



The Federation of Telangana Chambers of Commerce and Industry

ISO 9001:2015

Empowering Industry, Commerce & Trade
Registered under the Companies Act, 1956

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CIN U91110TG1964NPL001030

R. Ravi Kumar
President

K K Maheshwari
Senior Vice President

Srinivas Garimella
Vice President

FTCCI/2025-26/Energy/259

Date: 20.01.2026

The Hon'ble Secretary,
TGERC
Vidyut Niyamtran Bhavan
Hyderabad

Dear Sir,

Sub: Comments / Objections of FTCCI on the petition filed by TGGENCO in the matter of True-Up for FY 2024-25 and ARR FY 2026-27

Please find the comments / objections of the Federation of Telangana Chambers of Commerce and Industry on the petition filed in the matter of True-Up for FY 2024-25 and ARR FY 2026-27 vide O.P.No.67 of 2025 by TGGENCO.

We request you to give the opportunity to present them in person at the Public Hearing scheduled to be held on 22/01/2026 and submit any additional comments.

Thanking you.

Yours Sincerely,

T. Sujatha
Sr. Director



ESTD:1917

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The Federation of Telangana Chambers of Commerce and Industry (FTCCI)

Statement of Objections

on

**True – up for FY 2024-25 and Proposal for Revised Tariff for FY
2026-27**

under

Section 62 of the Electricity Act, 2003

for the electricity supplied by

Telangana Power Generation Corporation Ltd. (TGGENCO)

to the Distribution Licensees in Telangana

January, 2026

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THE STATEMENT OF OBJECTIONS BY THE OBJECTOR

1 STATEMENT OF OBJECTIONS

The Generation company namely Telangana Power Generation Corporation Limited (hereinafter referred to as the 'TGGENCO' or 'Generating company' or 'Petitioner'), has filed the Petition for Truing – up of Generation Tariff for the FY 2024-25 and Revision of Tariff for the FY 2026-27 for existing stations in accordance with the Clause No. 6.2 of the Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023, being Regulation No. 2 of 2023 (hereinafter referred to as 'Tariff Regulations 2023') read with Section 62 of the Electricity Act, 2003 for the electricity supplied by TGGENCO to the Distribution Licensees in Telangana.

The Statement of Objections is herein being filed on behalf of 'The Federation of Telangana Chambers of Commerce and Industry (FTCCI)', formerly known as The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTAPCCI), (hereinafter also referred to as Objector), an Association which was started in 1917 as a Chamber of Commerce and currently having its office at the Federation House 11-6-841, Red Hills, FTAPCCI Marg, Hyderabad 500004, Telangana, India (hereinafter called the 'Objector'). The main function of the FTCCI is to promote and protect the interests of trade, commerce and industry.

The special characteristics of the Industrial consumers that benefit the Utilities are:

- They are still the subsidising category of consumers for the utilities. Hence they are the revenue earners ensuring better returns for the utilities.
- The Load curve and consumption pattern enable better capacity utilisation and low Cost of Service for the Utilities in comparison to LT consumer categories.

Despite being rich in minerals reserves, the consumers in state of Telangana have been made to bear increasingly high tariff rates in past few years. The historically low industrial tariffs were a result of low cost of production of power and an advantageous fuel mix of hydro, coal and gas power plants. However, the current levels of tariff design have made the industrial tariffs highly uncompetitive when compared to other states. Since the TG discoms procure energy from TGGenco, it is essential that the cost attributable to the generation is also contested as it forms an integral part of the input cost for Retail supply business.

FTCCI (Objector) strongly objects to the filing made by TGGENCO for the True up of Generation Tariff for the FY 2024-25 and Revision of Tariff for the FY 2026-27 (herein after referred to as the 'Tariff Petitions' or 'Petitions') and prays that the submissions and objections made herein may be accepted and approved by the Hon'ble Commission, in the interest of justice and equity.

It is submitted that the Objector has submitted the preliminary objections to the Tariff Petitions within the due date. The following submissions are in furtherance of the preliminary submissions made before this Hon'ble Commission.

Furthermore, the Objector also prays that it may be permitted to make additional submissions specific to these Petitions, in the Public Hearings as per the Public Hearing schedule announced by this Hon'ble Commission.

The brief facts, propositions, analysis, grounds and point wise objections to the Petitions are narrated herein below:

2 SUMMARY OF TGGENCO's TRUE UP FOR FY 2024-25 FOR APGENCO

Table 1: Summary of True up of Generation business for the FY 2024-25

(All figures in Rs. Crores)

SN	Particulars	Normative Availability	Actual Availability	Approved AFC (MYT Order dt. 28.10.2024)	Recovered AFC	AFC claimed	Allowable AFC as per Objector's assessment	AFC claimed considering the actual availability	Allowable AFC considering the actual availability
1	KTPS-V	85.00%	81.15%	331.98	316.73	484.30	334.65	462.36	319.49
2	KTPS-VI	85.00%	94.91%	390.67	390.67	489.86	337.35	489.86	337.35
3	KTPS-VII	85.00%	87.55%	1,205.80	1,205.80	1,299.50	1,061.93	1,299.50	1,061.93
4	RTS -B	85.00%	20.58%	19.63	4.79	27.92	20.50	6.76	4.96
5	KTPP-I	85.00%	82.94%	388.92	379.49	434.69	300.11	424.16	292.84
6	KTPP-II	85.00%	76.37%	611.68	549.58	776.64	561.82	697.79	504.78
7	BTPS	85.00%	62.86%	1,288.17	952.64	1,633.61	1,100.58	1,208.10	813.91
	Sub Total Thermal			4,236.85	3,799.70	5,146.52	3,716.93	4,588.53	3,335.25
8	Nagarjuna Complex			284.05	284.05	386.81	259.51	386.81	259.51
9	Srisailem LB			344.46	344.47	518.04	321.71	518.04	321.71
10	Small Hydel			51.68	51.68	66.74	48.90	66.74	48.90
11	Mini Hydel			9.87	9.87	11.47	8.93	11.47	8.93
12	Pochampad- II			9.66	9.66	12.42	9.66	12.42	9.66
13	Priyadarshini Jurala			90.41	90.41	125.86	86.06	125.86	86.06
14	Lower Jurala			198.10	198.10	240.00	172.70	240.00	172.70
15	Pulichintala			86.32	86.32	106.89	84.80	106.89	84.80
16	Sub Total Hydel			1,074.55	1,074.56	1,468.23	992.27	1,468.23	992.27
17	Total (Thermal + Hydel)			5,311.40	4,874.26	6,614.75	4,709.21	6,056.76	4,327.53
18	Additional Pension liability				1,669.60	1,669.60	-	1,669.60	-
19	Water Charges					35.38	-	35.38	-

SN	Particulars	Normative Availability	Actual Availability	Approved AFC (MYT Order dt. 28.10.2024)	Recovered AFC	AFC claimed	Allowable AFC as per Objector's assessment	AFC claimed considering the actual availability	Allowable AFC considering the actual availability
20	Total Fixed Charges					8,319.73	4,709.21	7,761.74	4,327.53
21	Energy Charges				8,225.97	8,144.44	7,794.53	8,144.44	7,794.53
22	Total (Fixed + Energy) Charges				14,769.83	16,464.17	12,503.74	15,906.18	12,122.06
23	Revenue Gap/ Surplus							1,136.35	-2,647.77

- As per the Objector's assessment of the True up of Generation business for the FY 2024-25, the allowable Revenue Surplus is Rs. 2647.77 Crore against the petitioner claim of Revenue Gap of Rs. 1136.35 Crore.

3 SUMMARY OF TGGENCO's ARR FOR THE FY 2026-27

Table 2: Summary of the AFC of TGGENCO's Generation business for the FY 2026-27

(All figures in Rs. Crores)

Particulars	As claimed by the Petitioner	As per Objector's assessment
	FY 2026-27	FY 2026-27
KTPS V	514.94	380.63
KTPS VI	518.43	391.95
KTPS VII	1,318.17	1155.98
RTS B	0	0
KTPP - I	453.20	354.80
KTPP - II	782.20	615.58
BTPS	1,718.71	1,233.30
Sub-total	5,305.65	4,132.25
Nagarjuna Sagar HES Complex	401.23	291.23
SLBHES	528.22	365.36
Small Hydel	74.34	55.06
Mini Hydel	12.12	10.06
Pochampad-II	13.02	10.67
Priyadarshini Jurala HES	134.76	95.05
Lower Jurala HEP	249.59	193.00
Pulichinthala HES	109.42	93.14
Sub-total	1,522.70	1,113.57
Total	6,828.35	5,245.82

2. As per the Objector's assessment, the allowable AFC is Rs. 5245.82 Crore against the petitioner claim of Rs. 6828.35 Crore for the FY 2026-27.

4 Pending True up for FY 2023-24

3. The Hon'ble Commission vide Order dated 28.10.2024 (in OP No. 19 of 2025 and IA of 2024) (hereinafter referred to as "MYT Order") has determined the True up of FY 2022-23 and MYT for the Control period FY 2024-29.
4. Further, vide Order dated 29.04.2025 (O.P.No.25 of 2025 & I.A. No 09 of 2025) (hereinafter referred to as "Tariff Order"), the Hon'ble Commission extended the applicability of MYT Order and approved the Tariff for FY 2025-26 based on the ARR approved in the MYT Order.
5. From the discussions in the Tariff order, it appears that the True up for FY 2023-24 is yet to be filed by the Petitioner. Relevant extracts of the Tariff order are reproduced as under:

"2.5.1 The Petitioner has not filed input price for coal from integrated mine for FY 2025-26 stating the following:

i. Ministry of Coal vide letter dated 24.03.2015 has allocated Tadicherla-I coal Block to TGGENCO to meet the coal requirement of Kakatiya Thermal Power Project Stage-II (1x600 MW) and that production of coal Tadicherla-I coal block has commenced w.e.f. 28.04.2018 (COD).

ii. The Commission at para No. 6.1.5 of MYT Order dated 28.10.2024 directed TGGENCO to approach the Commission afresh with appropriate petition along with all other relevant documents for determination of input price of coal from COD of the mine. As per the directions of Commission separate petition will be filed for determination of Input price of coal from Tadicherla-I coal block.

iii. In view of the above, petitioner submitted that, the petition for True-up for FY 2023-24 (End of 4th control period review) and determination of input price of coal will be filed separately."

