, in OP Nos.21 and 22 of 2025, the Hon'ble Commission approved the proposal of the DISCOMs, withdrawing ToD incentive of R.1.50 per unit consumed from 10 pm to 6 am from 1.12.2025 and continuing ToD charges with additional charge of Re.1 per unit consumed from 6 am to 10 am and from 6 pm to 10 pm to the six categories of consumers to whom the ToD charges continue to be implemented. For the FY 2026-27, the DISCOMs have proposed continuation of the said ToD charges. We request the Hon'ble Commission to examine the following points, among others:**
- a) In response to the directive No.21 given by the Commission, directing the DISCOMs to conduct a comprehensive analysis of the existing ToD tariff structure considering the actual peak and off-peak load conditions, the financial implications for both consumers and utilities, and the overall impact on demand-side management and submit a detailed report by 30.9.2025 outlining potential improvements in ToD tariff structures based on real-time consumption patterns, SPDCL has pointed out that the compliance was submitted to the Commission on 16.10.2025. NPDCL has submitted that its analysis was submitted to the Commission on 6.8.2025 and the detailed report on 27.9.2025.**

- b) **In the above-mentioned order, the Hon'ble Commission maintained that the proposal of the DISCOMs seeks to realign consumption patterns with the current supply availability. It further observed that the aim is to promote efficient utilization of surplus solar energy, reduce dependence on high-cost night-time purchases, and maintain grid stability. The way ToD charges for specific categories of consumers is being implemented and modified shows the problems associated with it. To what extent the intended benefit of shifting of time of consumption of power by those categories of consumers from off-peak hours to peak hours has been materialised is not made public by the DISCOMs. Their submissions also show the kind of problems that arise as a result of off-peak period turning into peak period.**
- c) **Even while giving consent, in its order dated 17.11.2025 in OP Nos.24 and 25 of 2025, to the proposal of the DISCOMs to withdraw the incentive of Rs.1.50 per unit for consumption of power by the said categories of consumers during the specified off-peak hours, the Hon'ble Commission directed the DISCOMs to evaluate and submit a detailed framework for incentivising daytime consumption in their next ARR filings, consistent with Clause 8.4. of the National Tariff Policy, 2016. Having already burnt their fingers with the ToD incentives given for consumption of power during off-peak hours by the categories of consumers concerned and compelled to withdraw the incentive, that the DISCOMs could not comply with the directive of the Commission in their ARR filings for the FY 2026-27 indicates the kind of problems that may arise as a result of such a framework for incentivising day-time consumption of power. There does not seem to be any sustainable basis for such a vague framework, in view of the adverse consequences faced by the DISCOMs in giving ToD incentives. In effect, the arrangement of ToD charges, exceeding the normal tariff by Re.1 per unit of power consumed during the specified peak hours is turning out to be a means of garnering more income, without the intended purpose to promote efficient utilisation of "surplus solar energy," reduce dependence on high-cost night-time purchases, and maintain grid stability. Since solar power plants are enjoying must-run status, the DISCOMs have to purchase and supply solar energy fully to their consumers, with no prospect for "surplus solar energy." For purchasing and consuming must-run solar energy, the DISCOMs have to back down thermal energy and pay fixed charges for the same. In other words, purchase of unwarranted RE, especially solar energy, is leading to making thermal power surplus to that extent.**
- d) **Despite implementation of the arrangement of ToD charges, that the DISCOMs have consistently been constrained to make market purchases at higher prices is**

indicative of the limitations of the arrangement of ToD charges in achieving the intended objective.

- e) The Hon'ble Commission noted in the said order that "the delay in commissioning of the Yadadri Thermal Power Station (YTPS) has materially impacted the availability of base-load capacity. Owing to this delay, the DISCOMs were compelled to rely on costlier short-term and market-based purchases to meet night-time demand." As and when the contracted energy is available from YTPS, it will be available for meeting night-time demand, but, at the same time, it will lead to availability of surplus during day-time and its backing down and payment of fixed charges for the same. It is doubly so, because "daytime power availability is presently abundant," as admitted by the Commission. In such a situation, how can incentivizing day-time consumption be worked out and implemented is a big question mark. For the sake of argument, presuming that, through the proposed incentivizing of day-time consumption, consumption pattern of the categories of consumers under ToD charges would change, it will pose a dichotomy. If those consumers shift their consumption from night-time to day-time to get the benefit of the said incentivization, the base-load capacity that would be added through projects like YTPS would become surplus to the extent night-time consumption of the said consumers shifts to day-time. Such a shifting of consumption pattern is doubtful, because of constraints of consumption of power based on social requirements. Consumption of power by such consumers is not confined to night-time only. If they are presently consuming power during day-time also, to what extent they can consume additional power during day-time by shifting their power consumption from night-time to day-time is another question mark. As admitted, when "daytime power availability is presently abundant," and that needs to be consumed through shifting of consumption by the said categories of consumers from night-time to day-time, the base-load capacities to be added by projects like YTPS would become surplus during day-time. Such dichotomies and constraints of consumption of power based on social requirements would make it problematic to work out an arrangement for incentivizing of day-time consumption. As such, whether equilibrium between availability of power and consumption pattern can be achieved through ToD charges and a mechanism of incentivization remains an intractable riddle. The impact, if any, of such an arrangement would be marginal.**
- f) Imposition of additional burdens on industry and commerce in the form of ToD tariffs would lead to imposition of all such burdens on the consumers at large in the form of escalation of prices of commodities and services and affect their purchasing power and living standards and, as such, they are retrogressive. It**

may also affect competitiveness of industries and commercial entities in the market.

