

May 01, 2026

To

The Secretary,
TG Electricity Regulatory Commission,
Vidyut Niyamtran Bhavan, GTS Colony, Kalyan Nagar, Hyderabad – 500 045

From

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Respected Sir

Sub: Comments on the Application of Grant of License by TGRPDCL

We wish to submit a few comments based on the public notice dated 18/04/2026, on the application by Telangana Rythu Power Distribution Company Ltd (TGRPDCL) for a Distribution License. The [Initial Application](#) to the Hon'ble TGERC is dated 18/3/2026 and the [Petition](#) is dated 06/04/2026.

We feel that this proposal for a third DISCOM will have a major impact on the other two TG DISCOMs and the TG Power sector. Our submission highlights some of these, requests for additional information from the concerned parties and have some requests to the Hon'ble TGERC. We feel that such a major restructuring effort needs more discussions before implementation. We hope that inputs from other TG DISCOMs, TG TRANSCO and Energy Department- GoTG would also be available during the public hearing.

We request you to take our submission on record, allow us to make additional submissions if required and give us an opportunity to present this during the public hearing at Hyderabad.

Thanking you,

Yours truly

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**Comments from Prayas (Energy Group) on the
“Application for Grant of Distribution License to Telangana Rythu Power
Distribution Company Ltd (TGRPDCL)”**

1. Introductory comments and Information gaps

It is true that there are many challenges in power supply to agriculture in Telangana. For the farmers, quality of supply & service and issues with sales estimation are challenges. For the DISCOMs, challenges include O&M of wide spread rural network with limited field staff, and uncertainties in demand due to weather change and honouring the 24- hour supply commitment. Growth of water intensive crops, in-efficiencies in pumping & irrigation and the related fall of water tables, are some natural resource management challenges. Ever-increasing state subsidy burden is a matter of concern for the state government and cross subsidy contribution is a pain area for C&I consumers.

It is quite possible that no one is happy with the state of affairs in power supply to agriculture, and there is need for changing the situation. At the same time, the TG DISCOMs are in a poor state of financial health, which is deteriorating over the years.

As per GoTG’s GO MS 44, of 17/12/2025, the stated objective of setting up a Agriculture DISCOM in Telangana is to address the poor financial health of existing DISCOMs, while keeping the commitment of free power to agriculture. The GO goes on to state: *“To address the said concern and to improve the electricity supply position of the State, the Government decided to set up a Third DISCOM in the State responsible for handling electricity retailing for specific consumer categories supported by Government.”*

The said GO provides some details such as sales, consumers, PPA allocation, asset and liability transfer and staff allocation, the License application petitions provide no details. The application is limited to providing some information as required by the DISCOM Licensing Regulations 4 of 2016.

We feel that assessing the implications of setting up a third DISCOM is as (or perhaps more) important as checking the procedural requirements. The Initial Application dated 19/3/2026 and License Petition dated 6/4/2026 provide qualitative information about the third DISCOM. Point 22 (Approach and Methodology) in Schedule I of the Initial Application dated 19/3/2026 mentions that Business plan will be submitted within three months of grant of License, as specified in the License Regulations 2016.

We request the TGRPDCL to provide a rough business plan, which would cover assets, staff, PPA allocation, sales estimation and expected revenue and cost requirements.

In addition to such information gaps, there are some possible regulatory challenges, which is covered in the next section.

2. Regulatory Challenges and Comments

2.1 Definition of Distribution

Section 2(19) of the EAct defines distribution system as: *"distribution system" means the system of wires and associated facilities between the delivery points on the transmission lines or the generating station connection and the point of connection to the installation of the consumers;*

TGRPDCL has 11 kV feeder of the existing DISCOMs at the DT end and agriculture consumer on the other, but it has no link to transmission or generation. It is not clear how the proposed TGRPDCL can be a distribution licensee, which, as per Section 2(17) of the EAct, is *... "a licensee authorised to operate and maintain a distribution system for supplying electricity to the consumers in his area of supply."*

The Distribution License Regulation 2016 Section 2.1 (11) defines distribution as: *"Conveyance or wheeling of electricity by means of a distribution system."* But the distribution system is not defined in this Regulations.