6. Based on publicly available records, it appears that the True up petition for the FY 2023-24 is not filed by the Petitioner despite lapse of more than 8 months of the issue of Tariff order. Moreover, the Petitioner in the instant petition has not submitted any rationale for not filing the True up for the FY 2023-24, instead, it preferred to file the True up for FY 2024-25 altogether skipping the True up for intervening year.
7. The Objector humbly submits that the approach adopted by the petitioner is inappropriate and fall short of the requirements stipulated under the Tariff Regulations 2023. Regulation 6.2 of the Tariff Regulations 2023 requires the Generating company to make the filings during the control period as under:

"6.2 The petitions to be filed for each Control Period under this Regulation are as under:

a) Multi Year Tariff petition shall be filed by 30th November of the year preceding the first year of the Control Period by generating entity, comprising:

i. True-up of preceding year for generation business;

ii. True-up of preceding year for integrated mine;

iii. Proposal of Tariff for each year of the Control Period for generation business;

iv. Proposal of Input Price of coal supplied from integrated mine for each year of the Control Period.

.....

.....

d) After first year of the Control Period and onwards, the annual petitions by generating entity shall comprise of:

i. True-up of preceding year for generation business;

ii. True-up of preceding year for integrated mine;

iii. Proposal of Revised Tariff for ensuing year of the Control Period for generation business;

iv. Proposal of Revised Input Price of coal supplied from integrated mine for the ensuing year of the Control Period."

8. It is humbly submitted that True up exercises are extremely important towards definite closure of the tariff determination exercise and therefore must be completed on time. It is humbly requested before the Hon'ble Commission that the Annual True-up is of paramount interest to the stakeholders as the impact of the same forms the part of retail tariff and the same need to be complied in a timely manner.
9. In view of the above submissions, the Objector submits that the instant petition is incomplete as the True up for FY 2024-25 would require the definite closure of True up of FY 2023-24 more so since a number of balances (Asset base, Loan, Equity) are intricately linked to the previous year numbers. Accordingly, the Hon'ble Commission is humbly requested to dismiss the petition at the very juncture and direct the petitioner to submit the True up for FY 2023-24 before proceeding for the True up for FY 2024-25.
10. Notwithstanding to the above, the item-wise Objections on various items of the Tariff Petition filed by the Petitioner is listed in the following sections.

5 O&M Expenses

True up FY 2024-25

11. The Petitioner has claimed O&M Expenses to the tune of Rs. 2,701 Crore (Rs. 2099 for Thermal and Rs. 602 Crore for Hydel) for the True up of FY 2024-25 based on the actual O&M Expenses incurred during the year.
12. It has further submitted that a substantial part of Employee Expenses has increased on account of Impact of Pay revision (PRC) the impact of which was not accommodated in the normative O&M approved in the MYT Order. Furthermore, the A&G Expenses is also argued to have been increased due to Security guard charges (Pay revision impact) and increase in colony consumption.
13. While the O&M Expenses are being allowed on a normative basis which were itself determined based on historical expenses, the Objector submits that the normative O&M Expenses being presently allowed are far in excess of what should have been allowed.

O&M claims vis-à-vis CERC/ SERCs

14. At the very outset, the Objector argues that the O&M Expenses incurred/ claimed by the Petitioner's Genco are very high. To depict the same, a comparison of O&M Expenses claimed herewith is made viz-a-viz the normative O&M allowed under CERC Regulations 2024 (FY 2024-25) as shown under:

Table 3: O&M Expenses claimed vs O&M as per CERC Regulations for the FY 2024-25

(All figures in Rs. Crores)

Genco	Capacity	Claimed		As per CERC Regulations	
		Rs. Crore	Rs. Lacs/ MW	Rs. Crore	Rs. Lacs/ MW
KTPS-V	2x250	285.65	57.13	204.60	40.92
KTPS-VI	500	285.65	57.13	135.85	27.17
KTPS-VII	800	536.74	67.09	185.60	23.20
RTS-B	62.5	23.78	38.05	25.58	40.92
KTPP-I	500	234.28	46.86	135.85	27.17
KTPP-II	600	281.14	46.86	154.68	25.78
BTPS	4x270	451.38	41.79	441.94	40.92
Total		2,098.62		1,284.09	

15. As observed from the above, the claim of the Petitioner is ~63% higher than the contemporary stations governed under Central Regulations.

It is respectfully submitted that the norms determined by the Ld. CERC are framed after considering performance and cost data from a wide pool of generating stations operating across diverse geographies and technical conditions, including variations in

fuel quality, vintage, and operating parameters. Accordingly, these norms are representative of the typical O&M expenses prudently incurred and serve as a reliable benchmark for regulatory purposes.

16. The Objector further argues that SERCs across the states have also been vigilant in respect of the O&M Expenses being admitted. A comparison with the norms approved by the Ld. MERC (owing to large pool) are also worth consideration as shown under:

Table 4: O&M Expenses claimed vs O&M as per MERC Regulations for the FY 2024-25

(All figures in Rs. Crores)

Genco	Capacity	Claimed		As per MERC Regulations	
		Rs. Crore	Rs. Lacs/ MW	Rs. Crore	Rs. Lacs/ MW
KTPS-V	2x250	285.65	57.13	160.65	32.13
KTPS-VI	500	285.65	57.13	106.80	21.36
KTPS-VII	800	536.74	67.09	124.32	15.54
RTS-B	62.5	23.78	38.05	20.08	32.13
KTPP-I	500	234.28	46.86	106.80	21.36
KTPP-II	600	281.14	46.86	103.62	17.27
BTPS	4x270	451.38	41.79	347.00	32.13
Total		2,098.62		969.28	

17. The foregoing analysis clearly demonstrates that the Petitioner's claims are substantially inflated and therefore do not warrant acceptance at this stage. It is respectfully submitted that the Hon'ble Commission may direct the Petitioner to furnish station-wise details of employee strength and undertake a benchmarking exercise with comparable generating companies, duly considering normative manpower requirements, existing deployment, and the ageing profile of employees. Based on such benchmarking, the Hon'ble Commission may thereafter rationalise the norms and approve the revised plan accordingly.

Pay revision impact not accounted separately

18. Notwithstanding to the submissions in the aforesaid paras, it is humbly submitted that the Petitioner claim of Pay Revision is not substantiated by any documentary evidence quantifying and substantiating the impact of pay revision.

With regard to O&M Expenses, the provisions of the Tariff Regulations provide as under:

"45 Operation and Maintenance (O&M) expenses

45.3 The above components shall be computed in the manner specified below:

$$EMP_n = (EMP_{n-1}) \times (CPI \text{ Inflation});$$

$R\&M_n = K \times (GFA_n) \times (WPI \text{ Inflation})$ and

$A\&G_n = (A\&G_{n-1}) \times (WPI \text{ Inflation})$

Where,

- EMP_{n-1} – Employee Costs for the (n-1)th year;
- "K" is a constant specified by the Commission in %. Value of K for each year of the control period shall be determined by the Commission in the MYT order based on generating entity's filing, benchmarking of repair and maintenance expenses, approved repair and maintenance expenses vis-à-vis GFA approved by the Commission in past and any other factor considered appropriate by the Commission;
- GFA_n - Opening Gross Fixed Asset of the generating station for the nth year;
- $A\&G_{n-1}$ – Administrative and General Costs for the (n-1)th year;
- CPI Inflation – is the point to point change in the Consumer Price Index (CPI) for Industrial Workers (all India) as per Labour Bureau, Government of India; in case CPI Inflation is negative, the escalation/change shall be 0%;
- WPI Inflation – is the point to point change in the Wholesale Price Index (WPI) as per the Office of Economic Advisor of Government of India:

Provided that the **employee cost and A&G expenses for the first year of the Control Period** shall be worked out considering the **average of the trued-up expenses** after adding/deducting the share of efficiency gains/losses, **for the immediately preceding Control Period, excluding abnormal expenses**, if any, subject to prudence check by the Commission and duly escalating the same for 3 years with CPI Inflation for employee costs and WPI Inflation for A&G expenses.

45.4 Provisioning of expenses shall not be considered as actual expenses at the time of true-up, and only expenses as actually incurred shall be considered."

19. Since the True-up for FY 2023-24 has not yet attained finality, it is respectfully submitted that the determination of O&M expense norms (Employee, R&M, and A&G) requires reconsideration after completion of the said True-up. Further, the Tariff Regulations do not explicitly provide for separate admission of pay revision expenses; therefore, any impact of pay revision ought to be subsumed within the normative framework to be finalised based on the FY 2023-24 True-up. Notably, the Hon'ble Commission, while approving the True-up for FY 2022-23, had observed that the

impact of pay revision would be examined at the end of the control period. The relevant extracts from the MYT Order (True-up of FY 2022-23) are reproduced below:

"4.1.39 The recomputed normative O&M expenses were compared with the actual expenses as claimed by petitioner and the Commission has approved the least of computed normative expenses and actual expenses claimed in accordance with the methodology adopted by the Commission while carrying out the Trueup for the FY 2019-20 to FY 2021-22 in MTR Order dated 23.03.2023.

