

To, The Secretary, T.S. Electricity Regulatory Commission, Vidyut Niyantran 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: 11-05-2026

Dear Sir;

Sub: - Comments on application for grant of distribution licence to Telangana Rythu Power Distribution Company Limited (TGRPDCL).

Ref: - Public notice dated 18.4.2026 in OP No.11 of 2026.

1.1 In response to the above Public Notices we are submitting the following comments on application for grant of distribution licence to Telangana Rythu Power Distribution Company Limited (TGRPDCL).

1.2 Through G.O.Ms.No.44 (Energy Department) dated 17 December 2025 the Government of Telangana (GoTG) notified its decision to set up third DISCOM in Telangana. It will function along with the existing two DISCOMs – TGNPDCL and TGSPDCL. It is named Telangana Rythu Power Distribution Company Limited (TGRPDCL). Its jurisdiction covers whole state of Telangana. It serves consumers in the categories of agriculture, Lift Irrigation Schemes (LIS), HMWSSB, Mission Bhagiratha, and municipal water supply. These consumer categories are government subsidised or government subsidised consumer categories. TGRPDCL filed an application on 6 April 2026 before the Telangana Electricity Regulatory Commission (TGERC), for a Distribution Licence under Section 14 of the Electricity Act, 2003, read with TGERC (Distribution Licence) Regulation No. 4 of 2016.

Rationale for new DISCOM:

2.1 The State Government of Telangana decided to set up a Third DISCOM in the State to address the deteriorating financial position of TGDISCOMs and to improve the electricity supply position of the State. This difficult financial position is attributed to the gap between the Average Billing Rate (ABR) and the Average Cost of Service (ACoS). This precarious financial position of TGDISCOMs had constrained their ability to mobilise funds and to implement essential system upgrades needed to ensure reliable and quality power supply to consumers across the State.

2.2 The existing statutory and regulatory provisions provided to recover cost of power supply through periodic tariff filings and true up claims. Telangana state has experienced

inordinate delays in filing annual tariffs as well as true up claims. Even when the Commission approved true up claims of TGDISCOMs there was no clearance from the GoTG to recover these true up claims. This cannot be solved by creating third DISCOM.

2.3 The present State Government of Telangana brought out “Telangana State Power Sector – White Paper” in December 2023. According to this white paper at the end of the FY 2022-23 TGDISCOMs had negative net worth of Rs. 34,879 Crore and had accumulated losses of Rs. 62,461 Crore. The white paper attributed these losses to issues in estimation of agricultural consumption, procurement of short-term power, and failure to recover true up and fuel cost adjustment amounts. Two and half years have passed since the release of the above white paper and there are no changes in these issues. TGDISCOMs continued to incur losses. By the end of the financial year 2024-25 the accumulated losses of TGDISCOMs increased to Rs. 71,274 Crore.

2.4 The white paper also drew attention to inordinate delays in execution of YTPS and BTPS thermal power plants and their high capital cost. YTPS is yet to declare CoD of the Project. Even after achieving CoD BTPS continued to incur additional capital cost and is reported to be procuring spare parts at high prices.

2.5 The G O Ms No. 44 also has shown another important statistic indicating poor financial health of TGDISCOMs. As on 31st July, 2025 TGDISCOMs have to receive arrears of Rs. 45,398 Crore from government departments. TGDISCOMs have to receive arrears from other consumer categories also.

2.6 According to the tariff order for the FY 2026-27 at the end of FY 2023-24 Rs. 3,386.22 Crore of balance subsidy has to come from GoTG (Para. 3.15.1). Information is not available on whether GoTG had met its subsidy commitment related to FYs 2024-25 and 2025-26.

2.7 Because of these huge receivables TGDISCOMs were not able to pay to power generators, particularly TGGENCO, in time. TGGENCO in turn was not able to pay fuel suppliers in time. Due to these pending payments TGDISCOMs as well as TGGENCO had lower credit ratings leading to higher costs in mobilising funds.

2.8 Without addressing these pending payments from GoTG creation of third DISCOM will not help in any way in improving financial health of electricity utilities in the state.

2.9 In the background of these pending payments from GoTG we cannot expect GoTG to take over, fully or partially, TGDISCOMs' debt.

2.10 The consumer categories allotted to the third DISCOM are government subsidized or government supported consumer categories. These consumer categories are taken away from the incumbent DISCOMs. The third DISCOM alone has to face these problems of arrears from state government departments and delay in disbursement of subsidies by the state government while the incumbent DISCOMs are insulated from these problems. Creation of third DISCOM – TGRPDCL – appears like institutionalising indiscipline and inefficiency. There will be no control over pending arrears from state government departments and disbursement of subsidy by

the State Government. Given the constraints flowing from lack of funds at its disposal the third DISCOM will not be in a position to discharge its services efficiently.

Is the application allowable?

