Date: 30.1.2026

To,
The Secretary,
Telangana State ERC,
GTS Colony, Kalyan Nagar,
Hyderabad – 500045

Respected sir,

Sub: Submission of Objections/Suggestion on O.P. Nos. 70 & 72 of 2025; O.P. Nos. 21 & 22 of 2025 of TGSPDCL ARR filings.

I am enclosing herewith the Objections/Suggestions regarding the captioned subject. I respectfully request you to consider this submission and allow me an opportunity to present further details during the public hearing.

Thank you.

Yours sincerely,

RAMISETTY VENKATA SUBBA RAO

Digitally signed by RAMISETTY VENKATA SUBBA RAO
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Encl: Objections & Suggestions Letter.

OBJECTIONS & SUGEESTION ON TGSPDCL RETAIL SUPPLY BUSINESS – ARR & TARIFF FILING FY 2026-27 AND TRUE UP FOR FY 2024-25

EXECUTIVE SUMMARY

TGSPDCL's FY 2026-27 Aggregate Revenue Requirement (ARR) petition contains seven material compliance deviations from the FY 2025-26 Tariff Order directives and MYT Regulation No. 2 of 2023, creating an estimated consumer burden of ₹415–592 Crore annually. Additionally, systemic corruption, patronage-based leadership, and the failure to implement low-cost, high-return demand-side management measures undermine regulatory confidence.

Critical Issues Identified:

1. Depreciation on Capital Work in Progress (CWIP): ₹49.69 Crore excess in Retail Supply Business; projected ₹80–120 Crore annual ongoing impact
2. Missing Asset Completion Certificates: ₹175.21 Crore capitalized without COD/PCC/FCC documentation
3. Non-Compliance with FCA Mechanism: Systematic failure to levy monthly Fuel Cost Adjustment; ₹370–530 Crore blocked FCA backlog attempted to be loaded into ARR
4. Loss-Sharing Framework Not Implemented: 50:50 controllable loss sharing framework ignored; ₹68–77 Crore annual consumer burden
5. Non-Tariff Income Under-Realized: ₹70–90 Crore annual potential unrealized
6. Variable Cost Escalation Unjustified: 5% escalation without merit-order basis; ₹400–500 Crore annual impact
7. GIS Mapping Not Operationalized: Only 30–40% coverage; estimated ₹55–92 Crore annual preventable cable damage costs
8. Entrenched Corruption & Patronage-Based Leadership: 15–25 ACB cases, unqualified senior appointments, resistance to reform
9. Capex Proposals Without Cost-Benefit Analysis: ₹7,500+ Crore capex plan lacks CBA; execution rate only 80% despite repeated approvals
10. Inability to Execute Large Capex: 80% average execution rate over 3 years despite repeated funding approvals

Key Consumer Impact:

If all compliance violations are implemented, consumers face ₹10.85–14 paise per kWh excess tariff burden. Conversely, if compliance directives are enforced, expected consumer savings of ₹275–452 Crore annually (4–7 paise per kWh reduction).

Immediate Prayer to Commission:

1. Defer FY 2026-27 ARR Approval pending resolution of compliance issues
2. Apply all disallowances totaling ₹687–887 Crore annually from ARR
3. Reject ex-post FCA loading and mandate monthly FCA compliance henceforth
4. Condition approval on submission of mandatory compliance certificates (30–60 day deadline)
5. Mandate Demand-Side Management (DSM) implementation with ₹1,350–2,210 Crore annual recurring benefits potential
6. Initiate formal enquiry into corruption, patronage appointments, and technical mismanagement
7. Withhold tariff approval until credible reforms and demonstrable loss reduction achieved

SECTION 1: CRITICAL COMPLIANCE FAILURES WITH QUANTIFIED IMPACTS

DIRECTIVE 1: Timely Filing and RoE Moderation

Regulation: MYT Regulation 2 of 2023, Clause 29.2(f); TGERC RST Order FY 2025-26, para 1.9.5

Mandate: Filing delays beyond 30 November attract automatic 0.5% per month RoE reduction.

TGSPDCL's Conduct:

- FY 2025-26 ARR filed 29 days late (28.01.2025 vs. 30.11.2024)
- FY 2026-27 ARR expected 60–90 days late
- No RoE reduction self-applied despite repeated delays

Financial Impact: ₹14.5–15 Cr annually; ₹72.5–75 Cr over 5-year period

Recommendation: Apply mandatory 0.5% per month RoE reduction; condition approval on written commitment to meet future deadlines.

DIRECTIVE 2: Loss-Sharing Mechanism (50:50 Controllable Loss Distribution)

Regulation: MYT Regulation 2 of 2023, Clause 14.4; TGERC RST Order FY 2025-26, para 3.23

Mandate: 50% of controllable losses shared between DISCOM and consumers.

TGSPDCL's Conduct:

- FY 2026-27 filing shows approved loss levels but no evidence of 50:50 implementation
- Full pass-through to consumers; no controllable loss segregation
- No DISCOM loss burden reflected in ARR

Quantification:

- Controllable losses: ~3.5–4.0% of total losses (~8.08% approved)
- Unshared burden: ₹68.75–77 Cr annually
- 5-year cumulative impact: ₹343.75–385 Cr

Recommendation: Disallow 50% of controllable losses (~₹68–77 Cr/year); require feeder/DT-wise loss audit.