License issued to TG DISCOMs, as available at [TGERC website](#)¹ has a definition of distribution system in Section 2.3, and it states: *"Distribution System" means any system consisting mainly of cables, service lines and overhead lines, electrical plant and meters having design voltage of 33 kV and under and shall also include any other system of higher voltage as the Commission may specifically recognise. A Distribution System shall not include any part of the Transmission System.*

This definition clearly indicates that the voltage levels of a distribution system is 33kV and below, but of course this applies to TGSPDCL and TGNPDCL.

[Electricity Rules 2005](#) also has a definition of Distribution System, which slightly expands the scope of the System.

From a technical point of view, transmission grid is a meshed network linking generation and bulk distribution, with bi-directional power flows. Traditionally, Distribution network has been radial in nature, with single-directional flow – from substation to consumers. The practice of meshed distribution network to improve reliability in some areas, and the advent of distributed generation/storage has changed the nature of distribution. There are meshed distribution networks and some networks witness bi-directional power flows. Many high contract demand consumers (some LI consumers, for example) are connected to the

¹ These licenses were issued by the erstwhile APERC in the year 2000 for 30 years, for two DISCOMs, which were then named APCPDL and APNPDCL.

transmission system, even though they remain consumers of the DISCOM. All these call for a re-look at the definition of distribution system.

But as per the existing Regulatory framework, it is not clear how TGRPDCL can be designated as a distribution licensee managing a distribution system consisting of only DTs and LT lines. We request TGRPDCL and Hon'ble TGERC to clarify this point.

2.2 Consumer mix

Consumers of TGRPDCL are drawn from a few categories, as shown in Table 1.

Aspect	% of consumers	% of sales	Approx ABR	Arrears %
LT Agriculture	99.92	70	-	-
Others	0.08	30	8.5	100
Total (Lakh, MU, Rs/U, Cr)	29.08	35,218	5.8	35,983

Table 1: Brief details of Consumer mix TGRPDCL

Sources: GO dated 17/12/2025, RSTO for FY25

This data is for 2025. It can be seen that 99.92% of the consumers are LT Agriculture, with Others (Lift Irrigation, HMWSSB, CPWS/Mission Bhagiratha and Water connections with separate DTs) forming a very small percentage. Sales to Others are significant at 30%, their Average Revenue per unit is above the Average Cost of Service and all the consumer arrears are with these Other consumers.

As per the GO of 17/12/2025, arrears of Other consumers, which form 79% of the total consumer arrears are with AGRPDCL. In addition, AGRPDCL is burdened with Rs.26,950 Cr of dues to State GENCOs and Working capital burden of Rs.9,032 Cr. Thus, Rythu DISCOM has to start operation with government receivables of Rs. 35,983 Cr and Liabilities of Rs. 35,982 Cr. These figures are from 2025, and would have to be updated with latest data.

LT Agriculture connections would on the LT network, whereas the Other consumers would be connected to HT or EHT network.

There is no explanation given on why these Other consumers are included in a Rythu DISCOM. Subsidised power supply to agriculture is a policy decision to support farmer livelihood and food security. Supply to other consumers is not subsidised, and non-payment of their bills by GoTG is not tenable. There is some clarity on handling subsidised supply to Agriculture, but no details on the pending arrears and payment issues of other consumers would be addressed. A separate solution has to be evolved to address their arrears and any future build-up of arrears. This could be arrears take over, reducing cost of supply through Virtual Net Metering etc. If such steps are not planned now, the functioning of TGRPDCL would become untenable.

We request TGRPDCL to elaborate on these plans and clarify why these other consumers are proposed to be part of Rythu DISCOM and if they indeed are, what steps are planned to address their receivables and possible future receivables.

2.3 Area of supply and Universal Supply Obligation

Area of operation of TGRPDCL is the whole state of Telangana. As per S 43 (1) of the EAct, a Distribution Licensee has the obligation to provide power supply **to any consumer** who applies for it, with all required documentation and fees (emphasis added).

If this is the case, TGRPDCL cannot legally refuse connections to household consumers, industrial and commercial consumers who approach the licensee for connection. Thus, it is unclear how this licensee will continue to be a DISCOM catering to Agricultural, LIS and water works alone.

If the area of supply is indeed not the entire state of Telangana, then a clear definition is required to be submitted before the licence is granted.