*4.1.40 The Commission in MYT Order dated 22.03.2022 has not approved any effect due to PRC for 4th control period from the FY 2019-20 to FY 2023-24 and ruled that the same shall be claimed based on the actuals either during the Mid Term Review or during Truing up at the end of 4th control period. **TGGENCO has claimed additional O&M expenses for the FY 2022-23 on account of PRC, however complete details of station wise PRC has not been submitted in the filings. Accordingly, as ruled in the MYT Order, the Commission will consider the impact of PRC during the Control Period the FY 2019-20 to FY 2023-24 while carrying out the truing up at the end of 4th Control Period.** Therefore, the Commission has not considered the impact of PRC for the FY 2022-23 at this stage and will consider the same as part of truing up at the end of 4th Control Period subject to prudence check of the station wise actual PRC effect in employee cost for the FY2022-23."*

Accordingly, pending the True-up for FY 2023-24, i.e., the end-of-control-period review, the Petitioner's claim ought to be strictly confined to the normative O&M expenses as approved in the MYT Order. Further, it is pertinent to note that the Petitioner has not distinctly segregated the impact of pay revision in its submissions, which is essential for any regulatory consideration and, in any case, remains subject to the pending True-up. In the absence of such clarity, the Petitioner's projection of actual O&M expenses, purportedly on account of pay revision, cannot be considered justified.

20. It is worth noting that the Hon'ble Commission in the past orders has approved the O&M Expenses on normative basis at the time of True up. In view of the set precedence for O&M Expenses admission, the Hon'ble Commission is sincerely submitted to approve the O&M Expenses for the True up of FY 2024-25 on normative basis.

21. Since the True-up expenses are available only up to FY 2022-23, the Objector submits that the normative expenses for the first year cannot be determined strictly in accordance with the Tariff Regulations. Accordingly, at this stage, the normative O&M

expenses ought to be restricted to the levels already approved in the MYT Order for the relevant year (FY 2024-25), as detailed below:

Table 5: Summary of the allowable O&M Expenses for the True up of FY2024-25
(all figures in Rs. Crores)

Genco	Approved in MYT order	Claimed	Allowable as per Objector's assessment
KTPS-V	206.99	285.65	206.99
KTPS-VI	206.97	285.65	206.97
KTPS-VII	483.04	536.74	483.04
RTS-B	17.48	23.78	17.48
KTPP-I	180.28	234.28	180.28
KTPP-II	204.77	281.14	204.77
BTPS	189.59	451.38	189.59
Sub-total (Thermal)	1,489.12	2,098.62	1,489.12
Nagarjuna Complex	117.51	187.91	117.51
Srisaillam LB	100.18	189.13	100.18
Small Hydel	42.19	56.30	42.19
Mini Hydel	7.27	8.89	7.27
Pochampad- II	6.99	8.73	6.99
Priyadarshini Jurala	33.54	53.61	33.54
Lower Jurala	33.68	54.10	33.68
Pulichintala	38.55	43.58	38.55
Sub-total (Hydel)	379.91	602.25	379.91
Total	1,869.03	2,700.87	1,869.03

It is worth mentioning that the normative O&M Expenses (Thermal) for FY 2024-25 approved in the MYT Order (Rs. 1489 Crore) for FY 2024-25 is still 16% higher than the normative O&M as per CERC Regulations and 54% higher than the normative O&M expenses as per MERC Regulations.

FY 2026-27

22. For FY 2026-27, the Petitioner has attributed the increase in projected O&M expenses to the non-consideration of pay revision in the existing norms, resulting in a significant deviation from the normative O&M expenses approved by the Hon'ble Commission. However, the Petitioner has not demonstrated the basis or methodology adopted for projecting expenses for FY 2026-27. A review of the station-wise formats indicates that the O&M expenses for FY 2025-26 have merely been derived by applying an escalation factor over the FY 2024-25 claims and, similarly, the FY 2026-27 projections appear to be a further escalation of FY 2025-26 expenses, without any substantiated justification.

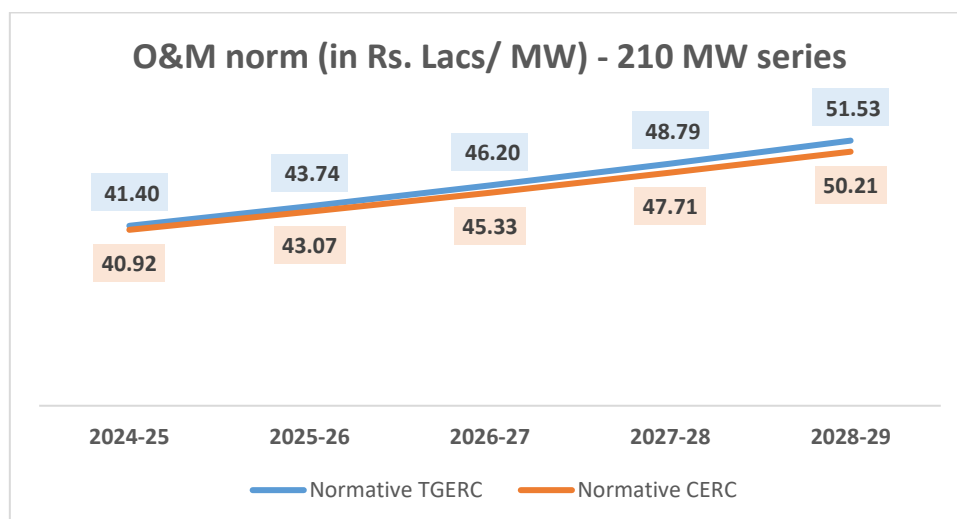
23. At the outset, the Objector reiterates that the O&M expenses approved for the Petitioner for FY 2024-25 require careful prudence check, as they are in significant departure from those of comparable generating companies governed under the CERC Tariff Regulations, 2024. In the same vein, the Objector has examined the variation between the O&M expenses claimed for FY 2026-27 vis-à-vis the normative O&M expenses (FY 2026-27) under the CERC Tariff Regulations, 2024, as detailed below:

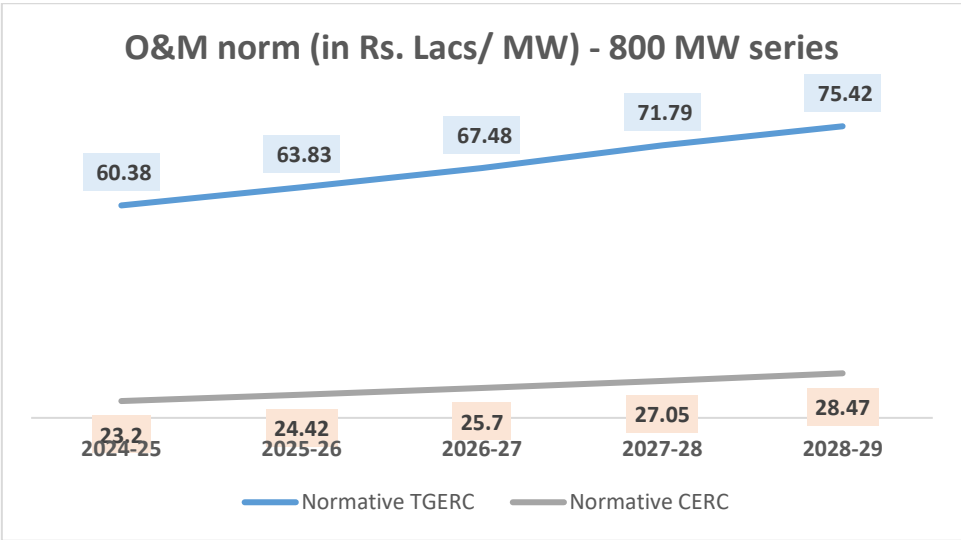
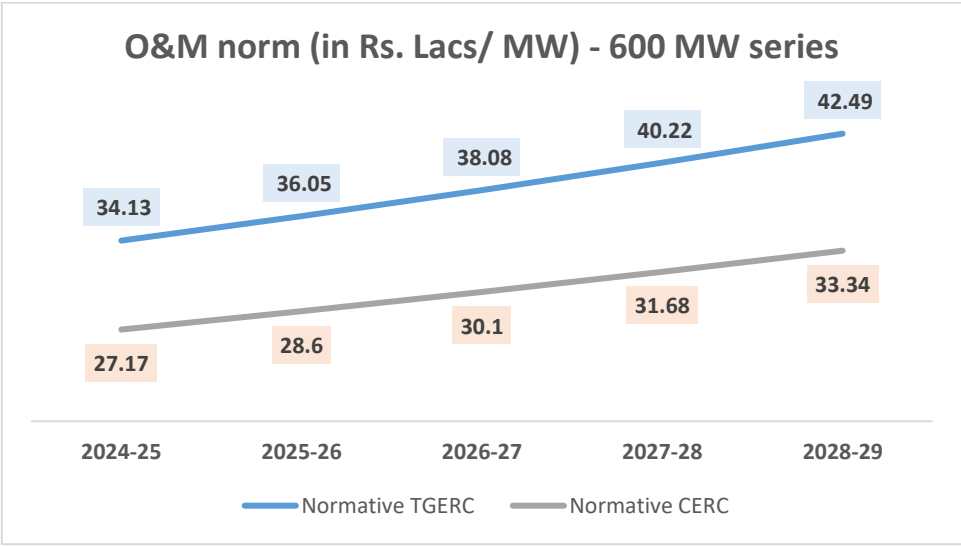
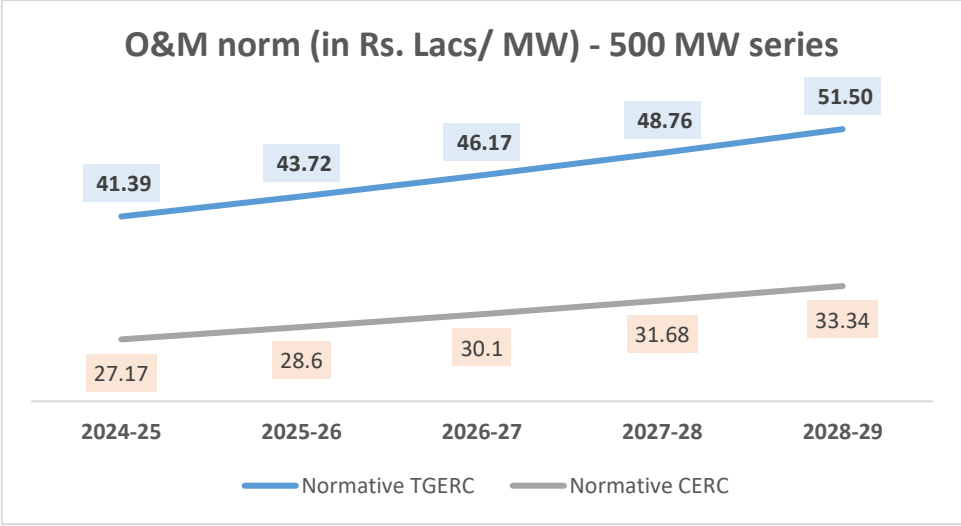
Table 6: O&M Expenses claimed vs O&M as per CERC Regulations for the FY 2026-27