- g) **Implementation of ToD charges does not lead to overall variations in total consumption of power.**
- h) **When retail supply tariffs are being determined based on cost of service of each category of consumers, there is no justification in imposing ToD charges with additional burden. Extending ToD charges to other categories of consumers would intensify such burdens. It will facilitate the DISCOMs to collect additional amount in advance on the lines of FSA of 30 paise per unit per month permitted by the Commission.**
- i) **In the above-mentioned order on ToD charges, the Hon'ble Commission admitted that "with the increasing integration of renewable energy, particularly solar, the State now experiences surplus generation during daytime and comparatively higher procurement costs during night hours." It shows that consumption of power depends on social requirements, not on availability of surplus power. Peak and off-peak hours are also relative and with pattern of consumption of power they may undergo changes. As submitted by the DISCOMs what used to be off- peak hours during night time have now become peak hours. In response to the directive of the Commission, NPDCL has submitted that "under the current ToD tariff structure, the night time incentive has led to increased consumption during hours when power procurement costs are relatively high. This trend results in elevated overall procurement expenses for DISCOMs, which are ultimately passed on to consumers through tariff adjustments - potentially leading to future hikes." It is the pattern of social life that leads to fluctuations in consumption of power. ToD charges and incentives associated with them cannot change pattern of social life. In a lighter vein, "raath ko khavo, pivo, din ko aaram karo" – can ToD charges change this kind of pattern of social life? Is it consumption of the six categories of consumers to whom ToD tariffs are implemented that has led to increase in power consumption during night-time? We have to see how much would be the burden on consumers when the DISCOMs make claims for true up of loss of revenue to them as a result of giving incentive to the said consumers during night hours which were considered off-peak for the year 2026-27.**
- j) **NPDCL has further maintained that "there has been dynamic change in the supply patterns and also consumer consumption patterns in the past few years. The initial intent of ToD is to flatten the load curve since the only major power source is thermal power. But in the present scenario, the supply patterns hae changed drastically and it is not anywhere near to flat curve. Hence ToD purpose is to bring demand curve to supply availability rather than making it flat." In other words, ToD charges and incentives have not only failed to flatten the load curve, but also are leading to imposition of the burden of true-up claims on all the consumers. Will the situation be different, if an arrangement of incentivizing day-time consumption is introduced?**

- k) NPDCL has also contended that “this analysis has highlighted the need for realignment of the existing Time-of-Day (ToD) tariff structure to better reflect the cost of electricity procurement.” This brings to the fore the anomaly of imposing FSA and true-up burdens on all categories of consumers uniformly, without considering their respective consumption of power, how much additional power was purchased to meet their demand, especially, additional demand exceeding the quantum determined by the Commission in the respective RSTO order, what is the additional cost incurred for that and the need for working out apportionment of additional cost per unit based on their actual consumption of power, i.e., based on additional cost for consumption of power determined by the Commission in the RSTO and additional consumption exceeding that quantum. Such a rational approach results in working out different rates per unit to different categories of consumers under claims of FSA and true-up, just as cost of service is being worked out differently to different categories of consumers. In other words, such an approach of apportionment of additional cost to different categories of consumers would ensure a fair and equitable imposition of claims under FSA and true-up. ToD cannot be a solution for this. If uniformity has to be achieved in ensuring same rate of FSA under true-up to same category of consumers under all the DISCOMs in the state, the state government has to provide required subsidy, just as it is doing to ensure uniformity of tariff to same category of consumers under all the DISCOMs in the state.**
- l) The real problem is availability of abnormal quantum of surplus power, obviously, during off-peak hours and seasons. This is a result of the irrational decisions of entering into long-term PPAs with generators of power, especially of RE, to purchase unwarranted power indiscriminately. This is a result of the failure of the powers-that-be to take prudent decisions to ensure a harmonious balance between fluctuating demand for power and power mix. Instead of addressing this issue, protagonists of lopsided reforms are bringing forth measures like ToD tariffs which do not address the real problems.**
- m) The way out is to make prudent decisions, while entering into power purchase agreements with different power plants, both conventional and non-conventional, to ensure harmonious balance between fluctuating demand curve and power mix of thermal, hydel and renewable energy to the extent technically practicable so as to avoid availability of unwarranted surplus or deficit. Once economical and sustainable battery energy storage system is developed and put to use to the extent required, it can show the way out to avoid high-cost market purchases, swapping and unscheduled interchange draws.**
- n) For these reasons, among others, we request the Hon’ble Commission to dispense with the arrangement of ToD charges.**