DIRECTIVE 3: Non-Tariff Income (NTI) Realization
Regulation: TGERC RST Order FY 2025-26, para 3.15

Mandate: Prepare detailed NTI action plan with quarterly targets; improve realization of under-reported potential.

TGSPDCL's Conduct:

- FY 2026-27 NTI projection: ₹320–340 Cr (0.64% of RSB ARR)
- Potential available: 1.2–1.5%
- No structured quarterly targets or action plan submitted

Quantification:

- Under-realized NTI: ₹70–90 Cr annually
- 5-year cumulative: ₹350–450 Cr

Recommendation: Mandate detailed NTI action plan; reduce accepted claims by ₹40–50 Cr pending implementation evidence.

DIRECTIVE 4: Power Purchase Cost & Merit-Order Dispatch
Regulation: MYT Regulation 2 of 2023; TGERC RST Order FY 2025-26, paras 3.8.63–3.8.64

Mandate: Base variable cost projections on 3-month moving average of actuals; apply merit-order dispatch discipline.

TGSPDCL's Conduct:

- FY 2026-27: Claims 5% variable cost escalation without merit-order analysis
- Does NOT integrate November 2024–January 2025 actual variable costs as directed
- No documented merit-order analysis in filing

Quantification:

- Conservative disallowance estimate: ₹400–500 Cr annually
- 5-year cumulative: ₹2,000–2,500 Cr

Recommendation: Disallow arbitrary 5% escalation; rebase on recent actuals with maximum 1% escalation; reduce variable cost by ₹400–500 Cr.

DIRECTIVE 5: Asset Completion Certificates and Capitalization Validation
Regulation: TGERC RST Order FY 2025-26, paras 3.15–3.16

Mandate: Provide COD, PCC, and FCC for all capitalized assets; depreciation only upon valid certification.

TGSPDCL's Conduct:

- ₹175.21 Cr in assets capitalized without completion documentation
- No COD/PCC/FCC evidence submitted for major additions
- Depreciation claimed on unverified assets
- No scheme-wise project completion status provided

Critical Violation: Depreciation on Capital Work in Progress (CWIP) violates MYT Regulation 7, which explicitly prohibits depreciation on incomplete assets. Retail Supply Business depreciation increased 76.2% from ₹65.18 Cr to ₹114.87 Cr with no asset completion documentation.

Quantification:

- Capitalized assets pending certification: ₹175.21 Cr
- Annual depreciation on unverified assets: ₹5–7 Cr (formal claim) + ₹49.69 Cr (CWIP violation) = ₹54.69–56.69 Cr
- 5-year excess depreciation impact: ₹273.45–283.45 Cr

Recommendation: Suspend depreciation on ₹175.21 Cr pending COD/PCC/FCC submission within 30 days; de-capitalize if not provided; disallow CWIP depreciation retroactively.

DIRECTIVE 6: Geographic Information System (GIS) Operationalization
Regulation: TGERC RST Order FY 2025-26, para 3.12

Mandate: Prioritize GIS mapping for feeder-wise loss monitoring, theft detection, preventive maintenance.

TGSPDCL's Conduct:

- Only partial coverage (~30–40% of network in main towns)
- Estimated ₹55–92 Cr annually from cable/DT damage due to lack of GIS coordination
- No timeline for 100% implementation

Quantification:

- Annual cable/DT damage cost: ₹55–92 Cr
- 5-year cumulative: ₹275–460 Cr

Recommendation: Direct 100% GIS mapping completion within 24 months; condition RoE approval on quarterly reporting; disallow ₹30–40 Cr/year from distribution cost until operationalized.

SECTION 2: FUEL COST ADJUSTMENT (FCA) MECHANISM – SYSTEMATIC NON-COMPLIANCE

Regulation: MYT Regulation No. 2 of 2023, Clauses 13.1–13.12

Core Requirement vs. TGSPDCL Conduct

Requirement	Regulation	Mandate	TGSPDCL Status
Monthly FCA Computation	Clause 13.1–13.3	Compute monthly; cap ±₹0.30/kWh	NOT IMPLEMENTED
Publication Timeline	Clause 13.3(d)	Within 45 days of month-end	NOT PERFORMED
Billing Integration	Clause 13.8	Levy in month N+3 billing	NOT APPLIED
True-Up Precondition	Clause 13.11(c)	Cannot claim FCA if true-up not filed	CIRCUMVENTED
Disallowance Clause	Clause 13.3(d)	Late FCA disallowed from pass-through	IGNORED

TGSPDCL's Systematic Failure

No Monthly FCA Levy: TGSPDCL has NOT computed, published, or levied monthly FCA as required. Instead, it seeks to recover accumulated fuel/power purchase variations through True-up petitions filed years after year-end.

No Contemporaneous Publication: FCA amounts are NOT published within 45 days of month-end. Delay renders historical FCA claims inadmissible per Clause 13.3(d).

Ex-Post True-Up Substitution:

- FY 2022-23 variations sought via True-up filed 2025 (3 years after year-end)
- FY 2023-24 variations sought via True-up filed 2025 (2 years after year-end)
- FY 2024-25 variations sought in FY 2025-26 ARR without real-time FCA filings

Commission's Earlier Warning: TGERC RST Order FY 2025-26, paras 3.3.8–3.3.11 explicitly noted concerns and rejected lump-sum FCA filings for non-compliance with stipulated timelines.

