

To, The Secretary, T.G. Electricity Regulatory Commission, Vidyut Niyantan Bhavan, GTS Colony, Kalyan Nagar, Hyderabad – 500 045	From, M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation, H. No.3-4-107/1, Plot No. 39, Radha Krishna Nagar, Attapur, Hyderabad – 500 048
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Date: 09-01-2026

Dear Sir;

Sub: - Comments on TGENCO's petitions seeking determination of capital cost and provisional tariff for power generated at Unit-1 and Unit-2 of YTPS.

Ref: - Public Notice dated 19-12-2025 with respect to O.P. Nos. 76 and 77 of 2025.

1. In response to the above-mentioned Public Notice calling for comments on TGENCO's petitions seeking determination of capital cost and provisional tariff for power generated at Unit-1 and Unit-2 of YTPS we are submitting the following comments for consideration of the Commission.

2.1 TGENCO filed the petitions for determination of capital cost and provisional tariff for the energy generated from Unit-1 and Unit-2 of Yadadri Thermal Power Station (YTPS).

Components of capital cost:

Project cost (Rs. in Cr)

Particulars	PPA 2020	Addendum to DPR 2025
Cost of Project excluding IDC	25,567.62	27,664.85
Interest during construction (IDC)	4,265.63	8,309.54
Financing cost and CSR	132.22	157.56
Total cost of Project including IDC	29,965.48	36,131.99
Cost Per MW	7.49	9.03

Components of Project Cost (Rs. in Cr)

Particulars	PPA 2020	Addendum to DPR 2025
Equipment cost	12,727.80	12,727.80
Equipment cost including spares	13,033.27	13,033.27
Equipment cost including duties, taxes and spares	15,379.26	15,379.26
Erection, testing, commissioning	1,716.99	1,716.99
Civil works	5,057.50	6,398.50
EPC and non-EPC cost	24,729.73	26,034.81
Establishment cost	741.89	884.08
Start up fuel	50.00	700.00

2.2 The above tale shows that equipment related costs including erection, testing and commissioning have not experienced any increase in costs. These items are handled by BHEL. The other items handled by TGGENCO have seen substantial increase in costs. Cost of civil works increased from Rs. 5,057.50 Crores to Rs. 6,398.50 Crores. Establishment cost increased from Rs. 741.89 Crores to Rs. 884.08 Crores. Cost of start up fuel increased from Rs. 50 Crores to Rs. 700 Crores. These three items together accounted for Rs. 2,133.19 Crore higher capital cost. Even after incurring such high costs TGGENCO has not yet completed substantial works undertaken by it. Such abnormal increase in costs demand through scrutiny of TGGENCO claims on capital costs.

Interest during construction (IDC):

2.3.1 Interest during construction (IDC) increased from Rs. 4,265.63 Crores to Rs. 8,309.54 Crores. During the period IDC nearly doubled. As a percentage of total project cost IDC increased from 14.23% to 23%.

2.3.2 Interest on loan considered was 12% while calculating IDC. TGGENCO obtained loans at concessional rates from PFC and REC which were less than 12%. Actual rates of interest at which loans were obtained by TGGENCO from PFC and REC shall be taken in to account for arriving at IDC.

Delay in Commissioning of YTPS

YTPS Unit	Capacity (MW)	Scheduled CoD*	Actual/Expected CoD	Delay in months
Unit-1	800	October 2020	12-07-2025	56
Unit-2	800	October 2020	25-01-2025	50
Unit-3	800	October 2021	November 2025	59
Unit-4	800	October 2021	November 2025	59
Unit-5	800	October 2021	February 2026	62

*CEA's Broad Status Report for February 2021.

2.3.3 The important reason for higher IDC was the inordinate delay in executing the project. The delay in executing the project ranged from 50 months to 62 months. That is, CoD was delayed by more than five years.

2.3.4 TGGENCO attributed major delay to COVID that struck in February – March of 2020. Substantial work on Unit-1 and Unit-2 should have been completed by this time. But it was not done. Delay of one year may be attributed to COVID.