(All figures in Rs. Crores)

Genco	Capacity	Claimed		As per CERC Regulations	
		Rs. Crore	Rs. Lacs/ MW	Rs. Crore	Rs. Lacs/ MW
KTPS-V	2x250	312.97	62.59	226.65	45.33
KTPS-VI	500	312.97	62.59	150.50	30.10
KTPS-VII	800	588.67	73.58	205.60	25.70
KTPP-I	500	257.50	51.50	150.50	30.10
KTPP-II	600	308.99	51.50	171.36	28.56
BTPS	4x270	496.80	46.00	489.56	45.33
Total		2,277.90		1,394.17	

24. Notably, the O&M Expenses approved by the Hon'ble Commission in the MYT Order are significantly higher for all class of Generating units. For the sake of comparison, the O&M norm for 210 MW series, 500 MW Series, 600 MW series and 800 MW series as per MYT Order and as per CERC Regulations are as under:





25. Notwithstanding the above comparison, and as consistently submitted in the preceding sections, pending the True-up for FY 2023-24, the normative O&M expenses approved in the MYT Order ought not to be revisited, since the first-year O&M expenses cannot be revised at this stage. It is further submitted that any purported impact of pay revision cannot be admitted in the absence of a completed True-up filing and adequate disclosures, which prevents the Hon'ble Commission from undertaking a proper prudence check. Accordingly, the methodology adopted by the Petitioner for claiming O&M expenses is in material deviation from the Tariff Regulations, 2023.

26. In view of the aforesaid, the O&M Expenses must be admitted in accordance with the O&M Expenses as approved in the MYT Order for FY 2026-27 as shown under:

Table 7: Summary of the allowable O&M Expenses for the period FY 2026-27

(all figures in Rs. Crores)

Genco	Approved in MYT order dt. 28.10.25	Claimed	Allowable as per Objector's assessment
KTPS-V	230.98	312.97	230.98
KTPS-VI	230.86	312.97	230.86
KTPS-VII	539.87	588.67	539.87
RTS-B	-	-	-
KTPP-I	201.15	257.50	201.15
KTPP-II	228.47	308.99	228.47
BTPS	212.30	496.80	212.30
Sub-total (Thermal)	1,643.63	2,277.90	1,643.63
Nagarjuna Complex	131.58	207.74	131.58
Srisaillam LB	112.12	210.31	112.12
Small Hydel	47.18	64.18	47.18
Mini Hydel	8.13	9.67	8.13
Pochampad- II	7.81	9.51	7.81
Priyadarshini Jurala	37.48	65.63	37.48
Lower Jurala	37.63	66.16	37.63
Pulichintala	43.14	48.04	43.14
Sub-total (Hydel)	425.07	681.24	425.07
Total	2,068.70	2,959.14	2,068.70

6 Additional Pension liabilities

FY 2024-25 and FY 2026-27

27. The Petitioner has claimed Rs. 1,669 Crore towards Additional Pension liability for the True up of FY 2024-25. Likewise, the Petitioner has claimed and Rs. 1902 Crore for the FY 2026-27 as well. Notably, as per the Petitioner's submission, the actual additional

pension liability does not pertain to TGGENCO but is a liability transferred to TGGENCO (post unbundling of erstwhile Andhra Pradesh) and also the ruling of the erstwhile APERC in order dated 24.03.2003 in O.P.No.402 of 2002.

28. This issue is a legacy of the unbundling of the erstwhile APSEB in undivided Andhra Pradesh pursuant to power sector reforms, followed by the tripartite agreements for allocation of assets, liabilities, and personnel among generation, transmission, and distribution entities, and the consistent regulatory practice of allowing interest on pension bonds as a pass-through. Post-bifurcation of erstwhile A.P., the pension-related liabilities of erstwhile APGENCO were transferred to newly formed APGENCO and TGGENCO, and the same approach has continued in both the States.
29. Conventionally, the contribution to the pension funds of erstwhile APSEB pensioners was to be taken over by State Govt. however, as an interim arrangement, the responsibility was to be handled by the successor Utility of APSEB. Consequently, under the first transfer scheme and post asset revaluation, the then APERC permitted recovery of interest on pension bonds from consumers, a practice followed by subsequent Commissions. Although APERC had earlier requested the Government to take over pension liabilities, no action ensued. Following bifurcation, Telangana utilities inherited these arrangements and TGERC has continued the same approach.
30. Allowing recovery of interest on pension bonds from consumers effectively penalises them for historical failures of the erstwhile APSEB and the Government. Even otherwise, the tripartite agreement envisages that the Government should assume such pension liabilities. Accordingly, it is submitted that imposing the burden of pension bond interest on consumers is irrational and inequitable. The Hon'ble Commission is therefore prayed not to allow the claimed interest on pension bonds as a pass-through, and instead direct the DISCOMs, TGGENCO, and TGTRANSCO to seek reimbursement of the same from the Government.
31. Notably, the Hon'ble Commission in its TSGENCO MYT Order dt. 22.03.2022 has also acknowledged the same i.e. additional burden of pension bonds should be funded by the Government of Telangana. The Hon'ble Commission Directive as per order dt. 22.03.2022 in this regard is reproduced below:

"New Directives

10. Liabilities on pension bonds

The Commission directs TS Genco to extract the request of the stakeholder that the Government of Telangana shall bear the additional burden of pension bonds and communicate to the Principal Secretary, Energy, GoTS for favourable consideration."

(Emphasis supplied)

32. Further, the Hon'ble Commission issued similar directive in the MTR Order as well, the same is reproduced hereunder for ready reference:

"The Commission directs TSGENCO to pursue with the Government of Telangana for favourable consideration for bearing the burden of additional interest on pension bonds."

33. Despite explicit directions issued by the Hon'ble Commission in its latest Order, the Petitioner has failed to furnish any information regarding the progress made with the Government of Telangana on this issue. Further, notwithstanding such directions, the Hon'ble Commission admitted the additional pension liabilities while determining the True-up for FY 2022-23 (MYT Order dt. 28.10.24) and observed as under:

"Commission's View

3.1.58 The Commission has considered the Additional pension liabilities as claimed by the petitioner for the FY 2022-23."

34. In the subsequent orders that followed, notably Retail Supply Tariff Order for FY 2025-26 (ref. Order dated 29.04.2025), the Hon'ble Commission on the similar subject held as under:

"Commission's analysis & findings

Interest on Pension Bonds

3.8.65 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.

*3.8.66 After enactment of Andhra Pradesh Electricity Reform Act, 1998 subsequent to unbundling of APSEB into various companies the liability of the 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 employees shall be allowed to be continued as approved in MYT order.

.....”

35. As noted above, the Hon'ble Commission itself has observed that the State Government's reluctance to assume the liabilities does not absolve them of its statutory obligations. However, permitting recovery of such liabilities through tariff, in disregard of the statutory framework and solely to protect the financial interests of the utilities, places an undue burden on consumers, who are made to absorb avoidable costs for no fault of their own. In this context, the already elevated O&M expenses allowed to the Petitioner, coupled with the pass-through of pension liabilities not directly attributable to the Petitioner's operations, results in an inequitable outcome and is unjust to consumers.

Precedence on similar cases (Karnataka)

36. Similar to Andhra Pradesh and Telangana, Karnataka also had a transfer scheme with comparable wording. Under this scheme, the Government of Karnataka was responsible for funding the terminal liabilities of the pensioners/employees of the erstwhile Karnataka Electricity Board.

37. It is pertinent to highlight that the Government of Karnataka amended the Karnataka Electricity Reform (Transfer of Undertaking of KPTCL and its personnel to Electricity Distribution and Retail Supply Companies) Rules, 2002, through a G.O. dated 15.11.2022 and a Corrigendum dated 24.11.2022. This amendment sought to shift the liability for pension contributions from the government to the ARR. The relevant excerpt from the Karnataka Electricity Reform (Transfer of Undertaking of KPTCL and its personnel to Electricity Distribution and Retail Supply Companies) Rules, 2002, is as follows:

"Rule 4 (13) (1)

Provided that the Government whenever deems it fit, may by an order direct KPTCL to claim the Government portion of Pension Contribution through tariff by filing an application before the State Regulatory Commission"

38. Following the above amendment to the Rules, KPTCL included pension and gratuity amounts in its ARR, a move that was challenged by stakeholders. In response, the Ld.

KSERC, through its order dated 12.05.2023 (Tariff Order for FY 2023-24), rejected KPTCL's attempt to recover the Pension Contribution as part of the ARR and made the following observation:

"Commission's Analysis and Decision:

P & G Contributions payable by Government: The Commission notes that at the time of filing the APR application by KPTCL dated 30.11.2022, for revision of transmission tariff for FY24, the Government was expected to pay the P & G contribution as per the existing Rules. **The decision to claim the same in retail supply tariff was based on the Government Order dated 15.11.2022, which was not supported by any Rules.**

Rule 4 (13) (1) of the "Karnataka Electricity Reforms (Transfer of Undertakings of KPTCL and its personnel to Electricity Distribution and Retail Supply Companies) Rules, 2002" stipulates as under:

"(13)(1) The State Government, and not the Escoms, shall be liable for and shall make appropriate arrangements in regard to, the funding of the pension funds and all the statutory and other personnel related funds for the services rendered by the Specified Personnel to Karnataka Electricity Board and KPTCL prior to the Effective Date of Second Transfer of the Specified Personnel and to the extent they are unfunded as at the respective Effective Date of the Specified Personnel. Until such arrangements are made by the State Government, the discharge of all such unfunded liabilities for Specified Personnel who retire after the Effective Date of Second Transfer of such Specified personnel shall be arranged by KPTCL".