Blocked FCA Recovery Impact:

- FY 2022-23: ₹150–200 Cr unrecovered
- FY 2023-24: ₹120–180 Cr unrecovered
- FY 2024-25: ₹100–150 Cr unrecovered
- Total Blocked FCA: ₹370–530 Crore now improperly attempted to be loaded into FY 2026-27 ARR

Recommendation:

TGERC must:

1. Suspend acceptance of all lump-sum fuel/variable cost adjustments claimed outside FCA mechanism

2. Direct immediate operationalization of monthly FCA levy effective January 2026

3. Disallow ₹370–530 Crore cumulative FCA backlog from FY 2026-27 ARR

4. Require TGSPDCL to establish automated monthly FCA computation and publication system

SECTION 3: CAPEX ANALYSIS (LAST 3 FISCAL YEARS) AND 3RD DISCOM IMPACT

Capex Proposals and Performance

Year	Approved (₹ Cr)	Actual/Projected (₹ Cr)	Achievement %	Remarks
FY 2023-24	1,850	1,420	76.8%	Underexecution; pending asset completion
FY 2024-25	2,100	1,680	80.0%	Partial execution; ₹175.21 Cr unverified capitalization
FY 2025-26	2,350	~1,950 (projected)	83.0%	Continuing underperformance trajectory
3-Year Total	6,300	5,050	80.2%	Systematic 15–20% underexecution

Key Findings

1. Capex Proposals Lack Cost-Benefit Analysis:

Critical observation: TGSPDCL's ₹7,500+ Crore capex plan for next 5 years is proposed without any documented Cost-Benefit Analysis (CBA). This is a major deficiency in regulatory submissions:

- No CBA provided for individual capex schemes
- No comparison of capex-based solutions versus alternative demand-side interventions
- No economic justification showing capex investments deliver better consumer outcomes than DSM alternatives
- Projects proposed on ad-hoc basis without rigorous cost-effectiveness assessment
- No sensitivity analysis on capex delivery timelines and financial viability

Regulatory Mandate Violated: MYT Regulation 2 of 2023, Regulation 5 (Capital Investment) explicitly requires DISCOMs to justify capex through cost-benefit analysis. TGSPDCL's filing is deficient on this count.

2. Chronic Underexecution: TGSPDCL consistently executes only 76–83% of approved capex. Yet it seeks tariff increases claiming future capex requirements without demonstrating capacity to execute existing approvals.

3. Asset Completion Gaps: ₹175.21 Cr capitalized without COD/PCC/FCC; multiple projects either incomplete or nearing useful life without operational benefit.

4. It is observed that a significant number of assets created by the DISCOM—including substations (SS), power transformers (PTRs), lines, and distribution transformers (DTs)—are operating at very low utilisation levels, in many cases below 30% of their rated capacity.

Notwithstanding the availability of such under-utilised infrastructure, the DISCOM has continued to propose and capitalise additional assets without due diligence on existing loading conditions. This practice reflects inefficient planning, results in avoidable and excessive capital expenditure, and leads to unnecessary escalation of technical losses, ultimately burdening consumers through higher tariff requirements.

The Hon'ble Commission may therefore direct the DISCOM to submit comprehensive asset-wise and circle-wise details of loading levels of all substations, PTRs, lines, and DTs. The same may be subjected to prudent scrutiny. Wherever significant under-utilisation is established, the Commission may mandate optimal re-deployment, augmentation, or relocation of such assets to other needy locations, instead of permitting fresh capital investment.

Approval of new capital works without exhausting existing infrastructure capacity would be contrary to the principles of prudence check, cost optimisation, and consumer interest

5. 3rd DISCOM Asset Transfer Impact (Effective 1 April 2026):

Post-formation of 3rd DISCOM, TGSPDCL's asset base will be reduced by 25–30% (approximately ₹1,500–2,000 Crore). Agricultural DTRs, LT lines, and related assets worth ₹2,208 Crore (from TGSPDCL alone) will transfer to 3rd DISCOM. Yet FY 2026-27 capex proposals remain at ₹2,400+ Cr without corresponding adjustment for reduced asset scope.

ARR Cannot Be Approved Without 3rd DISCOM Consideration: The FY 2026-27 ARR must account for:

- Revised asset base post-transfer
- PPA re-allocation (42% of energy requirement to 3rd DISCOM)
- Revenue loss from transferred agricultural consumers (~₹10,000–12,000 Cr annual revenue)
- Reduced financing requirements post-separation
- Revised capex schedule reflecting smaller asset footprint

Submitting ARR that ignores the 3rd DISCOM formation is materially deficient and cannot be approved as-is.

6. Future Capex Sustainability: Original 5-year capex plan: ~₹7,500–8,000 Cr. Current execution rate: 80% → 6,000–6,400 Cr likely. Asset base reduction post-3rd DISCOM: -25% → need for capex reduced proportionately. Proposed capex appears inflated and execution-infeasible.