- 7. Cost of power purchase used to be nearly 80% of aggregate revenue requirement of the DISCOMs for their retail supply business in the past. However, that has been changing. For FY 2026-27, the DISCOMs have projected cost of power purchase as Rs.54,567 crore which constitutes 74.75% of projected ARR of Rs.72,996 crore. This reduction of power purchase cost is as a percentage of ARR, not in absolute terms. It is because costs of intra-state and inter-state transmission and of operation and maintenance are increasing disproportionately to some extent. The average cost of power purchase for the next financial year is projected as Rs.5.35 per kwh. Whenever average cost of power purchase fluctuates, it is due to addition of installed capacities under PPAs with different tariffs for power from different power plants, fluctuations in levels of generation of power by different power plants, quantum of surplus power available and fixed charges to be paid for backing down the same, additional power purchases in the market under short-term, changes in costs of fuels used for generation of power, inadequate supply of such fuels required and allocated, and their transportation charges, and a host of other factors, including change of law. Despite projecting availability of a surplus of above 28,000 MU for the FY 2025-26, the DISCOMs have now estimated additional purchase of power in the market on short-term basis to the tune of 15,328 MU for the current financial year. For earlier FYs also, such a pattern was evident, with a difference in degree. Why has this kind of dichotomy been continuing? An efficient methodology, covering various factors, needs to be developed and adopted to make near realistic estimates of availability of power, surplus and deficit, demand growth, need for timely addition of installed capacities periodically, harmonious balance between demand fluctuation and power mix to the extent technically practicable, etc. Such factors are broadly controllable and within the purview of the DISCOMs and the Commission. Without considering such factors realistically, once regulatory consents to PPAs entered into with power projects indiscriminately by the DISCOMs, obviously, at the behest or direction of the government of the day, the adverse consequences that would arise cannot be undone or corrected for a long time. That has been the continuing experience. Prevention is better than cure. Therefore, a stern blow needs to be given when the Commission should at the time of considering requirement of power and PPAs for giving or rejecting consents to the same or by modifying them in terms of quantum of energy and period of requirement.**
- 8. As far as transmission and distribution costs are concerned, in the petitions of TGTRANSCO and DISCOMs for determination of their ARRs and tariffs for their transmission and distribution businesses for the FY 2026-27, we have already made submissions. Considering the same, among others, the Hon'ble Commission is expected to take appropriate decisions and issue its orders.**

9. For the FY 2026-27, revenue from cross subsidy surcharge is estimated to be Rs.168.5 crore from HT consumers only for SPDCL, while NPDCL has not projected any revenue from cross subsidy surcharge. This reflects an imbalanced pattern of development between the areas covered under both the DISCOMs. It underlines the need for developing HT industries and commercial entities in the areas under NPDCL, with necessary steps to be taken by the state government in that direction for planned decentralization of balanced development of all the areas in the state. Projected revenue from cross subsidy surcharge of Rs.168.5 crore to SPDCL constitutes an insignificant 0.335% of its ARR. There is cross subsidy surcharge being imposed on LT consumers under some of the slabs where the tariffs exceed cost of service. In other words, successive Commissions have been consciously reducing the percentage of cross subsidy surcharge over the years, even though the DISCOMs have not been seeking such a drastic reduction vis a vis 20% of cross subsidy surcharge. Compared to the cost of service, the tariffs applicable to different categories of consumers under some of the slabs, both HT and LT, show that cross subsidy surcharge is being paid by them. How much is the revenue from cross subsidy surcharge SPDCL has projected to get from HT categories and LT categories separately? Though NPDCL has not shown any revenue under cross subsidy surcharge, it is obvious that it is getting some revenue under cross subsidy surcharge going by the cost of service and tariffs applicable to some categories of consumers under different slabs. How much is the revenue NPDCL is getting under cross subsidy surcharge from HT and LT consumers? We request the Hon'ble Commission to show in the RSTO not only subsidy being given by the state government to the categories of consumers concerned, DISCOM-wise and category/slab-wise, but also the component of cross subsidy surcharge similarly.
10. Unrealistic projection and determination of availability of power and surplus/deficit, on the one hand, and projection of inflated growth of sales, on the other, would lead to projection of ARR and revenue deficit in such a way that the need for subsidy from the government or tariff hike or both would be reduced, and later claims for thousands of crores of Rupees under FSA and true-up would emerge during the financial year concerned. Both the TGDISCOMs projected sales of 90,124 MU for 2026-27. Compared to the sales approved by the Commission in the RSTO for 2025-26 of 81029 MU, the growth rate of sales for 2026-27 works out to 10.09% percent. Compared to the actual sales of 78226 MU for 2024-25, the approved sales for 2025-26 work out to a growth rate of 3.46%. The projected growth rate of sales for 2026-27, especially for LT V agriculture, airports, railways and bus stations and HT VIII RESCO, seems to be ambitious and may lead to heavy claims under FSA and true-up later. Projection of sales to HT 1(B) power-intensive

ferro alloys industries, with a reduction to 41 MU for next financial year from 189 MU approved for 2025-26, indicates sickness and closures of those industries, power tariffs being one of the factors for such a situation, and underlines need for support of the government for their revival in the interest of industrial growth and protection of employment.

11. **Inflating growth of sales to LT V agriculture based on load to 27,390 MU for 2026-27 from 21,442 MU approved for 2025-26, i.e., an increase of 21.72%, on the face of it, seems unrealistic. Though, as a matter of whimsical policy of the government, supply of power throughout the day and year to agriculture is being claimed, the reality is that water for agriculture, as well as power required to pump ground water out, is not required and would not be available throughout the day and year. As such, projection of growth rate for sales to agriculture based on load is questionable. Against the claim of the DISCOMs of actual sales to LT agriculture of 24702 MU for 2024-25, that the Commission approved a sale of 21442 MU for 2025-26 makes the rate of growth of 21.72% projected by the DISCOMs for the next FY questionable. These variations underline the need for an effective methodology for a realistic estimate of consumption of power for agriculture under the policy of free supply. In this connection, it is to be noted that, in directive No.9, the Hon'ble Commission has directed the DISCOMs to explore the possibility of arriving at consensus among their agricultural consumers regarding the hours of supply for their peak load management. Though the DISCOMs have submitted the efforts being made by them in this direction, they could not specify to what extent the farmers are consuming power during non-peak hours only for agriculture. In directive No.11, the Hon'ble Commission has also directed the DISCOMs to submit, within a period of two months from the date of this order (RSTO for 2025-26), an action plan for achieving 100% agricultural DTR metering. The DISCOMs have replied that all the feeders in both the DISCOMs were already equipped with feeder meters and that, under RDSS, all feeder meters are to be meters with communicable & AMI/AMR meters. The DISCOMs have clarified that, if they take up segregation of agriculture feeder under RDSS, they can assess the agriculture consumption with feeder meter data itself without fixing meters to agriculture DTRs.**
12. **While the energy dispatched has come down from the quantum approved by the Commission, the cost of power purchase has increased for the last three FYs for the two DISCOMs as given below:**