The Commission also notes that, the GoK has added a proviso to the above Rule, vide Notification dated 31.12.2022, which was published in the official Gazette on 6th January, 2023, which reads as follows:

"Provided that the Government whenever deems it fit, may by an order direct KPTCL to claim the Government portion of Pension Contribution through tariff by filing an application before the State Regulatory Commission".

As per the clause-1 sub-rule 2) of the Notification dated 31.12.2022, the amended Rules shall come into force from the date of its publication in the Official Gazette of Karnataka. The amended rules were published in the Official Gazette on 06.01.2023.

Further, as per Rule 4(13(1)), which is an absolute Rule, it is the State Government, and not the Escoms which is responsible for funding the Pension and Gratuity payment of the Specified Personnel. The Government's responsibility cannot be shifted to the KPTCL by issue of a Proviso to the 'Absolute Rule'.

Hence, the Commission is unable to accept the claim of KPTCL to pass on a sum of Rs. 2,734.10 Crores in the tariff. The Commission reiterates that the said amount shall be provided by the Government."

39. According to publicly available information, the above finding of the Hon'ble KERC has not been stayed by any court of law.

40. Therefore, it is recommended that the Government of Telangana assume responsibility for funding pension liabilities, as specified in the Andhra Pradesh Electricity Reform (Transfer Scheme) Rules, 1999. These rules allocate the liability for pensions and terminal benefits to the State Government, ensuring the financial stability of electricity entities. Similar provisions have been successfully implemented in Karnataka, where the government took on pension liabilities, alleviating additional financial burdens on the electricity sector and its consumers. Adopting such an approach in Telangana would foster investment and long-term stability in the power sector.

41. With analogous provisions already implemented in Karnataka, wherein the State Government has assumed pension liabilities and thereby insulated the electricity sector and consumers from additional financial burdens, the Objector respectfully urges this Hon'ble Commission not to admit the additional pension liabilities. Instead, the Commission may direct the Licensees to manage their affairs in accordance with the statute, so as to safeguard consumers from the imposition of unwarranted costs.

42. Therefore, the claim of the Petitioner towards Additional Pension liabilities should not be admitted for the FY 2024-25 and FY 2026-27.

7 Additional Capitalization

43. The Petitioner has claimed Additional Capitalization to the tune of Rs. 144 Crore for the True up of FY 2024-25 and Rs. 1054 Crore for the FY 2026-27. The plant wise breakup of claimed Additional Capitalization is as under:

Table 8: Summary of the Capital cost and Additional Capitalization claimed by the Petitioner

(all figures in Rs. Crores)

Genco	GFA as on 01.04.2023	Additions claimed by the Petitioner		
		FY 2023-24	FY 2024-25	FY 2026-27
KTPS-V	2,269.87	0.17	11.55	27.08
KTPS-VI	2,473.23	-	2.80	27.08
KTPS-VII	5,094.40	14.73	3.44	4.97
RTS-B	127.04	0.04	-	-
KTPP-I	2,548.83	0.14	0.26	-
KTPP-II	3,761.27	8.19	3.61	93.00
BTPS	7,259.12	186.16	95.06	889.13
Sub-total (Thermal)	23,533.76	209.43	116.72	1,041.26
Nagarjuna Complex	1,920.80	2.66	2.37	-
Srisaillam LB	3,375.71	8.50	16.22	-
Small Hydel	121.89	0.05	0.04	-
Mini Hydel	31.23	0.04	-	-
Pochampad- II	29.74	-	-	-
Priyadarshini Jurala	690.68	1.82	0.03	-
Lower Jurala	1,631.58	4.23	8.43	12.60
Pulichintala	440.72	0.04	-	-
Sub-total (Hydel)	8,242.35	17.34	27.09	12.60
Total	31,776.11	226.77	143.81	1,053.86

44. At the outset, it is iterated that the Petitioner's claim of Additional Capitalization for the FY 2023-24 based on its Audited Accounts is not maintainable. Such claim made by the Petitioner is subject to the MYT Regulations 2019 and not MYT Regulations 2023. The Petitioner is required to file for the True up of FY 2023-24 i.e. End of control period review and thereafter the Petitioner shall be entitled to Additional Capitalization for the FY 2023-24. The petitioner seemingly had made an attempt to bypass the Regulatory provisions as per its convenience to avoid the burden of conducting True up for the FY 2023-24 prior to FY 2024-25.

45. Having kept its GFA balances subject to approval of the Additional Capitalization for the FY 2023-24, the Petitioner has kept itself deprived of legitimate claims as per the Tariff Regulations.

46. Clause 22 of the Tariff Regulations provides for the necessary conditions for admission of Additional Capitalization, relevant extracts of which are reproduced hereunder:

"22 Additional Capitalisation

*22.1 The capital expenditure, actually incurred or projected to be incurred, on the following counts **within the original scope of work, after the date of commercial operation and up to the cut-off date**, may be admitted by the Commission subject to prudence check:*

(i) Undischarged liabilities recognized to be payable at a future date;

- (ii) Works deferred for execution;
- (iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of clause 21.8;
- (iv) Liabilities to meet award of arbitration or for compliance of directions or order of any statutory authority or order or decree of any court of law; and
- (v) Change in law or compliance of any existing law; and
- (vi) Force majeure events:

Provided that the details of works included in the original scope of work along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution shall be submitted along with the Petition for determination of final Tariff after the date of commercial operation of the generating Unit/Station or transmission system:

Provided further that in case of replacement of assets, the additional capitalisation shall be worked out after adjusting the gross fixed assets and cumulative depreciation of the assets replaced on account of decapitalisation.

*22.2 The capital expenditure incurred or projected to be incurred in respect of a new Project on the following counts **within the original scope of work after the cut-off date** may be admitted by the Commission, subject to prudence check:*

- (i) Liabilities to meet award of arbitration or for compliance of directions or order of any statutory authority or order or decree of any court of law;
- (ii) Change in law or compliance of any existing law;
- (iii) Deferred works in the original scope of work, up to to a maximum period of 2 years after cut-off date, on case-to-case basis;
- (iv) Deferred works relating to ash pond or ash handling system in the original scope of work;
- (v) Any liability for works executed prior to the cut-off date, after prudence check of the details of such undischarged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments, etc.;
- (vi) Force majeure events;
- (vii) Liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments; and
- (viii) Raising of ash dyke as a part of ash disposal system:

Provided that in case of replacement of assets deployed under the original scope of the existing project after cut-off date, the additional capitalization may be admitted by the Commission, subject to prudence check on the following grounds:

- a) The useful life of the assets is not commensurate with the useful life of the project and such assets have been fully depreciated in accordance with the provisions of this Regulation;

- b) The replacement of the asset or equipment is necessary on account of change in law or Force Majeure conditions;
- c) The replacement of such asset or equipment is necessary on account of obsolescence of technology; and
- d) The replacement of such asset or equipment has otherwise been allowed by the Commission.

22.3 The capital expenditure, in respect of existing generating Station or the transmission system, incurred or projected to be incurred on the following counts **beyond the original scope**, may be admitted by the Commission, subject to prudence check:

- (i) Liabilities to meet award of arbitration or for compliance of the order or directions of any statutory authority or order or decree of any court of law;
- (ii) Change in law or compliance of any existing law;
- (iii) Force majeure events;
- (iv) Need for higher security and safety of the plant as advised or directed by appropriate Indian Government Instrumentality or statutory authorities responsible for national or internal security;
- (v) Deferred works relating to ash pond or ash handling system in addition to the original scope of work, on case-to-case basis;
- (vi) Usage of water from sewage treatment plant in thermal generating station: Provided that any expenditure, which has been claimed under Renovation and Modernisation or repairs and maintenance under O&M expenses, shall not be claimed under this Regulation."

47. Based on the above, the works within the original scope are admissible upto the Cut-off date only. Any Additional Capitalisation post cut-off date requires prior approval of the Hon'ble Commission.

For the Control period FY 2024-29, the Hon'ble Commission vide MYT Order dated 28.10.2024 has approved plant wise Additional Capitalization to the tune of Rs. 541 Crore the breakup of which is as under:

Table 9: Summary of the Additional Capitalization approved in the MYT Order for the period FY 2024-29

(all figures in Rs. Crores)

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
KTPS V	8.00	-	-	-	-
KTPS VI	-	-	-	-	-
KTPS VII	-	-	-	-	-
RTS B	-	-	-	-	-
KTPP I	-	-	-	-	-

Particulars	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
KTPP II	-	-	-	-	-
BTPS	346.66	-	-	-	-
Thermal	354.66	-	-	-	-
Nagarjuna	66.50	-	-	-	-
SLBHEP	95.00	-	-	-	-
Small Hydel	-	-	-	-	-
Mini Hydel	-	-	-	-	-
Pochampad-II	-	-	-	-	-
Priyadarshini Jurala HES	-	-	-	-	-
Lower Jurala HEP	10.00	-	-	-	-
Pulichinthala HES	15.00	-	-	-	-
Hydel	171.50	-	-	-	-
Total	541.16	-	-	-	-

48. As per the Tariff Regulations 2019, only BTPS remains the station, the COD of which falls within the FY 2024-29 control period. For rest of the plants, the cut-off date has already lapsed which implies that the works under the original scope cannot be allowed for such stations unless prior approval of additional capitalization has been attained.

49. The Tariff Regulations 2023 also permit generating companies to include additional capital expenditures beyond the cut-off date, but only under specific, predefined conditions. These exceptions like in Tariff Regulations 2019 are strictly regulated, ensuring that only necessary and justified expenses are considered. Such provisions are intended to maintain fiscal discipline while allowing for essential updates or enhancements that could benefit the beneficiaries.