In this context, we request the Commission to require TGRPDCL to clarify how it plans to meet its Universal Service Obligation.

2.4 Quality of Supply and Sales estimation

As a distribution licensee, TGRPDCL will have to honour the Standard of Performance (SoP) Regulations of TGERC so that Quality of Supply and Service (QoS) to its consumer is ensured. The 11 kV and upstream distribution system is owned and operated by the other two DISCOMs. Hence there would be challenges in identifying a QoS problem and rectifying it. Shortage of field staff has been a recurrent issue raised in many public hearings. This could continue to be challenge to Rythu DISCOM, especially if the consumers are not in a geographically contiguous area, as is the case with the other two DISCOMs.

We request TGRPDCL to clarify how it plans to ensure that SoP standards are met and faults quickly rectified.

Agriculture sales estimation has been a contentious issue in Telangana. It has been clearly indicated by MoP that consumption by subsidised categories should not be assessed based on connected load and hours of use, but by suitable metering. Many SERCs have resorted to feeder- based estimation of un-metered agriculture consumption. In TG, repeated directives by Hon'ble TGERC to install meters on all agriculture DTs have not been honoured by the DISCOMs. Now, the proposal is to meter all the 5.2 lakh Agriculture DTs to estimate agriculture consumption. It is not clear if feeder metering would be used to estimate sales, until DT metering is stabilised.

We request TGRPDCL to give the year-wise, circle-wise plans for DT metering and the method for estimating agriculture sales. If the proposal is to undertake this in TOTEX

mode, what would be the recurring cost that TGRPDCL will have to pay to the meter service provider?

2.5 Cross subsidy support

The consumer mix in TGSPDCL and TGNPDCL is quite different, with TGSP having significant cross subsidising consumer categories whose Average Billing Rate (ABR or Average Revenue per Unit sold) is much higher than their Cost of Service (COS). LT Agriculture and some Domestic consumers are the main subsidised categories, whose ABR is far below their COS, leading to significant revenue gap. This revenue gap is part met by cross subsidy fixed by the Commission and part by state government subsidy with any the residual amount remaining as revenue gap.

Our rough understanding is that the total cost of supply to LT Agriculture supply is about Rs. 17,000 Cr, and this supply is free. About 55% of this cost is met by state subsidy and remaining would be required to be met by cross subsidy (amounts to about Rs.7500 Cr).

With the separation of LT Agriculture from existing DISCOMs, assuming cost and revenue structures remain the same, they would have surplus revenue, but would not be able to use it to cross subsidise agriculture supply in TGRPDCL. If some mechanism is not put in place to transfer this cross-subsidy support to TGRPDCL or the cost of supply of TGRPDCL is not substantially reduced, state subsidy requirement would increase. Cross subsidy could be transferred by way of a reduced BST for TGRPDCL (similar to the arrangement in place for RESCO). Cost of supply could be reduced by allocating cheap power to TGRPDCL and subsidising wheeling charges. If these steps are not taken, the state subsidy requirement of TGRPDCL would significantly increase. It is necessary to make a in-depth assessment of this aspect, as of now and in the changed situation with a new DISCOM.

As the cost structures of the TGRPDCL would be different, the impact of its formation on finances and quality of supply cannot be assessed without details of the following, which we request TGRPDCL to provide:

- **PPA allocation or power allocation to the new DISCOM along with plans for solarisation of supply till 2035**
- **Assets identified for allocation to new DISCOM along with capitalisation plans till 2035**
- **Estimation of O&M requirements along with employee costs, R&M requirements as well as smart metering TOTEX costs, if any,**
- **Treatment of liabilities, regulatory asset to be recovered from new DISCOM etc.**

We request the existing DISCOMs to provide the details of cross subsidy that is used to meet the revenue gap in the past three years. We also request them to provide detailed data in the format suggested in Table 2 for past three years.

	Category	Sales MU	Revenue Rs Cr	ABR Rs/U	CoS Rs/U	CoS Rs Cr	Revenue Gap Rs Cr	State subsidy Rs Cr
Subsidised								
	LT Agriculture							
	LT Domestic							
	HT Supply							
	Total subsidised supply							
Non-Subsidised								
	LT Supply							
	HT Supply							
	Total un-subsidised supply							
	Grand Total							

Table 2: Format for Subsidy analysis

This will help identify the average cost of supply for the new DISCOM as well as the cross-subsidy requirements giving a better understanding of the benefits and risks in carving out this company.