Year	Energy dispatched MU		Difference	Cost of power purchase Rs.cr		Difference
	Approved	Actual		Approved	Actual	
2022-23	78361	73121	5240	40149	47433	7285

2023-24	84156	78460	5606	42311	48895	6584
2024-25	84403	82595	1808	44515	47009	2494

These trends show that requirement of power was overestimated. At the same time, abnormal quantum of power was purchased in the market during the last three FYs at higher prices and a total of Rs.15,961 crores under power purchase true-up and Rs.1650 crores under revenue true-up are claimed by the DISCOMs for the last three financial years. The DISCOMs have to give details of the latest estimate of dispatch of energy and actual sales for FY 2025-26.

13. In response to directive Nos.5&6 relating to electrical accidents and ex-gratia given by the Commission, the DISCOMs have submitted the following for the first half of 2025-26:

DISCOM	HUMAN		ANIMAL	Ex-gratia paid
SPDCL	139 fatal	33 non-fatal	615	Rs.23.2114 cr.
NPDCL	158	41	543	7.7453

Compared to electrical accidents that occurred during 2024-25 - 723 for SPDCL and 1165 for NPDCL – their occurrence during the first half of 2025-26 does not show any declining trend, despite all the efforts being made by the DISCOMs to educate the general public for preventing such accidents. What are the posts sanctioned in both the DISCOMs under various cadre and the number of posts which are still unfilled?

14. In directive No.7, the Hon'ble Commission has once again directed the DISCOMs to take steps for the installation of prepaid smart meters with latest technology for all interested consumers. SPDCL has reiterated that under RDSS, a draft DPR for smart prepaid metering for all existing consumers (excluding agriculture consumers) and system metering has been prepared for an amount of Rs.9308.37 crore. As per RDSS guidelines, the approximate cost of Rs.729 crore for the existing 81 lakh consumers (other than agriculture consumers), it has pointed out. Once approval is given to the DPR by Distribution Reforms Committee, and the state cabinet, it will be taken up for final approval by the MoP, GoI, SPDCL has reiterated. A similar reply is given by NPDCL SPDCL has reminded that a petition for release of all the new services with smart meters with AMI (advanced metering infrastructure) for LTM application by collecting the cost of smart meter from the consumer was submitted to the Commission on 12.9.2025 and again on 16.10.2025. We request the Hon'ble Commission to hold a public hearing on such petitions, before giving its orders, as the issue has serious implications for the consumers Are the DISCOMs taking prior consent of

interested consumers for installation of prepaid smart meters? If so, from how many consumers they have taken prior consent so far?

15. In directive No.8, the Hon'ble Commission has again directed the DISCOMs to submit a time bound action plan for replacement of existing meters with prepaid smart meters with two-way communication in the interest of revenue realization of the DISCOMs. TGNPDCL has replied that it has decided to install smart meters for 70,472 services (comprising 19,909 single phase and 50,564 three phase meters) having a monthly consumption of 500 units and above and that procurement of those smart meters is under process. In this connection, the reply of NPDCL that, as per the order of the state government, 15,035 *prepaid meters* out of 18,812 procured by it and installed so far for government services are *functioning in postpaid mode* needs to be noted. In other words, installation of prepaid meters has turned out to be an infructuous exercise. No reply is given by SPDCL.

16. In directive No.16, the Hon'ble Commission has directed the DISCOMs to keep pursuing with the government for clearance of outstanding electricity bills of government departments. The DISCOMs have responded that "regular pursuance is made with the Government departments for clearance of outstanding dues" and that "all the possible efforts are being made for collection of 100% outstanding dues from all the consumers including Government departments". The DISCOMs have shown arrears of consumers over Rs.50,000 pending for over six months as hereunder:

DISCOM	As on 31.3.2025	As on 30.9.2025
SPDCL	Rs.20463.81 cr	24186.83 cr.
NPDCL	15507.72	17968.45

Despite the claimed efforts of the DISCOMs to collect arrears from the consumers, the trends of increasing arrears is alarming.

What are the latest dues both the DISCOMs have to collect from consumers, including governmental departments and local bodies? What are the amounts pending from the government towards true-up claims and subsidy to be paid to the DISCOMs? What are the dues the DISCOMs have to pay to generators and suppliers of power and others? How many cases are pending at various levels relating to dues to be paid or collected by the DISCOMs? What are the accumulated losses of the DISCOMs? What are the accumulated dues of loans taken by the DISCOMs? Why are the DISCOMs failing to disconnect service connections of the consumers when the latter fail to pay CC bills in time, as per the terms of supply? What are the amounts the DISCOMs paid or are paying towards delayed payment

surcharge for the last three and current FYs? What are the additional loans being taken by the DISCOMs and interest thereon being paid by them in view of their precarious financial position? We request the Hon'ble Commission to get the above sought information every month, review it and give necessary instructions and guidance to the DISCOMs to improve their performance and make the same public.