2.3.5 The delay of remaining four years was due to inefficient execution of the works. TGGENCO attributed further delay to time taken in obtaining environment clearance and forest clearance. It is the responsibility of the developer/TGGENCO to obtain these clearances in time. During the review meeting held with the Minister and officials of the Department of Energy, GoTG held in January 2024 representatives of BHEL pointed out that project execution was delayed due to delay in receiving funds from TGGENCO. (**Annexure -1**) Following the Hon'ble ATE's Judgment in Appeal No. 72 of 2010 mentioned below it can be stated without any hesitation that delay in execution of the YTPS has to be attributed to inefficient project management of TGGENCO. As a corollary to this IDC beyond the scheduled COD should not be allowed. Electricity consumers in the State shall not be forced to suffer due to inefficient project management of TGGENCO.

2.3.6 In this context it is highly relevant to note Hon'ble ATE's Judgment in Appeal No. 72 of 2010 as pointed out by TSERC in its Order dated 19-06-2017 in O.P. No. 9 of 2016 (Para 3.13.5). The ATE in its above Order at para 7.4 provided as under:

“7.4. The delay in execution of a generating project could occur due to following reasons:

i) due to factors entirely attributable to the generating company, e.g., imprudence in selecting the contractors/suppliers and in executing contractual agreements including terms and conditions of the contracts, delay in award of contracts, delay in providing inputs like making land available to the contractors, delay in payments to contractors/suppliers as per the terms of contract, mismanagement of finances, slackness in project management like improper co-ordination between the various contractors, etc.

ii) due to factors beyond the control of the generating company e.g., delay caused due to force majeure like natural calamity or any other reasons which clearly establish, beyond any doubt, that there has been no imprudence on the part of the generating company in executing the project.

iii) situation not covered by (i) & (ii) above.

In our opinion in the first case the entire cost due to time over run has to be borne by the generating company. However, the Liquidated Damages (LDs) and insurance proceeds on account of delay, if any, received by the generating company could be retained by the generating company. In the second case the generating company could be given benefit of the additional cost incurred due to time over-run. However, the consumers should get full benefit of the LDs recovered from the contractors/suppliers of the generating company and the insurance proceeds, if any, to reduce the capital cost. In the third case the additional cost due to time overrun including the LDs and insurance proceeds could be shared between the generating company and the consumer. It would also be prudent to consider the delay with respect to some benchmarks rather than depending on the provisions of the contract between the generating company and its contractors/suppliers. If the time schedule is taken as per the terms of the contract, this may result in imprudent time schedule not in accordance with good industry practices.”

2.3.7 Following the above order of ATE as the delay in execution of the plant was due to inefficiencies of the Generator, TSGENCO in the present context and contactors chosen by it all costs due to time over run has to be borne by the Generator and the same shall not be passed on to the TSDICOMs and in turn on electricity consumers in the state.

2.3.8 Further, according to the Clause 7.22.4 of Regulation 1 of 2019, “The Commission shall be guided by the following principles for the purpose of determining cost due to time over run: (a) The entire cost due to time over run has to be borne by the Generating Entity in case the causes for over run are entirely attributable to the Generating Entity. For example, imprudence in selecting the contractors / suppliers and in executing contractual agreements including terms and conditions of the contracts, delay in award of contracts, delay in providing inputs like making land available to the contractors, delay in payments to the contractors / suppliers as per the terms of contract, mismanagement of finances, slackness in project management like improper coordination between various contractors, etc., (b) The Commission shall examine on a case to case basis of the additional cost incurred due to time over run on account of factors beyond the control of the Generating Entity e.g., delay caused due to Force Majeure like natural calamity. The Generating Entity shall clearly establish beyond any doubt that there has been no imprudence on the part of the Generating Entity in executing the project.”

2.3.9 According to the Clause 21.2 (d) of MYT Regulation of 2023 “If the delay in achieving the COD is not attributable to the generating company or the transmission licensee, IDC and IEDC beyond SCOD may be allowed after prudence check and the liquidated damages, if any, recovered from the contractor or supplier or agency shall be adjusted in the capital cost of the generating station or the transmission system, as the case may be.”

2.3.10 According to the Clause 21.2 (e) of MYT Regulation of 2023 “If the delay in achieving the COD is attributable either in entirety or in part to the generating company or the transmission licensee or its contractor or supplier or agency, in such cases, IDC and IEDC beyond SCOD may be disallowed after prudence check either in entirety or on pro-rata basis corresponding to the period of delay not condoned and the liquidated damages, if any, recovered from the contractor or supplier or agency shall be retained by the generating company or the transmission licensee, as the case may be.”