SECTION 4: CAPABILITY TO SPEND LARGE CAPEX

Critical Constraints

1. Financial Capacity:

- FY 2024-25 Financial Position: ARR ₹5,822 Cr; Available for capex: ~₹1,200–1,400 Cr; Actual capex: ₹1,680 Cr
- Current Debt Position: Outstanding loans ~₹3,500–4,000 Cr; Interest burden: ₹533.88 Cr (FY 2024-25 actual)
- Debt-to-ARR ratio exceeds 70%; additional borrowing capacity limited

2. Execution Capacity:

- Current 80% execution rate suggests bottlenecks in project planning, tendering, and contract management
- Procurement delays typical 3–6 months; limited vendor capacity for large simultaneous procurements
- Staff limitations in project management, design, and supervision

3. Asset Utilization & Management:

- Current AT&C losses: ~19.84% (vs. national target ≤15%)
- Low operational efficiency in asset deployment suggests adding more capex without efficiency gains will exacerbate losses
- Additional capex without corresponding loss reduction is economically unwarranted

Conclusion: TGSPDCL cannot credibly spend ₹7,500+ Cr capex over next 5 years while maintaining financial sustainability, achieving regulatory targets, and executing current approvals.

SECTION 5: ALTERNATIVE METHODS – DEMAND-SIDE MANAGEMENT PROGRAM

Current Context

- Agricultural consumers: ~50–55% of total metered consumers
- Agricultural cost of supply (COS): ₹9.45/kWh
- Tariff charged: ₹0–₹1.50/kWh (highly subsidized)
- Annual agricultural subsidy burden: ₹3,000–3,500 Cr

- Agricultural AT&C losses: ₹800–1,200 Cr annually

DSM Measures with Unit Economics

Measure 1: Transformer Replacement Program

- Target: Replace 100 kVA DTs with high failure rates
- Unit Cost: ₹1.35 Lakh per 5-Star rated DT
- Annual Benefit per DT: ₹94,700 (avoided repairs + reduced losses)
- Payback Period: 1.4–2.5 years
- Pilot Scope (5,000 units): ₹675 Cr capex; ₹473.5 Cr annual benefit

Measure 2: Agricultural Pump Energy Audits & Replacement

- Target: High-efficiency pump replacement
- Unit Cost: ₹70,000 per pump (5-Star rated)
- Annual Benefit: ₹14,175–22,000 per pump (20–25% energy reduction)
- Payback Period: 3–5 years
- Full Program (200,000 pumps): ₹1,000–1,200 Cr; ₹800–1,200 Cr annual benefit

Measure 3: Capacitor Installation at Distribution Transformer Level (APFC Panels)

Technical Background: Power factor in agricultural distribution networks typically operates at 0.70–0.75, significantly below optimal 0.95. This creates substantial technical and commercial losses.

Intervention: Installation of Automatic Power Factor Correction (APFC) panels at distribution transformer level

Unit Economics:

- Unit Cost: ₹40,000 per APFC capacitor panel per DT
- Technical Specifications: 3-phase, automatic switching, rated for rural distribution duty
- Installation: Simple, at DT location; minimal civil work

Technical Benefits:

- Power Factor improvement: 0.70 → 0.95 (25-point improvement)
- Copper loss reduction: ~45% decrease in I^2R losses
- Loading reduction: ~26% reduction in transformer loading
- Voltage improvement: Better voltage profile downstream of DT

Financial Benefits per DT:

- Copper loss savings: Approximately 20–30 units per month = 240–360 units/year
- Additional capacity release: Equivalent to 4–5 new pump connections without transformer upgrade
- Annual monetary benefit: (240–360 units × ₹9.45/unit COS) = ₹2,268–3,402 annually

Alternative Calculation (Conservative):

- Reduce copper losses by 45% on 8-10 MU/DT annual consumption
- Savings: 0.45 × 8.5 MU × ₹9.45 = ₹36,127 per DT annually

Payback Period:

- Unit Cost: ₹40,000
- Annual Benefit: ₹36,000–44,700
- Payback: 0.9–1.1 years (approximately 11–14 months)

Implementation Scope:

- Agricultural DTRs in TGSPDCL: 2,92,061 units
- Pilot Phase (20% coverage): 58,000 units
- Pilot Capex: 58,000 × ₹0.40 Lakh = ₹232 Crore
- Pilot Annual Benefit: 58,000 × ₹40,000 = ₹232 Crore/year
- Full Program (All 2.92 lakh DTs): ₹1,168 Crore capex; ₹1,168 Crore annual benefit

Key Advantages of APFC Installation:

1. Shortest Payback: 0.9–1.1 years (fastest return among all DSM measures)

2. Minimal Civil Work: Simple installation at existing DT location; no excavation or cable relaying required

3. Scalable Quickly: Can be deployed across all agricultural DTs within 12–18 months

4. Dual Benefit: Both immediate loss reduction AND system reinforcement (capacity creation)

5. Maintenance Minimal: Fully automatic operation; low maintenance compared to manual capacitor banks

6. Grid Stability: Improved voltage profile reduces relay tripping and improves supply reliability

Regulatory Benefit:

- This single measure delivers ₹232 Crore annual recurring benefit in pilot form alone

- Full program scales to ₹1,168 Crore/year, effectively addressing entire subsidy burden without tariff hike
- Quick payback (11–14 months) allows rapid reinvestment in Phase 2 expansion

Measure 4: Scrap-and-Replace Program for Life-Expired Distribution Transformers

Current Problem: TGSPDCL spends ₹13.5 crore annually repairing 5,000 failed distribution transformers. This repair-and-replace cycle is economically unviable—repairs extend asset life only 6 months while replacement provides 5-year warranty and superior performance.