17. In directive No.17, the Hon'ble Commission has directed the DISCOMs to come up with reasons for T&D losses, detailed mechanism for reducing losses, efforts being employed to reduce the losses and bring the same to national average or less than that. While NPDCL has given the steps it is being for reduction of line losses and data of percentage of losses, SPDCL has stated that it has submitted the details to the Commission on 16.10.2025. For FY 2026-27, the DISCOMs have projected T&D losses as hereunder:

DISCOM	Total input MU	Total sales	T&D losses	Loss %	Sale of surplus
SPDCL	71915	63753	8163	11.35%	2106
NPDCL	30065	26371	3694	12.29%	879
Total	101981	90124	11857	11.63%	2985

The DISCOMs have projected average cost of power purchase for 2026-27 as Rs.5.35 per unit. The projected T&D losses work out to Rs.6343.50 crore. Even the projected losses have to be seen in the background of questionable projection of sales to agriculture which gives scope for showing a part of T&D losses as sale to agriculture. If the DISCOMs cannot sell the projected surplus power of 2985 MU fully or partly, the average cost of power purchase would increase, adding to the true-up claims to be made for 2026-27. In view of ever-increasing costs of transmission and distribution networks, we request the Hon'ble Commission to determine targets of reduction in T&D losses for next financial year, notwithstanding what it determined the same in the MYT orders for the 5th control period.

18. In directive No.1, the Hon'ble Commission has directed the DISCOMs to verify whether imported coal is being procured through the competitive bidding process, or under any guidelines issued in this regard by GoI, before admitting the station-wise power purchase bills and submit certificates to that effect. SPDCL has replied that compliance report was submitted to the Commission on 16.10.2025. NPDCL has explained that it is ensured that thermal projects of TGGENCO and STPP of SCCL are not using imported coal. It has further informed that, regarding usage of imported coal by CGS stations, it is ensured that the imported coal is being procured by NTPC in

accordance with the MoP, GoI, guidelines issued from time to time and also through transparent international competitive bidding process. **Serious allegations have been made and published in the media about manipulations and inflating costs of imported coal, involving big Indian corporate companies who had coal mines abroad, but no action has been taken by the GoI. The way TGDISCOMs signed the PPA in IA No.39 in OP No.31 of 2025 with NTPC for procurement of 800 MW from stage II of TSTPP 3x800 MW, with a number of deficiencies and improprieties detrimental to the interests of the consumers, has shown how ineffective the approach of the state government and the DISCOMs in questioning NTPC and making it agree to redraft and sign a comprehensive and balanced PPA. Similar was experience in signing PPAs with NTPC in the past also, and records available in the Commission also confirm it. As such, it is difficult to take the submission of NPDCL about coal imported by NTPC at its face value, in the absence of any recorded evidence. How can the DISCOMs certify that coal is being imported by NTPC in accordance with guidelines of MoP, GoI, and through transparent international competitive bidding? We request the Hon'ble Commission to call for relevant records relating to import of coal, examine whether prices of imported coal were in line with the market trends at relevant point of time or inflated abnormally and make the same public. Regarding Sembcorp Energy India Limited, with blended coal - 70% domestic and 30% imported - energy bills are being paid based on fixed tariff schedule provided in the PPA and escalation rates notified by CERC from time to time. Are escalation rates notified by CERC and actual rates of coal being verified by the DISCOMs to ascertain authenticity and permissibility of variable costs being claimed by Sembcorp from time to time? When prices of coal are being escalated as notified by CERC from time to time, how can the DISCOM claim that "energy charges does not effect by the usage of the Domestic/Imported coal by the generator," whatever it may mean.**

19. **In directive No.2, the Hon'ble Commission has directed the DISCOMs to ensure that the GCV of coal for which the price is paid by its contracted generating stations should not be less than the minimum of the range of GCV specified for that particular grade. NPDCL has maintained that GCV of coal is being verified with the minimum of the range of GCV specified for that particular grade. SPDCL has replied that compliance report was submitted to the Commission on 16.10.2025. The CMD of TGGENCO, in a letter to the then CMD of SCCL, pointed out that the poor quality of coal supplied to the thermal stations of GENCO resulted in units being forced to operate at partial loads, leading to generation loss; reduction in plant load factor, affecting the station availability against the norms of TGERC and causing loss; increased wear and tear of boiler pressure parts; higher auxiliary power consumption and heat rate; heavy ash content burdening the ash evacuation system; and excess coal**

consumption beyond design levels, resulting in higher freight and handling costs. He further pointed out thermal stations of TGGENCO are totally linked to SCCL for a quantity of 28.872 million tonnes per annum and that about 85% of the FSA quantity is higher grade with gross calorific value ranging from 4000-4900 kcal/kg. However, majority of the coal quality is below the FSA grade (G14/G15 grade of GCV 2800-3400 kcal/kg, he pointed out. CMD of TGGENCO made it clear that the receipt of poor quality of coal has hindered TGGENCO's ability to achieve its rated capacity of 85% fixed by TGERC, thereby impacting fixed charges and overall revenue, with the fixed charges regulated on a pro rata basis. (Copy of a report published in New Indian Express dt.17.10.2025 is enclosed. What needs to be verified is whether GCV is in accordance with the contracted grade of coal, not in accordance with the lower grade of coal supplied by SCCL. Needless to say, the pointed failure of GENCO to achieve 85% of PLF its thermal stations is resulting in TGDISCOMs making purchases in the market at higher prices, thereby imposing avoidable burdens on their consumers under FSA and true-up additionally. We request the Hon'ble Commission to call for relevant records, examine the factual position and give necessary directions and make the same public.