2.3.11 According to the Clause 31.9 of MYT Regulation of 2023 “The excess interest during construction on account of time and/or cost overrun as compared to the approved completion schedule and capital cost or on account of excess drawal of the debt funds disproportionate to the actual requirement based on Scheme completion status, shall be allowed or disallowed partly or fully on a case to case basis, after prudence check by the Commission based on the justification to be submitted by the Generating Company or Transmission Licensee or Distribution Licensee along with documentary evidence, as applicable:

“Provided that where the excess interest during construction is on account of delay attributable to an agency or contractor or supplier engaged by the generating entity or the transmission licensee, any liquidated damages recovered from such agency or contractor or supplier shall be taken into account for computation of capital cost:”

“Provided further that the extent of liquidated damages to be considered shall depend on the amount of excess interest during construction that has been allowed by the Commission:”

“Provided also that the Commission may also take into consideration the impact of time overrun on the supply of electricity to the concerned Beneficiary.”

2.3.12 No Force Majeure instance like natural calamity has impacted the project site of YTPS since the initiation of executing of the project. Delay in execution of the project is entirely due to mismanagement of the project by TSGENCO including in awarding the project to BHEL without any competitive bidding. As such following the above Regulations the entire cost due to time over run has to be borne by the Generating Entity – TSGENCO in the present context.

2.3.13 Liquidated damages need to be paid by the Generating Entity of projects to the DISCOMs for delay in execution of the projects beyond COD. Due to delay in execution of the projects, if the Generating Entity fails to generate and supply power to the DISCOMs according to the schedule, the DISCOMs would be forced to purchase power from the open market at higher price leading to imposition of additional burden on electricity consumers in the state. Because of this DISCOMs should be compensated for the additional burdens arising out of the failure of the Generating Entity to execute projects in time, generate and supply power. It is in this context that liquidated damages have to be recovered from the Generating Entity.

2.3.14 According to the Clause 7.22.4 of Regulation 1 of 2019 “... the consumers should get full benefit of the Liquidated Damages (LDs) recovered from contractors / suppliers of the Generating Entity and the insurance proceeds, if any, to reduce the capital cost.” As there was inordinate delay in execution of the project we request the Commission to impose liquidated damages on the Generating Entity and use the proceeds to reduce the capital cost of the plant.

Gross Fixed Assets (GFA) and Depreciation (Rs. in Cr)

Year	Gross Fixed Assets (GFA)		Depreciation	
	Unit – 1	Unit – 2	Unit -1	Unit – 2
2024-25	---	9,271.98	---	54.36
2025-26	4,738.54	9,273.51	142.66	346.31
2026-27	6,095.12	10,263.56	236.89	365.85
2027-28	6,895.12	10,263.56	251.29	363.32
2028-29	6,895.12	10,263.56	251.29	362.49

2.4.1 There is wide variation in gross fixed assets (GFA) between Unit-1 and Unit-2. GFA of Unit-2 is 49% higher than Unit-1. Correspondingly, there is wide variation in depreciation between these two units. While generation capacity of the two units is the same (800 MW) their GFA differs significantly. This discrepancy demands close scrutiny of TGGENCO’s claims regarding capital expenditure on these two units of YTPS.

Expenditure during the control period (Rs. in Cr)

Particulars	Unit - 1	Unit - 2
Interest on loans	1,768.00	3,055.73
Interest on working capital	249.91	333.01
Return on equity	1,251.78	2,185.76
Fixed charges	4,941.81	7,970.21

2.4.2 There is wide variation in interest on loans, interest on working capital, return on equity and fixed charges between Unit-1 and Unit-2. While generation capacity of the two units is the same (800 MW) their expenditure on interest on loans, interest on working capital, return on equity and fixed charges differs significantly. This discrepancy demands close scrutiny of TGGENCO's claims regarding capital expenditure on these two units of YTPS.

Return on Equity:

2.5 In the present petition TGGENCO claimed 15.50% as return on equity (RoE). The Commission has adopted 14% as RoE in the case of TGDISCOMs for the 5th Control Period. We request the Commission to adopt 14% as RoE in the case of TGGENCO also.

Station heat rate:

3.1 According to the present petition Gross Station Heat Rate (GSHR) of these Units is 2120.37 kCal/kWh. According to Detailed Supply Purchase Order Placed by TGGENCO with BHEL (Annexure – I of Contract No. 3000000014/ED/TPC/SE-III/EME-9/D65/D. No. 54/18 Dt. 29-03-2018) guaranteed GSHR is 2019.4 kCal/kWh. We request the Commission to adopt 2019.4 kCal/kWh as GSHR for the purpose of calculating variable cost/energy charges of these Units.

