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**Sent:** Wednesday, June 9, 2021 11:19:28 AM  
**Subject:** True up FY 2019-20

To, The Secretary, T.S. Electricity Regulatory Commission, 5 <sup>th</sup> Floor, Singareni Bhavan, Red Hills, Lakdi ka pool, Hyderabad – 500 008	From, M. Thimma Reddy, Convenor, People’s Monitoring Group on Electricity Regulation, H.No: 3-4-107/1, (Plot <a href="#">No:39</a> ), Radha Krishna Nagar, Attapur, Hyderabad – 500 048
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Date: 09-06-2021

Dear Sir;

Sub: - Comments on TSTRANSCO’s filing for true up of transmission business for the FY 2019-20.

Ref: - Public Notice dated 22-05-2021 in O.P. No: 13 of 2021

1. The following are our comments/suggestions on TSTRANSCO’s filings for true up of transmission business for the FY 2019-20 in response to Public Notice dated 22-05-2021 in O.P. No: 13 of 2021.

**Table : Expenditure 2019-20**

**Rs. Crore**

Particulars	Tariff Order	Actuals	Increase	% Increase
<b>Gross O&amp;M Costs</b>	848.32	942.61	94.29	11.11
<b>Depreciation</b>	747.00	919.44	172.44	23.08
<b>Taxes</b>	61.85	66.77	4.92	0.79
<b>Cost of Debt</b>	616.61	702.30	85.69	13.90
<b>RoE</b>	292.13	315.38	23.25	7.96
<b>Total</b>	2,565.91	2,946.50	380.59	14.83

2.1 TSTRANSCO in its true up petition for the FY 2019-20 has claimed Rs. 380.59 Crore more expenditure compared to the one allowed by the Commission In its Transmission Tariff Order dated 20-03-2020. It amounts to 14.83% increase over and above the expenditure allowed by the Commission in the Tariff Order.

2.3 While the Commission allowed Rs. 848.32 Crore towards gross O&M costs for the FY 2019-20 TSTRANSCO has claimed Rs. 942.61 Crore, signifying an increase of 11.11% compared to the amount allowed by the Commission. The Commission has arrived at the gross O&M costs based on the norms adopted by it on the basis of information provided by the Licensee. TSTRANSCO attributed increase in O&M costs to adoption of actuarial valuation report for FY 2019-20 towards employee terminal benefits which were not factored in the ARR filed by it and also Tariff Order issued by the Commission. According to Clause 12.1 of the Regulation No. 5 of 2005, “... The O&M expenses for the Base Year shall be determined based on latest audited accounts, best estimates of Licensee of the actual O&M expenses for relevant years and other factors considered relevant. The O&M expenses of the

Base Year, if required, will be used for projecting the expenses for each year of the control period.” The Commission in the Tariff Order stated that the actual net O&M expenses for Base Year i.e., FY 2018-19 had been considered as the base and it was escalated for each year of the Control Period with the given escalation rate (Para 5.8.6). Employee terminal benefits must have been part of O&M costs of the Base Year and the same should have been taken in to account along with the escalation rate while calculating O&M costs for the FY 2019-20. TRANSCO’s claim that employee terminal benefits were not factored in to ARR as well as Tariff Order issued by the Commission needs to be critically examined.

**2.4** TSTRANSCO is claiming Rs. 172.44 Crore more than that allowed by the Commission towards depreciation. Depreciation claimed by TSTRANSCO as a part of true up is 23% higher than that allowed by the Commission. The Licensee is claiming higher depreciation under depreciation rates notified by the Ministry of Power, GoI. The Commission rejected this contention of the Licensee in the Tariff Order dated 20-03-2020 in O.P. No. 3 of 2019. (Para 5.12.6). The Licensee is repeating the contention that was already rejected. As such, the claim of TSTRANSCO for higher depreciation amount is not valid.

**2.5** TSTRANSCO is claiming 13.90% more towards cost of debt than that allowed by the Commission. Similarly, the Licensee is claiming 7.96% more towards return on equity (RoE). The Licensee attributed these higher claims to increased regulated rate base (RRB). While the Commission allowed Rs. 8,346.69 Crore towards RRB the Licensee is claiming Rs. 9,010.73 Crore. One of the reasons attributed by the Licensee for this higher RRB is higher depreciation. But this will not hold good as pointed out in the above paragraph. TSTRANSCO is also attributing higher RRB to reduced consumer contributions. The Commission in the Tariff Order has provided only a summary of RRB. This is coming in the way of detailed examination of TSTRANSCO’s claim. We request the Commission to direct the Licensee to provide item wise explanation and justification for changes in RRB during the FY 2019-20.

**3.1** TSTRANSCO reported that income from transmission business decreased by Rs. 194.13 Crore. This lower income is attributed to delayed notification of tariffs. But this lower transmission income may also be due to lower transmission contracted capacity. The Commission in the Tariff Order noted the transmission contracted capacity during the FY 2019-20 as 15,235.49 MW. TRANSCO’s true up petition shows that transmission contracted capacity during this year was 14,372.63 MW. Actual contracted capacity was nearly 1,000 MW less than that estimated by the Commission. During the FY 2020-21 power sector is also impacted adversely due to COVID-19 pandemic. Transmission contracted capacity during the FY 2020-21 may not reach the target set by the Commission. These developments demand revisiting the additions to the transmission capacity and the consequent capital investments. At present we are in the middle of the 4<sup>th</sup> Control Period and it is suitable time for mid-term review of transmission business.

**4.1** The Commission has provided Rs. 546.15 Crore towards special appropriation during the FY 2019-20. This was a result of surplus available during the 3<sup>rd</sup> Control Period, including carrying cost following the examination of true up for the 3<sup>rd</sup> Control Period (Para 4.14.8 of the Tariff Order). The Commission arrived at this figure on the basis of the information provided by the Licensee. In the present true up petition TSTRANSCO is claiming that the actual true up provision available in the books of TSTRANSCO as per audited accounts as of FY 2018-19 is only Rs. 287.59 Crore. Apart from this assertion no further details are provided for the deviation in surplus available during the 3<sup>rd</sup> Control

Period. True up / True down for the 3<sup>rd</sup> Control Period was decided as part the Commission's Tariff Order dated 20-03-2020 in O.P. No. 3 of 2019. Questioning the True up / True down for the 3<sup>rd</sup> Control Period as decided by the Commission in the Tariff Order dated 20-03-2020 in O.P. No. 3 of 2019 through the present true up petition by TSTRANSCO is tantamount to a Review Petition. TSTRANSCO in the present petition should have shown apparent errors if any in this part (Chapter 4) of the Commission's Order dated 20-03-2020 in O.P. No. 3 of 2019. In the present petition TSTRANSCO has only asserted that as per audited accounts as of FY 2018-19 surplus available was only Rs. 287.59 Crore. TSTRANSCO has not shown errors if any in Chapter 4 of the Commission's Order dated 20-03-2020 in O.P. No. 3 of 2019. As such, TSTRANSCO's claims about lower amount of surplus available during the 3<sup>rd</sup> Control Period is liable to be dismissed.

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

Thanking you.

Sincerely yours,

M. Thimma Reddy