20. If fuel surcharge adjustment @ 30 paise per unit per month is collected, for the FY 2026-27, it would work out to Rs.2703.72 crore against the projected sale of 90,124 MU. Is that amount factored in the projections of revenue on sale of the projected power? If not, and if the DISCOMs continue not to collect the said FSA, it is better to dispense with it, instead of allowing the DISCOMs to continue to be contumacious, defying the direction of the Commission. If it is not factored in the projected revenue of the DISCOMs for next FY and collected, it will crop up in the form of claims for true-up.
21. The very arrangement of fuel surcharge adjustment (FSA) is bristling with many contradictions and problems. It should be dispensed with altogether, without affecting the interests of the DISCOMs. As a part and parcel of the controversial reforms being imposed by the government of India in the power sector and following the same, as a part of the regulatory process of Andhra Pradesh Electricity Regulatory Commission (APERC), the arrangement introduced for FSA in the early 2000s and later rechristened fuel and power purchase cost adjustment (FPPCA), true-up and true-down continued to undergo several changes through periodical orders of the Commission. In practice, it has turned out to be an arrangement to impose avoidable burdens on the consumers at large, on the one hand, and allowing the licensees of transmission, distribution and retail supply business - APTRNSCO and APDISCOMs - and State Load Dispatch Centre to claim and collect huge amounts, in addition to the retail supply tariffs and other

charges being shown in the power consumption bills, on the other. This arrangement has become an instrument to reduce the need for subsidy to be provided by the government as per its decisions, on the one hand, and hoodwinking the consumers of power at large that there have been no hikes in power tariffs, especially during pre-election periods, or that the tariff hikes are relatively lower, but, in practice, imposing burdens of thousands of crores of Rupees on the consumers at large every month, quarterly, yearly and quinquennially - both directly and indirectly - in the form of FPPCA, true-up and true-down. TGERC adopted the regulations of APERC, after bifurcation of the state, and made some changes in the regulations.

22. This arrangement has been introduced with a view to allowing TRANSCO, SLDC and DISCOMs to collect from consumers additional amounts to the extent permissible as per applicable regulations and orders of the Commission, to cover their revenue gap that arises after the Commission issues its orders determining tariffs for the financial year/control period concerned. The Commission gives retail supply tariff order (RSTO) annually, after considering petitions of the DISCOMs for aggregate revenue requirement (ARR) and tariff revision and objections and suggestions filed by interested public and holding public hearings every year. ARR of the DISCOMs is worked out, taking into account several factors, including transmission and distribution charges, costs of power purchase, operation and maintenance charges and all other components of fixed and variable charges, besides other income, income from cross-subsidy, subsidy the state government agrees to provide to consumers of its choice, etc. In other words, having taken all these factors into account, the Commission determines tariffs to be collected from various categories of consumers in such a way that the revenue gap of the DISCOMs determined by it is bridged.
23. In the initial years of introduction of the arrangement of FSA, it used to be a quarterly arrangement, later, for a short period, it was changed into a monthly arrangement, and again, it has been transformed into an yearly arrangement for retail supply business of the DISCOMs. For transmission and distribution business of TRANSCO and DISCOMs, respectively, this is a multi-year arrangement for a control period of five years. APERC has been bringing about several changes to its regulations relating to FSA, FPPCA, true-up and true-down to decide what is controllable and uncontrollable and what is permissible and impermissible in the claims being made by the licensees. When public hearings were held, the DISCOMs used to avoid making public data and information required for the regulatory process and by the interested public.

24. After the Commission issues RSTO for next financial year, several factors, which could not be foreseen or as a result of failure to foresee or due to unrealistic estimates and determination of various factors at the time of submission of ARR and tariff revision proposals of the DISCOMs and issuing RSTO by the Commission, may come into play during next financial year. As a result, revenue requirement and revenue gap or surplus of the DISCOMs may vary vis a vis the ones determined in RSTO. The following are some of the factors that may lead to variations in revenue requirement and revenue gap/surplus of the DISCOMs during the financial year concerned:

- a) Variation in availability of power and surplus/deficit due to unrealistic estimates and entering into long-term power purchase agreements (PPAs) to purchase unwarranted power, especially renewable energy like solar and wind power, with must-run status, indiscriminately, and getting regulatory consents to the same.**
- b) Taking shelter under long-term load forecast, resource plans, electricity plan, etc., submitted by the DISCOMs and consented by SERC to enter into long-term PPAs to purchase unwarranted power, without reviewing ground reality and revising the projections made in those plans periodically, as and when a proposal or PPA comes up for consideration of the Commission.**
- c) Failure to maintain balance between demand curve and power mix to the extent possible to ensure that surplus power is available to the least possible extent technically.**
- d) Backing down generation capacities of thermal power plants as per the principle of merit order dispatch when surplus power is available on a large scale and paying fixed charges for power backed down.**
- e) Purchasing power in the market and through power exchanges at higher prices, with power exchanges becoming conduits for legalized black marketing, without real competition among sellers.**
- f) Inadequate supply of fuels like coal, natural gas, etc., and problems and costs of transportation.**
- g) Pricing of fuels, change in law and policies of taxation of the governments.**
- h) Government of India forcing thermal power stations to import costly coal by artificially creating scarcity for coal in the country, with a view to facilitating import**

of coal from the mines of Indian monopoly corporate houses and through traders, with manipulated and inflated prices.