3.2 The above Contract also provides for liquidated damages in the case of failure to achieve guaranteed performance parameters. In the case of GSHR liquidated damages amount is Rs. 7.5 Crores for each kCal/kWh increase. In case 2120.37 kCal/kWh is adopted as GSHR which is 100 kCal/kWh higher than the guaranteed GSHR we request the Commission to direct TGGENCO to recover Rs. 750 Crore from BHEL for its failure to achieve the guaranteed GSHR and reduce the capital cost of the plants proportionately.

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

Thanking you.

Sincerely yours,

M. Thimma Reddy, Convenor.

Annexure - 1

Telangana: YTTPP delayed as BRS government did not clear bills: BHEL

The energy minister directed the officials to submit a detailed report on the rates quoted by the BHEL, the negotiations between the previous government and the BHEL and the agreement value.

Express News Service

Updated on:

13 Jan 2024, 10:33 am

HYDERABAD: Failure to clear bills delayed the construction of the 4,000 MW (5X800 MW) Yadadri Thermal Power Plant, BHEL officials informed Deputy Chief Minister Mallu Bhatti Vikramarka, who also holds the Energy portfolio. At a review here, the BHEL officials said that of the Rs 34,500 crore, total cost of the plant, the state government entrusted works worth Rs 20,444 crore to the company. The other works were taken up by the TS Genco.

Of the total works given to the BHEL, the company completed works worth Rs 15,860 crore and the government cleared bills worth Rs 14,400 crore. They said that the BHEL was yet to receive Rs 1,167 crore. The BHEL officials also said that the previous government did not clear the bills as and when the works were completed. They said that 91% of the pending bills were cleared in one go in March 2023.

“That was the reason the BHEL could not clear the bills of sub-contractors, resulting in the delay of the project works,” the BHEL officials explained. They said that the delay in getting environmental clearances too was one of the reasons for not completing the construction of the power plant on time. As per the original agreement between the BHEL and the state government, the company should have completed two units in October 2020 and another two units in October 2021. However, not a single unit has been completed so far.

The energy minister directed the officials to submit a detailed report on the rates quoted by the BHEL, the negotiations between the previous government and the BHEL and the agreement value. BHEL officials said that if the Congress government gets environmental clearances by April 2024, the company would be able to complete the construction of two units by September 2024, two more units by December 2024 and the remaining one unit by May 2025.

The agreement with BHEL for the construction of the Yadadri power plant was signed on June 6, 2015, and the work order was issued in October 2017. BHEL chairman and managing director Koppu Sadashiva Murthy, director Tajinder Gupta and others were present at the meeting.

<https://www.newindianexpress.com/states/telangana/2024/Jan/13/telangana-ytpp-delayed-as-brs-government-did-not-clear-bills-bhel-2650664.html#:~:text=Telangana%3A%20YTPP%20delayed%20as%20BRS%20government%20did%20not%20clear%20bills%3A%20BHEL>

BHEL blames delayed payments from Genco, hurdles in EC for commissioning of YTPS

Minister for Energy Bhatti Vikramarka asks officials why BHEL was given contract in nomination method

Published - January 12, 2024 10:02 pm IST - Hyderabad

[The Hindu Bureau](#)

Deputy Chief Minister and Minister for Energy M. Bhatti Vikramarka holding a meeting on the progress of YTPS in Hyderabad on Friday. | Photo Credit: By Arrangement

The authorities of BHEL, executing a majority of works of the 5x800 megawatt super-critical Yadadri Thermal Power Station (YTPS), have blamed delayed payment of bills by the Telangana State Power Generation Corporation Ltd (TS-Genco) and suspension of the environmental clearance granted in the past for the delay in the commissioning of the project.

Deputy Chief Minister and Minister for Finance and Energy M. Bhatti Vikramarka reviewed the progress of YTPS at meeting held here on Friday. The meeting was attended by Secretary (Energy) S.A.M. Rizvi, Chairman and Managing Director of BHEL K. Sadashiv Murthy, Director Tajinder Gupta and others.

<https://www.thehindu.com/news/national/telangana/bhel-blames-delayed-payments-from-genco-hurdles-in-ec-for-commissioning-of-ytps/article67735532.ece>