Proposed Solution: Systematically scrap transformers >15 years old with >25% no-load current; replace with amorphous-core transformers achieving 70% lower no-load losses.

Unit Economics (100 kVA Distribution Transformer):

Parameter	Repair (Status Quo)	Replace (New Strategy)	Benefit
Unit cost	₹30,000	₹80,000	+₹50,000 gross
Scrap recovery	-₹3,000	-₹50,000	+₹47,000 additional scrap value
Net cost	**₹27,000**	**₹30,000**	Only +₹3,000 net incremental cost
Warranty	6 months	5 years	+4.5 years guaranteed operation
Annual no-load energy loss (units)	2,452	700	-1,752 units (71% reduction)
Loss value @ ₹10/unit COS	₹24,520/yr	₹7,000/yr	**₹17,520/yr annual savings**
Avoided future repairs	—	₹27,000 over 5 years	+₹5,400/yr equivalent
Total 5-year benefit per unit	—	—	₹117,600

Scaled Impact: Annual Batch of 5,000 Failed Transformers

Metric	Repair Strategy	Replace Strategy	Net Benefit
Gross annual expenditure	₹15 crore	₹40 crore	—
Less: Scrap recovery	-₹1.5 crore	-₹15 crore	+₹13.5 crore additional scrap
Net annual cash outflow	₹13.5 crore	₹25 crore	+₹11.5 crore net cost
Annual energy loss savings	—	+₹2.17 crore	Recurring benefit
Avoided repair costs (annual equivalent)	—	+₹2.25 crore	Recurring benefit
Total annual net recurring benefit	—	—	₹4.42 crore/year
Payback period of incremental ₹11.5 Cr investment	—	—	~9 months

Critical Advantages of Scrap-and-Replace:

1. Ultra-Short Payback (9 months): Among all DSM measures, this offers the fastest return on incremental investment. The ₹11.5 crore additional annual investment is recovered within 9 months through energy and repair savings.

2. Immediate Operational Benefit: New transformers with 5-year warranty eliminate breakdown-driven outages affecting agricultural production and rural livelihoods.

3. Superior Loss Reduction: Amorphous-core transformers reduce no-load losses by 70%—the most significant single intervention achievable at DTR level.

4. Scrap Value Recovery: Old transformer copper, core steel, and oil salvage generates ₹50,000 per unit (₹15 crore for 5,000 units annually), offsetting much of the capex burden.

5. Sustainable Asset Management: Breaks the endless repair cycle; implements a replacement-based asset lifecycle approach standard in advanced distribution systems.

6. Grid Reliability Improvement: Reduced failure-driven outages improve voltage stability and power factor, with cascading benefits for consumer supply.

Pilot Implementation Timeline:

- FY 2026-27: Replace 25% of annual failure batch (1,250 units) = ₹3.75 crore incremental investment → ₹1.1 crore annual benefit
- FY 2027-28: 50% of batch (2,500 units) = ₹5.75 crore cumulative incremental → ₹2.2 crore annual benefit
- FY 2028-29: 75% of batch (3,750 units) = ₹11.25 crore cumulative → ₹3.3 crore annual benefit
- FY 2029-30 onwards: 100% replacement (5,000 units annually) = Full ₹4.42 crore annual recurring benefit

Consolidated DSM Program Economics (Revised)

Measure	Investment	Annual Benefit	Payback (yrs)
Transformer Replacement	₹400 Cr	₹75–160 Cr	2.5–5
Pump Efficiency	₹1,200 Cr	₹800–1,200 Cr	1–1.5
APFC Capacitor Installation (DT Level)	₹1,168 Cr	₹1,168 Cr	0.9–1.1
Scrap-and-Replace (Life-Expired DTRs)	₹400 Cr	₹200–350 Cr	1.2–2
TOTAL DSM	₹3,168 Cr	₹2,243–2,878 Cr (Annual)	1.1–1.4

DSM Breakeven: 13–17 months

Key Benefits Over Tariff Hikes

1. Reduces Subsidy Burden: Combined DSM can reduce agricultural subsidy by ₹1,500–2,000 Cr/year through efficiency and loss reduction

2. Improves AT&C Losses: Current 19.84% → 14–15% over 2–3 years = ₹600–800 Cr annual savings

3. Supports Tariff Stability: 2–3% annual increases or tariff reductions (vs. current 8–12%)

4. Enhances System Reliability: 30–40% outage reduction from improved asset management and power factor

5. Stimulates Agricultural Economy: Improved farm productivity and income from reliable, efficient supply

6. Attracts Carbon Financing: International carbon credit revenue ₹50–100 Cr potential from energy efficiency improvements

Implementation Model
Phase 1 (FY 2026-27 to 2027-28): Pilot – ₹1,000–1,200 Cr

- Transformer replacement: 3,000 units (₹40 Cr)
- Pump efficiency: 50,000 units (₹250 Cr)
- APFC capacitor installation: 58,000 DTs (₹232 Cr)
- Scrap-and-replace (25% batch): 1,250 units (₹46.9 Cr)
- Remaining contingency: ₹431–631 Cr
- Pilot Annual Benefit: ₹950–1,150 Cr

Phase 2 (FY 2028-29 to 2029-30): Scale-up – ₹1,800–2,000 Cr

- Full Annual Benefit by FY 2029-30: ₹2,243–2,878 Cr

SECTION 6: SYSTEMIC CORRUPTION AND LEADERSHIP FAILURES

6.1 Pervasive Corruption at Multiple Levels

Current Status: TGSPDCL functions with entrenched corruption from field level to senior management, diverting public resources and inflating costs presented to the regulatory commission.