- i) GoI and Central Electricity Authority directing thermal power stations to reduce their PLF drastically to facilitate penetration of RE into the grid.**
- j) Determination of targets of minimum purchase of renewable energy, with must-run condition, under renewable power purchase obligation (RPPO) by ERCs on a higher side and even exceeding that percentage, with PPAs entered into by the DISCOMs and consents given to the same by SERC indiscriminately.**
- k) Problems of variation in generation of power by various plants below their threshold level of plant load factor (PLF) due to divergent problems and problems of intermittency in generation of power by plants of renewable energy, above or below capacity utilization factor (CUF).**
- l) Increasing burdens of non-conventional energy, especially, with ever increasing variable costs, as in the case of biomass-based power plants.**
- m) Allowing the DISCOMs to purchase power from power plants for interim tariffs, as decided by the Commission, without submitting and considering capital cost of the plants, PPAs and tariffs simultaneously and in time.**
- n) Purchasing power, especially renewable energy, under higher generic tariffs fixed by SERC, and through mutual agreements, without following the process of real competitive biddings and by not giving as much scope as possible for wider participation of bidders in the country, to ensure competitive tariffs**
- o) Imprudent terms and conditions in the PPAs much to the detriment of interests of consumers at large and undue benefit to developers of power plants.**
- p) Endless legal litigations, especially, with private power developers, and their consequences.**
- q) Ever-changing and never-ceasing notifications and directives being issued by the GoI, often mutually contradictory in nature, to be followed by the state governments, DISCOMs and ERCs.**

- r) Conditionalities being imposed by the GoI under schemes like revamped distribution sector scheme (RDSS) to ensnare the states and their DISCOMs, thereby imposing avoidable and unwarranted burdens on the consumers.**
- s) Lack of effective regulatory control on purchases of materials and contracts being given by transmission and distribution licensees.**
- t) Due to vagaries of nature like scanty rainfall or drought or heavy rainfall and floods, variations in generation of hydel power and renewable energy and demand for power take place.**
- u) Apart from scheduled shut down of power plants for annual overhauling, forced shut down due to technical problems may take place, leading to generation of power below threshold levels of PLF.**
- v) Shifting of cross-subsidizing consumers like HT industrial and commercial consumers to captive generation, open access, rooftop solar power, etc. Shifting of high-consumption domestic consumers to rooftop solar, etc.**
- w) Time of the day charges**
- x) Banking facility**
- y) Drawing power under unscheduled interchange**
- z) Allowing private DISCOMs to be set up in the areas of operation of the DISCOMs of state government.**
- aa) Setting up a separate DISCOM for supply of power to agriculture in the state.**
- bb) Variations in transmission, inter-state and intra-state, and distribution charges and losses.**
- cc) Variations in estimated and determined demand for power**
- dd) Writing off of bad and doubtful debts**
- ee) Imbalanced orders of the regulatory Commissions, both state and central, and appellate authorities.**

ff) After introduction of the arrangement in the early 2000s, starting with Rs.50 crore under FSA for the first quarter, the burdens have been increasing tremendously on the consumers of power, running into thousands of crores of Rupees annually. The FSA and true-up burdens annually are turning out to be several times higher than the impact of tariff hikes and as higher percentages of the annual revenue requirements of the DISCOMs determined by SERC. This is despite the fact that the subsidy being provided by the state government, too, is increasing considerably. FSA and true-up burdens are even exceeding the subsidy being provided by the state government.

25. We request the Hon'ble Commission to examine the following points also, among others:

a) The fundamental deficiency in considering true-up claims is confining to their permissibility or otherwise as per regulations, unable or reluctant to consider the policies, decisions and orders - of the governments, licensees and the Commissions - that have been leading to a precarious situation for the DISCOMs to make true-up claims endlessly. The glaring dichotomies in considering various factors are also questionable. In other words, all the questionable policies, directions, decisions, regulations and orders of the powers-that-be in various wings involved in the entire process are being taken for granted without any critical, objective and honest reappraisal based on experience. The failures of commission and omission of the powers-that-be in the decision-making at the levels of the central and state governments, in the utilities and regulatory process are rendering the very true-up system itself highly questionable, with the consumers being forced to face all the adverse consequences and bear all the burdens for such failures of commission and omission. All these factors underline the need for dispensing with the very system of FSA and true-up and allowing the DISCOMs to factor them for current financial year in their claims for aggregate revenue requirement next financial year annually. Such an arrangement would compel the state government to take its stand on providing subsidies, without leaving scope for escaping from such obligation for covering the components of true-up which are being shown and treated separately so far and the false impression that the governments have not been responsible for the burdens of true-up. It also underlines the imperative need for demanding the government of India to provide subsidies to consumers to lessen the burdens being imposed on them as a result of its failures of commission and omission and exercising its authority, without any responsibility and accountability.

b) We have repeatedly been requesting successive Commissions to dispense with the system of FSA and true-up and direct the DISCOMs to include their revenue surplus/deficit of a FY in their ARR petitions for the next FY. It can be worked out for 12 months of current year, by taking into account proportionate amount for the four months from December of that year and the next three months up to

March of next year based on revenue surplus/deficit worked out for the first eight months of current FY. For ARR of next FY also, the DISCOMs are working out their revenue requirement and deficit based on the trends for the first eight months of current financial year and projections for next FY. The Commission also is considering the same, with changes it feels are required. Just as there cannot be hundred per cent accuracy in such estimates and projections, working out revenue deficit/surplus for current FY to be included in ARR for next FY also, as suggested above, cannot ensure hundred percent accuracy. Nevertheless, an objective and comparative analysis would confirm that this alternative to the system of FSA and true-up being implemented so far is far better and that it will eliminate a number of irrationalities and imbalances embedded in the present system.