3. Suggestions

Sections 14 and 15 of the EAct and TGERC [Distribution License Regulations 2016](#) give the framework for grant of Distribution license. But as per the EAct, the scope and powers of SERC is quite broad and any decision should be taken with due consideration to the impact of the State power sector, consumers and environment. Hon'ble TGERC has often acted with this role as a custodian of the TG power sector. Examples include providing space for discussion on quality of supply during tariff hearings, Regulations on ex-gratia for electric accidents, and public consultations on Resource Plans.

This petition for a new DISCOM could be analysed in that spirit. The two major points to be addressed are:

- 1. How does this step help the financial health of the existing DISCOMs?**
- 2. How does a Rythu DISCOM help the farmers in TG?**

Addressing DISCOM financial health

Financial health of the existing DISCOMs could be improved by a series of steps such as writing off some receivables, state government taking over their debt, improving power purchase planning, rationalising loans, ensuring timely true-up and periodic reasonable

increase in tariff. Performance benchmarks could be provided to ensure that the situation does not recur.

In-depth study on benefit to farmers

A separate entity to manage agriculture supply could help the farmers. But that entity should not have non-agriculture consumers and certainly not inherit losses due to them. These would affect their capacity to upgrade and maintain its network. Its role could be limited to arranging cheaper power supply (so that revenue gap is reduced), address consumer grievances and promote electricity/water use efficiency. It is best if the network construction, O&M and metering is managed by the existing DISCOMs. It is important to take feedback on this issue from farmers and farmer associations.

A detailed analysis along these lines is essential before taking decisions. Sales projections, Power Purchase planning, allocation of PPAs, metering plans, cost elements, revenue structure, subsidy requirement, asset requirements, staffing plan etc should be considered for the next 3-5 years. Rough indications are given in the GO dated 17/12/2025, but that is not sufficient. It is not proper to award the license and wait for three months to get detailed plans. Other institutional options, such as making the Agriculture company a trader with only supply function could be considered.

Experience from other states

Few other states – Maharashtra, Haryana and Andhra Pradesh are also at different stages of setting up a separate company for agriculture supply. The models proposed are different from that of TG, but all of them cover only agriculture consumers and many of them are feeder based. The Maharashtra proposal involves restructuring MSEDCL u/s 131 of the EAct making the new Agriculture company a deemed licensee with only supply function. It also proposes liability take over and capital support by the state government. It also allocates cheaper PPAs to the agriculture company, so as to reduce the cost of service. **It is necessary to study such models, before finalising the suitable model for Telangana.**

Need for fresh petition

As there is lack of clarity on fundamental aspects of this petition such as the manner of meeting universal supply obligation, distribution assets of the new utility, estimated cost of supply and management of cross subsidy, power procurement allocation, the Commission should demand that these details be submitted before a decision is taken on this crucial aspect which would result in irreversible changes in the sector for at least 25 years.

Commission could consider exercising its powers under Regulation 4 (4.1 and 4.2) of the [Distribution Licence Regulations, 2016](#)² to direct TGRPDCL to submit a fresh application in such form and such documents as maybe prescribed by the Commission.

4. Prayer to the Hon'ble TGERC

We request the Hon'ble TGERC to take a broader view on this application for license. We feel it is necessary to make the other DISCOMs and GoTG a party to this petition, since this proposed restructuring would have serious impact on them. Considering the data gaps and uncertainty on possible impacts, the Commission should direct TGRPDCL to submit a fresh application. Based on these considerations, Hon'ble TGERC could also provide policy advice to the state government on this topic.

We request the Hon'ble TGERC to allow us to make additional submission if required and permit us to participate in the public hearing.

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² Regulation 4.1 mentions that the Commission may specify eligibility conditions and disqualifications for grant of license. Regulation 4.2 mentions that license will not be granted if the Commission has doubt on the ability of the applicant to perform its duties and obligations under the Act. The explanations given mention conviction, insolvency etc, but we feel that the Commission could take a final view on this.