50. As could be observed from the above, the Hon'ble Commission has accorded the prior approval of Rs. 541.16 Crore towards Additional Capitalization for the FY2024-25. Further, the Petitioner's claim is within the approved bound for the FY 2024-25 on an overall basis, however, for certain plants, the Additional capitalization claimed is higher than the approved Additional capitalization for that specific station for which the Petitioner has not provided any justification/ documentary evidence. For such reasons, the station wise claims made by the Petitioner beyond the approved station wise Additional Capitalization should not be allowed.

51. It is argued that the onus is upon the Generating company to substantiate the claim in accordance with the Tariff Regulations 2024. Falling short of the regulatory requirements in terms of lack of documentary evidence, the Hon'ble Commission is humbly submitted to restrict the Petitioner's claim of additional capitalization to the levels approved for the FY 2024-25.

52. As per the MYT Regulations 2019, the cut-off date of BTPS is 31.03.2025, therefore, the claim made by BTPS beyond FY 2024-25 (Rs. 889 Crore) should be restricted to the levels approved in the MYT Order. Accordingly, the allowable Additional Capitalization for BTPS should be Rs. 95.06 Crore and Rs. 251.6 Crore as against the Petitioner's claim of Rs. 95.06 Crore and Rs. 889.13 Crore for the FY 2024-25 and FY 2026-26 respectively.

53. Notwithstanding to the absence of the True up for the FY 2023-24 and based on the aforesaid discussions, the allowable Additional Capitalization as per the Objector's assessment is as under:

Table 10: Summary of the Capital cost and Additional Capitalization as per Objector's assessment

(all figures in Rs. Crores)

Genco	GFA as on 01.04.2023	Admissible as per Objector's assessment		
		FY 2023-24	FY 2024-25	FY 2026-27
KTPS-V	2,269.87	-	8.00	-
KTPS-VI	2,473.23	-	-	-
KTPS-VII	5,094.40	-	-	-
RTS-B	127.04	-	-	-
KTPP-I	2,548.83	-	-	-
KTPP-II	3,761.27	-	-	-
BTPS	7,259.12	-	95.06	251.60
Sub-total (Thermal)	23,533.76	-	103.06	251.60
Nagarjuna Complex	1,920.80	-	2.37	-
Srisaillam LB	3,375.71	-	16.22	-
Small Hydel	121.89	-	-	-
Mini Hydel	31.23	-	-	-
Pochampad- II	29.74	-	-	-
Priyadarshini Jurala	690.68	-	-	-
Lower Jurala	1,631.58	-	8.43	-
Pulichintala	440.72	-	-	-
Sub-total (Hydel)	8,242.35	-	27.02	-
Total	31,776.11	-	130.08	251.60

54. The Objector submits that the components of Depreciation, Interest Expenses and Return on Equity must be approved in line with the admissible Additional Capitalization discussed in the preceding paras.

55. The table below illustrates the allowable Depreciation and Interest on Loan for the FY 2024-25 and FY 2026-27 respectively against the Petitioner's claim.

Table 11: Summary of the Depreciation claimed by the Petitioner and as per Objector's assessment for the FY 2024-25 and FY 2026-27

(all figures in Rs. Crores)

Genco	Claimed		Allowable	
	FY 2024-25	FY 2026-27	FY 2024-25	FY 2026-27
KTPS-V	29.19	34.56	29.17	29.26
KTPS-VI	22.51	23.86	22.51	22.52
KTPS-VII	174.74	174.95	174.18	174.18
RTS-B	3.32	0.00	3.32	0.00
KTPP-I	17.50	18.31	17.50	17.50
KTPP-II	113.12	116.31	112.82	112.82
BTPS	247.18	267.03	241.04	254.19
Sub-total (Thermal)	607.56	635.02	600.53	610.48
Nagarjuna Complex	187.91	207.74	117.51	131.58
Srisaïlam LB	58.72	59.13	58.43	58.43
Small Hydel	1.04	1.04	1.04	1.04
Mini Hydel	0.34	0.34	0.34	0.34
Pochampad- II	0.58	0.58	0.58	0.58
Priyadarshini Jurala	11.14	11.14	11.11	11.11
Lower Jurala	27.02	27.33	26.88	26.95
Pulichintala	9.14	9.14	9.14	9.14
Sub-total (Hydel)	295.89	316.44	225.03	239.17
Total	903.45	951.46	825.56	849.65

Table 12: Summary of the Interest expenses claimed by the Petitioner and as per Objector's assessment for the FY 2024-25 and FY 2026-27

(all figures in Rs. Crores)

Genco	Claimed		Allowable	
	FY 2024-25	FY 2026-27	FY 2024-25	FY 2026-27
KTPS-V	-	-	-	-
KTPS-VI	-	-	-	-
KTPS-VII	220.61	188.83	190.23	160.22
RTS-B	-	-	-	-
KTPP-I	-	-	-	-
KTPP-II	114.23	95.21	95.61	76.59
BTPS	398.58	395.72	385.89	358.77

Genco	Claimed		Allowable	
	FY 2024-25	FY 2026-27	FY 2024-25	FY 2026-27
Sub-total (Thermal)	733.42	679.76	671.73	595.58
Nagarjuna Complex	58.92	59.07	58.80	58.80
Srisaillam LB	41.45	30.08	34.29	25.15
Small Hydel	-	-	-	-
Mini Hydel	0.06	-	0.04	-
Pochampad- II	0.89	0.78	0.76	0.66
Priyadarshini Jurala	15.59	13.37	15.46	13.25
Lower Jurala	52.07	48.64	51.46	47.89
Pulichintala	23.04	21.11	18.86	17.28
Sub-total (Hydel)	192.02	173.05	179.67	163.03
Total	925.44	852.81	851.40	758.61

8 Return on Equity

56. The Petitioner has claimed Return on Equity for FY 2024-25 and FY 2026-27 at 15.50% and has grossed up the RoE by applying the corporate tax rate of 22% along with applicable surcharge of 10% and cess of 4%.

Rate of Return on Equity

57. The Petitioner has argued that the Rate of RoE has been claimed based on the rate specified in the Tariff Regulations. However, Regulation 29 of the Tariff Regulations provide as under:

"29 Return on Equity

29.1 Return on Equity shall be computed in rupee terms, on the equity base determined in accordance with clause 27.

29.2 Return on Equity shall be computed at the following base rates:

(a) Thermal generating stations: 15.50%;

(b) Run of river hydro generating stations: 15.50%;

(c) Storage type hydro generating stations including pumped storage hydro generating storage and run of river hydro generating station with pondage: 16.50%;

Provided that:

i. In case of a new project, the rate of return on equity shall be reduced by 1.00% for such period as may be decided by the Commission, if the generating station is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO) or Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system based on the report submitted by the SLDC;

ii. in case of existing generating station, as and when any of the requirements under (i) above of this clause are found lacking based on the report submitted by

the SLDC, rate of return on equity shall be reduced by 1.00% for the period for which the deficiency continues;

(d) Transmission licensee: 14%;

.....
Provided that in case of delay in submission of tariff/true-up filings by the generating entity or licensee or SLDC, as required under this Regulation, rate of RoE shall be reduced by 0.5% per month or part thereof."

58. In view of the above, the Petitioner is required to adhere to the timelines prescribed under the Tariff Regulations, failing which a reduction in the RoE is attracted as a penalty. The Hon'ble Commission, while approving the MYT Order for FY 2024–29, has already invoked this proviso, the relevant extracts of which are reproduced below:

"5.1.58 Rate of RoE:* As per timelines specified in Regulation No.2 of 2023, TGGENCO had to file the petition by 31.01.2024. Whereas, TGTransco has filed the petition on 21.09.2024 with a delay of 8 months. ***As per clause 29.2 of Regulation No.2 of 2023, in case the petitioner delays in filing the petition, there is provision for reduction in rate of Return on Equity by 0.5% per month or part thereof. Hence, the rate of RoE has to be reduced by 4.00% for all the years of 5th control period. Duly considering the advice given by the members during SAC meeting held on 05.10.2024 and since it is a first filing as per MYT Regulation No.2 of 2023, the Commission has taken a lenient view and restricted reduction of rate of RoE only for the first year of 5th control period i.e., FY 2024-25.**

5.1.59 Thus, the Commission considered net allowable rate of RoE as 11.50% for thermal generating stations and 12.5% for hydro generating stations for first year of 5th control period and for subsequent four years of 5th control period rate of RoE is considered as 15.5% for thermal generating stations and 16.5% for hydro generating stations."

59. In the present Petition, the Petitioner has sought relaxation of the Rate of RoE approved under the MYT Order and has claimed recovery of the base rate of RoE through the True-Up for FY 2024–25. By seeking a change in the RoE at the stage of True-Up, the Petitioner is effectively attempting to reopen and modify the Tariff Order, which is impermissible in law. Once the Commission determines the norms and parameters in a Tariff Order, the same attain finality and cannot be altered except where the Regulations themselves expressly permit such variation.

60. It is well settled through a catena of judgments of the Hon'ble APTEL that the True-Up mechanism is only meant to reconcile approved estimates with actuals based on the already approved norms and cannot be used to revise, substitute, or re-determine the tariff parameters. The scope of True-Up is limited to adjustment within the framework of the Tariff Order and not to re-write the tariff itself.
61. Therefore, permitting relaxation in the Rate of RoE at the True-Up stage would not only amount to modification of the Tariff Order, but would also dilute the intent of the Tariff Regulations, which link RoE to regulatory discipline, including adherence to prescribed timelines. Any such relaxation would undermine regulatory certainty and defeat the very objective of incentivising compliance by the utility.
62. Therefore, it is humbly submitted that the Rate of RoE should be approved at 11.5% or 12.5% for Thermal and Hydro generating stations respectively for the FY 2024-25.