- c) It will eliminate need and scope for delay in submissions for FSA and true-up separately and issuing orders by the Commission.**
- d) Adjustment of current FY's revenue gap, if any, in ARR for next FY would ensure provision for subsidy from government as per its decision and cross subsidy to the concerned categories, thereby eliminating the dichotomy between providing subsidy and cross subsidy in retail supply tariffs and avoiding the same for FSA claims and true-up.**
- e) It will ensure uniformity in terms of tariff to same category of consumers of all the DISCOMs in the state, and proportionate increase in tariffs to all categories of consumers, leaving no scope for determining different FSA rates to same categories of consumers of the DISCOMs.**
- f) It will ensure equitable distribution of revenue gap in the tariffs to be paid by different categories of consumers and avoid scope for imposition of a part of additional burden that arises as a result of additional supply of power to fully and partly subsidized categories of consumers on other consumers.**
- g) It will avoid need for carrying cost for longer periods.**
- h) It will underline the imperative of making realistic estimates of demand, availability of power, its surplus/deficit, requirement of market purchases, etc., as it avoids scope and need for FSA and true-up by virtue of the compulsion for adjusting cost variations of current FY in ARR of next FY.**
- i) It will avoid need and scope for collection of additional amounts in the form of FSA every month and the uncertainty associated with it.**
- j) Adjustment of revenue gap/surplus for transmission and distribution businesses of TGTRANSCO and DISCOMs, respectively, for current FY in ARR of next FY would facilitate timely review and corrections and revision of tariffs for next FY. As such, it would meet requirement of the licensees for recovery of what is**

- due to them, on the one hand, and refund or adjustment of revenue surplus of current FY in the ARR for next FY. Despite implementation of the system of multi-year tariff for transmission and distribution businesses, the suggested adjustment would leave no scope for accumulation of true-up or true-down amounts for the entire control period of five years, thereby protecting interests of the licensees and consumers.
- k) It will leave no scope for the Commission to adopt the double standards of allowing the DISCOMs to collect FSA amounts in the CC bills, but adjusting true-down amounts for reducing revenue gap of DISCOMs for next financial year.
 - l) Since FSA and true-up amounts will be subsumed in the ARR of next FY and covered in revised tariffs, with subsidy from the government and cross-subsidy, the degree of intensity for recurrence of revenue gap which would otherwise come into play under the arrangement of FSA and true-up would get reduced substantially.
 - m) It will leave no scope for disputes that arise under the present system on who should bear the burden of FSA and true-up for past periods - owners of properties or their past or present tenants.
 - n) It will avoid the kind of difficulties and problems industrial and commercial consumers face on account of imposition of FPPCA and true-up amounts for past periods.
 - o) APERC and TGERC have been requested to take a holistic view and issue an appropriate order in this direction. Similarly, for transmission and distribution business also, true-up/true-down should be effected every year, if the system continues. Responding to our suggestions, APERC, in its FPPCA orders for FY 2022-23 dated 25.10.2024, belatedly observed that “the Commission is guided by its Regulations in determining FPPCA claims and true-up for the total control period. To consider the suggestions, the Commission needs to amend its Regulations. It will examine them in due course.” This order was issued before retirement of the then chairman of APERC. Nevertheless, the sooner it is examined and required amendments to its Regulations are brought about the better. We request the Hon’ble Commission also to move in that direction.
 - p) In the FPPCA order for 2024-25, APERC has maintained that “some stakeholders urged the Commission to abolish the FPPCA system and allow all variations in power purchase costs to be adjusted in the next year’s ARR. The Commission notes that the FPPCA framework is mandated under Regulation No. 2 of 2023. This regulation has been notified in accordance with a directive from the Appellate Tribunal for Electricity (APTEL). In its order dated November 11, 2011, in Appeal No. 1 of 2011, APTEL recognised that fuel and power purchase costs are a significant and uncontrollable expense for distribution companies. Consequently, APTEL directed the State Commissions to implement a mechanism for FPPCA under

Section 62(4) of the Electricity Act, 2003, at least quarterly, but preferably on a monthly basis, to manage these costs effectively. The purpose of FPPCA is to provide a timely pass-through of uncontrollable variations in fuel and power purchase costs, rather than deferring them. Dispensing with FPPCA would result in the deferment of cost recovery, contrary to national policies. The Commission therefore reiterates that the FPPCA mechanism shall continue to be implemented in accordance with the Regulations. Based on the final true-up/down, the Commission will take appropriate steps to shift to ARR or pass on the costs to consumers.” **That APERC has deviated from the directive of APTEL is evident from the fact that the said regulation provides for claiming FPPCA yearly and after completion of five-year control period, besides allowing collection of 40 paise per unit per month under FPPCA. In other words, it is already allowing deferment of cost recovery. The suggested change of adjusting all permissible variations in ARR for next financial year facilitates recovery of the same to the extent the Commission considers them permissible as a part of the tariffs to be determined by the Commission in RSTO, after taking into account the subsidy the state government agrees to provide and other relevant factors.**

- q) **Responding positively to our suggestion, APERC, when Sri C.R. Sekhar Reddy was the incharge chairman, dispensed with the system of FSA and allowed the DISCOMs to include variations in their revenue for a FY in the ARR claims for the next FY. Subsequent Commissions changed the same and reintroduced old system for monthly, quarterly and yearly claims for FSA.**
- r) **It is clear that the suggested change would not avoid the reasons for which revenue gap would arise after issuance of RSTO for retail supply business of DISCOMs and multi-year tariff orders, with determination of annual tariffs, for transmission and distribution businesses of the licensees. With ever-changing and never-ceasing reforms, new factors will continue to come into play impacting on tariffs and FSA claims and the licensees may put forth their FSA and true-up claims under such factors also. Such reasons need to be analysed in terms of policies, directives and decisions of the governments and regulations and orders of the Commissions and their regulatory practice and balanced alternatives should be worked out and implemented.**

26. We request the Hon’ble Commission to consider the above points and my earlier submissions, among others, subject the claims of the DISCOMs for their retail supply business for 2026-27 to prudence check and determine their revenue requirement and revenue gap permissible.

27. I request the Hon’ble Commission to provide me an opportunity to make further submissions, after receiving responses of the DISCOMs and during the scheduled public hearings in person.

Thanking you,

Yours sincerely,

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