ACB Statistics (2024–2025):

- 15–25 TGSPDCL employees arrested or trapped in corruption cases
- Seized/suspected assets worth multiple crores indicating systematic embezzlement
- Illustrative cases: Officers with assets grossly disproportionate to known income; bribes accepted for transformer works, routine services, approvals

Corruption Manifestations:

1. Field-Level Graft: Demands for bribes on connections, bill settlement, meter installations, transformer repairs

2. Project-Level Leakage: Inflated project costs, substandard work, vendor collusion in procurement

3. Technical Mismanagement: Inferior materials supplied at premium prices; poor-quality assets capitalized without scrutiny

4. Cost Pass-Through: Inflated capex, O&M, and finance costs passed to consumers via ARR petitions

Result: Consumers bear burden of corruption through higher tariffs instead of utility addressing institutional failures.

6.2 Root Cause: Patronage-Based Leadership
Problem: Senior management positions filled on basis of political loyalty rather than technical competence in power systems, engineering, finance, or regulation.

Consequences:

1. Leadership Vacuum: Ad hoc decision-making; honest officers marginalised; corrupt networks operate with impunity

2. Frequent Portfolio Changes: Senior-level instability causing poor long-term planning and diluted accountability

3. Non-Telangana Appointments: Sensitive posts filled by non-Telangana personnel through internal recommendations, contrary to state's founding objective; concerns regarding alignment with Telangana's long-term interests and involvement in corruption networks

Contradiction to State Principles: Telangana was formed on stated objectives of self-governance, control over finances, and priority in employment for Telangana people. TGSPDCL's patronage-driven appointments and conduct undermines public confidence.

6.3 Neglect of Technical Reform
Institutional Weaknesses:

1. Absence of DSM Programs: No organized energy audits, efficiency retrofits, or demand-side interventions

2. No Modern Planning Tools: Lack of GIS, SCADA, advanced analytics; reliance on legacy systems

3. Weak R&D Capability: No in-house research on loss reduction or operational innovation

4. Capacity Building Gaps: Technical manpower undersupply due to inadequate training, recruitment, and retention

Impact: TGSPDCL trapped in high-loss, high-subsidy operations; unable to escape tariff-hike spiral without fundamental reform.

6.4 Regulatory Directives on Corruption & Reform

Commission Should:

1. Initiate Formal Enquiry: Direct investigation into corruption cases, asset misappropriation, and technical mismanagement; withhold ARR/tariff approval until credible reforms demonstrated

2. Enforce Transparency: Mandatory disclosure of all ACB cases, outcomes, and disciplinary actions in regulatory filings

3. Leadership Accountability: Condition senior management appointment on merit-based selection, technical qualifications, and Telangana-prioritized recruitment

4. Institutional Strengthening:

- Recruit qualified engineers, finance professionals, and regulatory specialists for senior posts
- Establish independent audit of all capex projects and major procurements
- Implement separation of powers: technical, financial, and audit functions

5. Performance Conditionality: No tariff approval or RoE incentive unless:

- AT&C losses reduced to ≤15% within 24 months
- DSM programs implemented with quarterly progress reports
- Corruption investigation progresses toward resolution with demonstrable corrective action
- GIS operationalization timeline met

6. Consumer Safeguards:

- Mandatory pass-through of verified DSM savings as tariff reductions
- Penalties for systematic delays, prolonged outages, and service failures
- Transparent disclosure of compliance status against regulatory directives

SECTION 7: 3RD DISCOM FORMATION (1 APRIL 2026) – IMPACT ON ARR

Formation Overview

Formation of 3rd DISCOM under Section 14, Electricity Act 2003, effective 1 April 2026, will transfer all agriculture and government-subsidised loads (agriculture, LIS, HMWSSB, CPWS, municipal water works) to a separate distribution licensee.

Asset Transfer from TGSPDCL

- Agricultural DTRs: 2,92,061 units; Book Value ₹977 Crore
- Agri LT Lines: 1,46,031 km; Book Value ₹1,231 Crore
- Total Assets Transferred: ₹2,208 Crore (from TGSPDCL); ₹4,929 Crore (statewide)
- Associated Arrears: ₹35,982 Crore transferred to 3rd DISCOM
- Related Payables: ₹26,950 Crore (GENCO payables) transferred
- Working Capital Loans: ₹9,032 Crore allocated to 3rd DISCOM

Revenue and PPA Impact

- Consumers Transferred: 29.08 lakh (agriculture, LIS, HMWSSB, CPWS)
- Energy Requirement Allocation: 42% to 3rd DISCOM, 45% to TGSPDCL, 13% to TGNPDCL
- PPA Re-allocation: Existing PPAs with TGGENCO, CGS, IPPs, inter-state sources split in proportion of energy requirement
- KUSUM & Indira Mahila Sakthi: Future additions allocated to 3rd DISCOM

Critical: ARR Deficiency

TGSPDCL's FY 2026-27 ARR filing does NOT account for 3rd DISCOM formation effective 1 April 2026. The petition presents costs and revenues as if TGSPDCL continues serving all current consumer categories and holding all current assets post-April 1. This is materially deficient.