Tax Rate

63. The Tariff Regulations in respect of consideration of Tax Rate provides as under:

"30 Tax on Return on Equity

30.1 The Base rate of Return on Equity allowed by the Commission under clause 29.2 shall be grossed up with the effective Income Tax rate of the respective entity for the respective financial year:

Provided that the effective Income Tax rate shall be considered on the basis of actual Income Tax paid in respect of the financial year in line with the provisions of the relevant Finance Acts by the concerned generating entity or licensee, as the case may be:

Provided further that the actual Income Tax on the amount of income from Delayed Payment Charges or Interest on Delayed Payment or Income from Other Business or income from any source that has not been considered for computing the Aggregate Revenue Requirement or income from efficiency gains and incentive approved by the Commission shall be excluded for the calculation of effective Income Tax rate:

Provided also that in case of generating entity or licensee paying Minimum Alternate Tax (MAT), the effective Income Tax rate shall be considered as MAT rate including surcharge and cess:

Provided also that if no Income Tax has been paid by the Company as a whole, then the effective Income Tax rate shall be considered as "Nil".

30.2 Rate of pre-tax Return on Equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of pre-tax return on equity = Base Rate / (1-t);

Where "Base Rate" is the rate of Base Return on Equity in accordance with clause 29.2;

"t" is the effective Income Tax rate in accordance with clause 30.1.

"

Based on the above, the generating company at the time of True up needs to provide a statement of actual taxes paid during the FY. The tax rate so determined based on the actual tax paid shall have to form the basis of Effective Tax Rate.

64. A bare perusal of the Audited Accounts (*Profit and Loss statement*) of the Generating company for the FY 2024-25 indicates that the *Profit before tax* is Rs. 160.94 Crore while the *Current tax* is Rs. NIL Crore thereby effecting a Tax rate of NIL.

Accordingly, the Objector strongly argues that since no tax has been paid by the Petitioner, the admissible Tax rate should be NIL as per the Tariff Regulations for the FY 2024-25.

65. It is appropriate to state that the Tax on RoE is intended to ensure the Licensee receives a guaranteed post-tax return as outlined in the Tariff Regulations. The tax component should not be misinterpreted as an expense meant to generate excessive profits.

66. In so far as the FY 2026-27 is concerned, the Petitioner without any reference to the Tariff Regulations 2023 has claimed tax rate of 25.17% (corporate Tax + Surcharge + Cess). The first proviso to the Regulation 30 of the Tariff Regulations is relevant to be reproduced:

"30 Tax on Return on Equity

30.1 The **Base rate of Return on Equity allowed by the Commission under clause 29.2 shall be grossed up with the effective Income Tax rate of the respective entity** for the respective financial year:

Provided that the effective Income Tax rate shall be considered on the basis of actual Income Tax paid in respect of the financial year in line with the provisions of the relevant Finance Acts by the concerned generating entity or licensee, as the case may be:

....."

67. The 1st Proviso of the Regulation 30 provides for the consideration of actual tax paid for the determination of Effective Income Tax Rate. Further, since the quantum of

actual tax paid would be available during the True up of any FY, it would be fit to consider the impact of Effective Tax Rate at the time of True up.

68. While the Petitioner has paid NIL Tax during preceding year (FY 2024-25), the claim of tax rate to the tune of 25.17% seems unreasonable. In view thereof, the allowable Tax rate for the FY 2026-27 must be approved at NIL. However, Tax on RoE would be admissible to the Licensee based on actuals at the time of True up.

69. In accordance with the disallowance proposed in the Additional Capitalization and Rate of RoE (FY 2024-25 only) and Tax on RoE, the admissible plant wise Return on Equity vis-à-vis Petitioner's claim is as under:

Table 13: Summary of allowable Return on Equity claimed vs admissible for the FY 2024-25 and FY 2026-27

(all figures in Rs. Crores)

Genco	Claimed		Allowable	
	FY 2024-25	FY 2026-27	FY 2024-25	FY 2026-27
KTPS-V	141.36	142.36	78.43	106.00
KTPS-VI	153.76	154.54	85.36	115.10
KTPS-VII	317.57	317.78	168.12	237.02
RTS-B	1.39	-	1.39	-
KTPP-I	158.40	158.84	84.12	118.86
KTPP-II	234.32	237.10	124.12	175.24
BTPS	465.10	492.62	240.86	347.63
Sub-total (Thermal)	1,471.90	1,503.24	782.40	1,099.85
Nagarjuna Complex	8.60	8.82	7.36	7.43
Srisaillam LB	224.31	224.75	126.59	167.77
Small Hydel	8.07	8.07	4.57	6.03
Mini Hydel	1.94	1.94	1.08	1.45
Pochampad- II	1.97	1.97	1.12	1.47
Priyadarshini Jurala	43.03	43.03	23.83	32.12
Lower Jurala	101.87	102.41	56.29	76.20
Pulichintala	29.16	29.16	16.53	21.81
Sub-total (Hydel)	418.95	420.15	237.37	314.28
Total	1,890.85	1,923.39	1,019.77	1,414.13

9 Interest on Working Capital

70. The Petitioner has claimed Interest on Working Capital for the True up of FY 2024-25 and ARR of FY 2026-27. However, the claim made by the Petitioner is inconsistent with the Tariff Regulations 2023 respectively.

71. The Tariff Regulations 2023 in respect of Working Capital provides as follows:

"33 Interest on Working Capital

33.1 Generation

(a) In case of coal-fired thermal generating stations, working capital shall cover:

(i) Cost of coal towards stock, if applicable, for ten (10) days for pit-head Generating Stations and twenty (20) days for non-pithead Generating Stations, for generation corresponding to target availability, or the maximum coal stock storage capacity, whichever is lower;

(ii) Cost of coal for thirty (30) days for generation corresponding to target availability;

(iii) Cost of secondary fuel oil for one (1) month corresponding to target availability;

(iv) Normative Operation and Maintenance expenses for one (1) month;

(v) Maintenance spares at one percent (1%) of the opening Gross Fixed Assets for the Year; and

(vi) Receivables for sale of electricity equivalent to forty-five (45) days of the sum of annual fixed charges and energy charges approved in the Tariff Order, computed at target availability and excluding incentive, if any:

minus

(vii) Payables for fuel (including oil and secondary fuel oil) to the extent of thirty (30) days of the cost of fuel computed at target availability, depending on the modalities of payment:

Provided that in case the Fuel Supply Agreement provides for payment of cost of fuel in advance, the payables for fuel shall not be deducted for the purpose of computing the working capital requirement to the extent of actual payment of such advance, as substantiated by documentary evidence:

Provided further that for the purpose of Truing-up, the working capital shall be computed based on the scheduled generation or target availability of the generating station, whichever is lower:

Provided also that for the purpose of Truing up, the working capital shall be computed based on the actual average stock of coal and limestone or normative stock of coal and limestone of the generating station, whichever is lower:

Provided also that for the purpose of Truing-up for any year, the working capital requirement shall be re-computed on the basis of the values of revised normative Operation & Maintenance expenses and actual Revenue from sale of electricity excluding incentive, if any, and other components of working capital approved by the Commission in the Truing-up before sharing of gains and losses;

.....

33.6 Rate of interest on working capital shall be on normative basis and shall be equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed, plus 150 basis points:

Provided that for the purpose of Truing-up for any year, interest on working capital shall be allowed at a rate equal to the weighted average Base Rate prevailing during the concerned Year plus 150 basis points."

Cost of coal towards generation and stocking

72. The Petitioner has projected the Cost of Coal towards generation and stocking (Regulation 13(a) and 13(b)) by considering the Coal cost (as per actuals) and generation at normative availability level. Notably, the Coal cost computed by the Petitioner is based on the actual operational parameters instead of normative operational parameters.

73. The Objector humbly submits that the Coal cost admissible for the computation of cost of coal must be based on the normative parameters of Station Heat Rate, Auxiliary Energy Consumption and Specific Fuel Oil Consumption.

74. For instance, Regulation 46.4 of the Tariff Regulations, which provides for the computation of Energy charges allows for the consideration of normative values of operational parameters. Relevant extracts of the Regulations are reproduced below for kind reference:

"B. Energy Charges

46.4 Energy Charge Rate (ECR) in Rs/kWh shall be computed up to three decimal places and shall be the sum of the cost of normative quantities of primary and secondary fuel for delivering ex-bus one kWh of electricity, and shall be computed as per the following formula:

$$ECR = ((GSHR - SFC \times CVSF) \times LPPF / CVPF + SFC \times LPSFi + LC \times LPL) \times 100 / (100 - AUX)$$

Where,

AUX — Normative Auxiliary Energy Consumption in percentage

CVPF = Weighted average Gross Calorific Value of coal as received in kcal/kg less 85 kcal/kg on account of variation during storage at generating station; in case of blending of fuel from different sources, the weighted average Gross Calorific Value of primary fuel shall be arrived in proportion of blending ratio;

CVSF = Calorific value of secondary fuel, in kCal per ml.

GSHR = Normative Gross Station Heat Rate, in kcal/kWh;

LPPF = Weighted average landed price of primary fuel, in Rs./kg, as applicable, during the month; in case of blending of fuel from different sources, the weighted average landed price of primary fuel shall be arrived in proportion of blending ratio;

SFC = Normative Secondary Fuel Oil Consumption, in ml/kWh;

LPSFi = Weighted average landed price of secondary fuel in Rs./ml during the month:

.....”

75. In an analogous manner, the Objector argues that the cost of coal must also be considered based on the quantum (of coal) desired at the normative level of performance.

76. Furthermore, the 2nd proviso to the Regulation 33(1)(a) provides for the consideration of coal cost at a lower of scheduled generation or target availability for the computation of Working Capital. However, the Petitioner has considered the coal cost at target availability which is higher than scheduled generation for most of the plants.

77. The Petitioner’s methodology of computation of coal cost is incorrect and it ought to consider the normative parameters (as applicable) for the computation of unit coal cost and scheduled generation for the purposes of coal cost determination.

78. For illustration,

For KTPS V for the FY 2024-25, the Petitioner has claimed the Auxiliary Energy consumption at an actual level of 10.98% instead of the normative value of 9.30%. Likewise, the Specific oil consumption is claimed at 0.61 ml/ kWh against the norm of 0.5 ml/ kWh.

Additionally, the annual generation at target availability for KTPS – V is 3344 Mus (500 x 24 x 365 x 85% x (1-9.3%)) is claimed instead of scheduled generation, which is 2569 MUs (Form 10 of Formats).

Accordingly, the cost of coal determined the petitioner is exaggerated on account of poor inferior auxiliaries.

Incorrect computation of Receivables

79. For the FY 2024-25, the Petitioner has computed *Receivables* by considering Annual Fixed Charge (AFC) and Energy charges (at normative generation and actual coal cost) respectively. The Objector submits that the 4th proviso to the Regulation 33(1)(a) provide for the consideration of actual Revenue from the sale of electricity to assess the Receivables. Accordingly, the Hon’ble Commission is requested to consider the

Receivables equivalent to Actual Annual revenue pro-rated by 45 days to arrive at the working capital requirement.

Rate of Interest on Working Capital

80. For the FY 2024-25, the rate of Interest on Working Capital claimed by the Petitioner (10.41%) is incorrect. As per the proviso to the Regulation 33.6 of the Tariff Regulations, Rate of Interest on Working Capital must be considered equal to the weighted average Base Rate (1 year SBI MCLR) prevailing during the concerned Year plus 150 basis points. Accordingly, the Objector has assessed the Rate for the True up of FY 2024-25 as 10.38% as shown herein below:

Table 14: Month-wise 1 Y SBI MCLR and computation of Weighted Average Rate of IoWC as per Objector

Sl. No.	From Date	To Date	No. of Days	Base Rate
1	4/1/2024	4/14/2024	13	8.65%
2	4/15/2024	5/14/2024	30	8.65%
3	5/15/2024	6/14/2024	31	8.65%
4	6/14/2024	7/14/2024	31	8.75%
5	7/15/2024	8/14/2024	31	8.85%
6	8/15/2024	9/14/2024	31	8.95%
7	9/15/2024	10/14/2024	30	8.95%
8	10/15/2024	11/14/2024	31	8.95%
9	11/15/2024	12/14/2024	30	9.00%
10	12/15/2024	1/14/2025	31	9.00%
11	1/15/2025	2/14/2025	31	9.00%
12	2/15/2025	3/14/2025	28	9.00%
13	3/15/2025	3/31/2025	17	9.00%
Weighted Average Rate (WAR)				8.88%
Rate of IoWC (WAR + 150 b.p.)				10.38%

81. Based on the aforementioned submissions, the allowable Interest on Working Capital vis-à-vis Petitioner's claim is shown as under:

Table 15: Summary of allowable Interest on Working Capital claimed vs admissible for the FY 2024-25 and FY 2026-27

(all figures in Rs. Crores)

Genco	Claimed		Allowable	
	FY 2024-25	FY 2026-27	FY 2024-25	FY 2026-27
KTPS-V	36.45	34.49	28.41	30.85
KTPS-VI	36.29	36.50	30.86	32.91
KTPS-VII	62.76	62.19	59.28	58.94
RTS-B	1.23	-	0.11	-
KTPP-I	34.41	29.28	28.11	28.02
KTPP-II	45.72	37.46	36.39	35.33

Genco	Claimed		Allowable	
	FY 2024-25	FY 2026-27	FY 2024-25	FY 2026-27
BTPS	86.53	82.97	58.36	76.84
Sub-total (Thermal)	303.39	282.89	241.52	262.89
Nagarjuna Complex	5.68	-	5.41	-
Srisaillam LB	11.81	11.96	9.60	9.90
Small Hydel	1.47	1.61	1.24	1.37
Mini Hydel	0.26	0.27	0.22	0.24
Pochampad- II	0.27	0.28	0.23	0.25
Priyadarshini Jurala	2.80	2.97	2.43	2.47
Lower Jurala	5.25	5.40	4.70	4.68
Pulichintala	2.21	2.24	1.96	2.04
Sub-total (Hydel)	29.75	24.73	25.79	20.95
Total	333.14	307.62	267.31	283.84

10 High Rate of Energy Charges and Coal Cost

82. The Energy Charges rate claimed by the Petitioner appears to be abnormally high, as evidenced by a review of sample data from various months in Form 11 (Tariff formats), with a summary of the corresponding coal cost and received GCV presented below:

Table 16: Coal Cost to GCV ratio for KTPS-V station of TGGenco

KTPS-V	Unit	Apr-24	Aug-24	Nov-24	Feb-25
Coal cost	Rs./ MT	4,649.76	4,006.13	3,983.03	4,130.17
GCV	kCal/ kg	3,315.00	2,734.00	2,858.00	3,189.00
Coal cost to GCV	Rs./ kCal	1.40	1.47	1.39	1.30

**Coal cost shown above is inclusive of taxes, duties and surcharges but excluding the transportation charges.*

83. In respect of the above data, the following aspects are noteworthy:

- For the sample mentioned above, the Form 11 depicts that the above coal cost and GCV pertains to domestic coal only.
- Typically, the reported GCV grade is G-10 (~4450 kCal) for TGGENCO. Considering the prevalent scenario with SCCL, a grade slippage of 1-2 grades (1 grade = 300 kCal) is considered normal.
- However, the corresponding price seems to be abnormally high. The components of Coal cost levied by SCCL and its subsidiaries such as royalty, taxes and duties are well known. The coal cost build-up for different grades of coal are provided in the table below:

Table 17: Build-up of Coal cost

Particulars	Unit	G14 (3100 - 3400)	G13 (3400 - 3700)	G12 (3700 - 4000)	G11 (4000 - 4300)	G10 (4300 - 4600)
Basic Rate of Coal [A]	Rs./MT	1,700	1,880	2,250	2,520	3,010
Royalty [B = 14% x A]	Rs./MT	238	263	315	353	421
National Mineral Exploration Trust (NMET) [C = 2% x B]	Rs./MT	5	5	6	7	8
District Mineral Foundation (DMF) [D = 30% x C]	Rs./MT	71	79	95	106	126
Sizing/ Crushing Charges [E]	Rs./MT	87	87	87	87	87
Transportation charges [F]	Rs./MT	87	87	87	87	87
Terminal tax [G]	Rs./MT	2	2	2	2	2
Forest tax [H]	Rs./MT	23	23	23	23	23
Paryavaran Upkar [I]	Rs./MT	11	11	11	11	11
Vikas Upkar [J]	Rs./MT	11	11	11	11	11
Coal Evacuation [K]	Rs./MT	60	60	60	60	60
GST [L = sum (A:J) x 5%]	Rs./MT	115	125	147	163	192
Clean energy cess/State Compensation cess [M]	Rs./MT	400	400	400	400	400
Gross Amount [N = sum(A:M)]	Rs./MT	2,810	3,034	3,495	3,830	4,440
Billed GCV (Less: 2 Grade slips)	Kcal/ kg	2650	2950	3250	3550	3850
Coal cost to GCV ratio	Rs./ kcal	1.06	1.03	1.08	1.08	1.15

84. Even after allowing a generous two-grade slippage, as generally observed across the sector, the normative coal cost (excluding transportation) to GCV ratio should lie in the range of about Rs. 1.03 to Rs. 1.15 per kCal. However, TGGenco has reported this ratio in the much higher range of over Rs. 1.30 to Rs. 1.47 per kCal. Such abnormal deviation reflects a significant distortion in the coal cost to GCV relationship and clearly indicates that the coal cost being recovered from consumers is substantially higher than what is reasonably justified.

85. Based on the higher ECR on account of Coal cost, the consumers of the state are made to bear the brunt of the higher differential Fuel Cost charges.

86. The Objector respectfully submits that the Hon'ble Commission may examine this issue in depth, undertaking a thorough scrutiny of the coal cost and GCV to ensure that only legitimate costs are passed on to consumers.

87. In regards to the above, Regulation 46.5 of the Tariff Regulations provide for the generating company to submit the details w.r.t. Coal procurement as shown under:

"46.5 Adjustment of ECR on account of variation in price or heat value of fuels

Any variation in Price and Gross Calorific Value of coal or liquid fuel as received less stacking loss of 85 kcal/kg vis-a-vis approved values shall be adjusted on month-to-month basis on the basis of average Gross Calorific Value of coal in stock received and weighted average landed cost incurred by the Generating Company for procurement of coal, or oil as the case may be for a generating station:

.....

Provided also that copies of the bills and details of parameters of GCV and price of fuel, i.e., domestic coal, imported coal, e-auction coal, etc., details of blending ratio of the imported coal with domestic coal, proportion of e-auction coal shall also be displayed month-wise on the website of the Generating Company, and should be available on its website for a period of three (3) months."

88. It is pertinent to note that, in the present case, the Petitioner has not been submitting the supporting information on its website as mandated under the provisos to Regulation 46(5) of the Tariff Regulations. The Objector respectfully submits that the Hon'ble Commission may undertake a detailed assessment of TGGenco's coal procurement to ensure that consumers are protected from any undue financial burden. The Hon'ble Commission is respectfully submitted that the Coal cost and GCV would have a significant impact on the Interest on Working Capital requirement.

89. The Objector humbly submits before the Hon'ble Commission to kindly conduct due prudence checks on the methodology of coal sourcing and utilization. Following questions are pertinent to be raised in the above regard:

- Has a system for verification of GCV of coal, based on which the coal price is being billed to the generating station, been established by the licensees, for due prudence in variable cost?
- Is there a process to verify the billed GCV of coal at the sending end in collaboration with third party/ coal company officials? Is there any mechanism to flag such variation in GCV to the coal companies?
- Whether TGGENCO has explored to enter into any alternate long term contracts for coal procurement?
- How does the coal company plan to optimize the cost of coal?