Required Revised ARR Should Include:

1. Asset base post-transfer (agricultural DTRs and LT lines removed)

2. Revenue forecast post-transfer of 29.08 lakh agricultural consumers

3. Revised PPA cost allocation (reduced energy requirement)

4. Reduced capex schedule reflecting smaller asset footprint

5. Revised financing requirements (loans split between DISCOMs)

6. Cost of implementation: DTR smart metering ₹730 Cr (TGSPDCL portion)

Recommendation: Commission should reject current ARR filing and require TGSPDCL to submit revised FY 2026-27 ARR reflecting post-3rd DISCOM asset base and consumer base, with complete bifurcation schedules attested by auditors.

SECTION 8: ASSET VERIFICATION AND PCC/FCC REQUIREMENTS

Current Framework Gap

Government Order on 3rd DISCOM formation (G.O.Ms. No. 44, Dated 17.12.2025) directs preparation of detailed asset registers for agricultural DTRs and downstream networks, including gross fixed assets, age, and accumulated depreciation. However, TGSPDCL lacks published construction standards suitable for asset verification and ongoing operations.

Recommendations for PCC/FCC Verification

Instead of accepting bare PCC/FCC certificates submitted by DISCOM, Commission can:

1. Cross-Verify Sample Assets: Independent third-party/CEA-empanelled inspection of 20–25% of major capitalized assets

2. Correlate Certifications with Reality: Match COD/PCC/FCC dates with GIS/asset register and actual energisation records

3. Allow Depreciation Only Post-Verification: Defer depreciation and RoE claims until independent verification completed

4. Establish Asset Register Audit: Annual third-party audit of asset completion status and depreciation accuracy

Aged Asset Replacement Analysis

Critical Finding: TGSPDCL collects depreciation from consumers (FY 2024-25 actual: ₹809.32 Cr; FY 2026-27 proposed: ₹1,034 Cr) ostensibly for asset replacement after useful life. However, there is disconnect:

- Which aged assets have been replaced? List to be provided
- Are replacement programs adequately funded and executed? Asset replacement schedule required
- When assets complete useful life and are decapitalized, where is the consumer benefit? Decapitalization income to be explicitly shown and credited to consumers

Recommendation: Commission should require TGSPDCL to:

1. Submit asset register showing all assets >3 years old with remaining useful life

2. Prepare comprehensive asset replacement program with year-wise schedule and costs

3. Provide decapitalization schedule showing annual decapitalization expected and consumer benefit

4. Link depreciation recovery to actual replacement (if replacement not executed, reduce next year's depreciation allowance proportionately)

5. Introduce "Renewal Fund" concept where depreciation collected is exclusively used for replacement capex

SECTION 9: CONSTRUCTION STANDARDS AND CONTRACTOR QUALITY

Current Deficiency

TGSPDCL currently lacks published, written construction standards suitable for distribution network works. This absence creates risks:

- Substandard cable-laying work resulting in premature failures
- Non-compliant joint installations leading to cable faults
- Underground cable works executed without proper civil standards
- No standardized O&M practices for asset management

Capex Execution Risk

Given the scale of proposed works (smart metering, underground cabling, network augmentation), quality failures would create large future losses. The GO on 3rd DISCOM formation contemplates installation of ~2.92 lakh DTR-side smart meters at ₹1,306 Cr statewide cost. Poor-quality metering infrastructure would compromise revenue collection and operational control.

Recommendations for Contractor Selection and Standards

Major cable-laying and underground works should be awarded ONLY to technically qualified and proven contractors (including experienced MNCs that have already executed similar urban underground schemes) using competitive bidding, with:

1. Mandatory Use of Standard-Specification Cables/Joints: Type-tested to BIS/IEC

2. Defect-Liability and Performance Guarantees: Covering at least 5–7 years

3. Pre-Approved Construction Method Statements: Independent quality audits mandatory

4. Local Firm Alternative: If local contractors are preferred, require:

- Demonstrated track record on similar projects (₹10+ Cr projects)

- Subcontracting arrangement with experienced MNC for cable-laying and joint works
- Performance bonds and defect-liability guarantees equivalent to MNC standards

Commission-Directed Construction Standards

Recommendation: Commission should direct TGSPDCL to prepare and notify:

1. Unified Distribution Construction Standards aligned with CEA regulations covering:

- Overhead lines (conductor type, span length, earthing, safety clearances)
- Underground cables (cable type, duct standards, joint specifications, burial depth)
- Earthing systems (electrode type, resistance norms, maintenance protocols)
- Metering installations (meter box standards, sealing practices, data security)

2. Link capex approval to strict adherence to these standards

3. Field quality audits mandatory before asset capitalization

4. Disallow capex where works are not executed as per approved standards

SECTION 10: QUANTIFIED CONSUMER IMPACT SUMMARY

Annual Consumer Burden from Compliance Failures

Issue	Annual Impact (₹ Cr)	5-Year Impact (₹ Cr)
RoE Non-Modulation	14.5–15	72.5–75
Loss-Sharing Not Applied	68.75–77	343.75–385
NTI Under-Realization	70–90	350–450
Variable Cost Escalation	400–500	2,000–2,500
Depreciation on Unverified Assets	54.69–56.69	273.45–283.45
GIS Mapping Not Implemented	55–92	275–460
FCA Not Levied (Loading Into ARR)	74–106	370–530
TOTAL ANNUAL BURDEN	**₹687.75–887 Cr**	**₹3,436.25–4,435 Cr**

Per-Unit Tariff Impact

- Annual ARR TGSPDCL: ₹50,242 Crore
- Annual Energy Sales: ~63.4 MU
- Excess tariff from compliance failures: ₹687.75–887 Cr ÷ 63.4 MU = ₹10.85–14 paise per kWh

Consumer Tariff Impact Examples (If Compliance Directives Implemented)

- Domestic consumer (200 units/month): ₹217–280 annual savings
- Small commercial (500 units/month): ₹542–700 annual savings
- Industrial consumer (5,000 units/month): ₹5,425–7,000 annual savings

SECTION 11: REMEDIAL DIRECTIVES AND RECOMMENDATIONS

Recommended Commission Actions (in order of urgency):

Immediate Actions (January–March 2026)

1. Defer FY 2026-27 ARR/Tariff Approval pending resolution of compliance issues and 3rd DISCOM restructuring

2. Direct TGSPDCL to Respond In-Writing on each compliance failure with action plan

3. Initiate Regulatory Enquiry into systemic corruption, patronage appointments, and technical mismanagement

4. Require Revised ARR Filing accounting for 3rd DISCOM formation

Short-Term Conditions (FY 2026-27)

5. Operationalize Monthly FCA Mechanism: Effective February 2026

6. Mandate DSM Pilot Program: ₹1,000–1,200 Cr capex; ₹950–1,150 Cr annual benefit target

7. Suspend Depreciation: On ₹175.21 Cr unverified assets (30-day deadline for certification)

8. Apply RoE Moderation: 0.5% per month for filing delays

9. Implement Loss-Sharing: Disallow 50% of controllable losses (~₹68–77 Cr/year)

Medium-Term (FY 2027-29)

10. Complete GIS Mapping: 100% coverage within 24 months

11. Scale DSM Programs: Phase 2 expansion; target ₹2,243–2,878 Cr annual benefits by FY 2029-30

12. Establish Construction Standards: Unified standards with mandatory compliance framework

13. Tariff Moderation: Rather than 8–12% annual increases, cap at 2–3% with DSM savings pass-through

Long-Term Structural Reform (Control Period onwards)
14. Institutional Restructuring: Merit-based leadership recruitment, Telangana-prioritized appointments, separation of functions

15. Regulatory Conditions: AT&C losses ≤15% by FY 2028-29; zero tolerance for corruption; sustained DSM delivery

16. Alternative Financing: Leverage energy efficiency and carbon credit revenues to reduce tariff burden

SECTION 12: COMPLIANCE CERTIFICATION REQUIREMENTS

Mandatory Filings by TGSPDCL Prior to FY 2026-27 Tariff Approval

Within 30 Days
- Asset Completion Certificates (COD/PCC/FCC) for ₹175.21 Crore capitalized assets
- Detailed feeder/DT-wise loss audit identifying controllable vs. non-controllable losses
- NTI Action Plan with quarterly realization targets
- Written response to each compliance issue identified in this submission
- Cost-Benefit Analysis for proposed capex schemes comparing with DSM alternatives

Within 60 Days
- GIS Implementation Roadmap with 24-month completion timeline
- Commitment letter for monthly FCA filing henceforth (copies to be published within 45 days)
- Variable cost justification based on November 2024–January 2025 actuals with merit-order dispatch plan
- Revised ARR petition accounting for 3rd DISCOM formation and asset transfer

Ongoing (Quarterly)
- Attestation of controllable loss reduction progress
- NTI realization against approved targets
- GIS mapping coverage percentage
- FCA computation and publication records

- DSM program implementation status with measured savings

CONCLUSION

TGSPDCL cannot credibly claim further tariff increases while:

- Failing systematic compliance with regulatory directives (₹415–592 Cr annual impact)
- Operating under entrenched corruption and patronage-driven leadership
- Proposing ₹7,500+ Crore capex without Cost-Benefit Analysis or execution feasibility
- Achieving only 80% capex execution with inflated future proposals
- Ignoring low-cost, high-return technical interventions (DSM potential: ₹2,243–2,878 Cr annual savings)
- Submitting ARR that does not account for 3rd DISCOM formation

The only sustainable path is conditional ARR approval tied to demonstrable reforms, DSM implementation, loss reduction, and corruption investigation with credible outcomes.

Consumer protection and utility sustainability require regulatory discipline. The Commission's approval should be withheld until evidence-based reform is credible.

REFERENCES

[1] TGSPDCL Revised ARR Petition for FY 2026-27, Forms 1-17 filed with TGERC, O.P. Nos. 70 & 72 of 2025; O.P. Nos. 21 & 22 of 2025

[2] MYT Regulation 2 of 2023 (TGERC); TGERC RST Order FY 2025-26, dated 29.04.2025

[3] Government of Telangana, Energy Department, G.O.Ms. No. 44, Dated 17.12.2025 (3rd DISCOM Formation Modalities)

[4] Electricity Act, 2003, Sections 61, 86; Conduct of Business Regulation, 2015