3.1 TGRPDCL filed an application before the TGERC for grant of distribution license under Section 14 of the Electricity Act, 2003. According to this Section “The Appropriate Commission may, on an application made to it under section 15, grant a licence to any person - ... (b) to distribute electricity as a distribution licensee; ...” and “Provided also that the Appropriate Commission may grant a licence to two or more persons for distribution of electricity through their own distribution system within the same area, subject to the conditions that the applicant for grant of licence within the same area shall, without prejudice to the other conditions or requirements under this Act, comply with the additional requirements including the capital adequacy creditworthiness, or code of conduct as may be prescribed by the Central Government, and no such applicant, who complies with all the requirements for grant of licence shall be refused grant of licence on the ground that there already exists a licence in the same area for the same purpose.”

3.2 According to Section 2 (19) of the Act, “‘distribution system’ means the system of wires and associated facilities between the delivery points on the transmission lines or the generating station connection and point of connection to the installation of the consumers:”

3.3 Under the current design of allocation of assets between the incumbent DISCOMs and the present applicant TGRPDCL the latter will get DTRs and lines downstream connecting to the consumers. These DTRs are not connected to the transmission lines or generating station connections. As such it cannot be said that the applicant TGRPDCL has its own distribution system. Though TGRPDCL will be handling more than 40% of the electricity consumed in the State it will not be having a distribution system of its own. As such it is not eligible for a separate distribution licence.

3.4 According to Section 12 of the Regulation 04 of 2016 (Distribution License), “‘A person applying for grant of a licence for distribution of electricity through his own distribution system within the same area of supply of an existing Distribution Licensee shall, in addition to the provisions of Rules 4 to 11 of this Regulation, comply with “Distribution of Electricity Licence (additional requirements of Capital Adequacy, Creditworthiness and Code of Conduct) Rules, 2005” (known as Capital Adequacy Rules) issued by the Central Government.’”

3.5 According to The Distribution of Electricity License (Additional Requirements of Capital Adequacy, credit worthiness & code of conduct) rules 2005, “(1) The appropriate commission shall, upon the receipt of an application for grant of license for distribution of electricity under sub-section (1) of section 15 of the Electricity Act,2003, decide the requirement of capital investment for distribution network after hearing the applicant and keeping in view of the size of the area of supply and the service obligation with that area in terms of section 43.”

“(2) The applicant for grant of license shall be required to satisfy the Appropriate Commission that on a norm of 30% equity on cost of investment as determined under sub-rule (1), he including the promoters, in case the applicant is a company, would be in a position to make available resources for such equity of the project on the basis of net worth and generation of internal resources of his business including of promoters in the preceding three years after excluding his other committed investments”

3.6 The stipulation on net worth is provided to see that the new/parallel DISCOM starts on clean slate and has the financial resources to take up the responsibility of distribution licensee.

3.7 The applicant DISCOM – TGRPDCL - is being carved out of the two incumbent DISCOMs who have negative net worth. Automatically, the third DISCOM will inherit negative net worth from the incumbent DISCOMs. In fact, distribution of assets between the third DISCOM and the incumbent DISCOMs is being done in such a way that most of the negative net worth of the incumbent DISCOMs will be transferred to the third DISCOM, so that accounts of the incumbent DISCOMs will be clean and get higher credit rating.

3.8 The third DISCOM is allotted 79.26% of arrears from Government departments amounting to Rs. 35,982 Crore and 85% of payables to power generators amounting to Rs. 26,950 Crore. The consumer categories allocated to the third DISCOM are either fully subsidised or the public utilities owned and run by the State Government which have piled up huge arrears.

3.9 The new, third DISCOM is being born as handicapped or unwanted. Given the negative net worth inherited by it the third DISCOM would not have any capacity to generate internal resources to take up any meaningful development activity. Though a Net worth certificate for Rs. 5 Crore is produced in response to the Commission’s letter to fill the gaps in information provided as a part of the application for distribution licence, it would be wiped out due to negative net worth running in to thousands of crores of rupees being inherited by it from incumbent DISCOMs.

3.10.1 Under Particulars of the Applicant Point 18 is as follows: “A) Whether Applicant himself shall be financing the proposed distribution of electricity fully on its own balance sheet: Yes” But according to the G O Ms. No.44 it is allotted certain portion of the existing distribution network that is tied up with debt/negative net worth.

3.10.2 Similarly, Point 20 is as follows: “Details of debt proposed for the distribution Activity: Yet to be tied up.” But according to G O Ms. No.44 Rs. 9,032 Crore debt is allocated to it. This G O is issued before TGRPDCL filed the Application for Distribution Licence. This shows that the Application for distribution licence does not reflect the ground reality.

3.11 In the corporate world it is normal to demerge or hive off under performing or loss making unit in to a separate company to save financially healthy part of the Company. But under the E Act and the Rules and Regulations formulated under it for credit worthiness of the parallel licensee it is not possible to create a company which by birth is not credit worthy and financially weak.

3.12 From the above it can be said that TGRPDCL fails net worth test to obtain parallel distribution licence in the State of Telangana.

Asset and Liability allocation:

4.1 According to Section 5 of the G O, “The third DISCOM shall be completely responsible for supplying electricity to the consumers of following categories. Agriculture, Lift Irrigation Schemes (LIS), Composite Protected Water Supply Scheme (CPWS)/ Mission Bhagiratha, Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB), and Municipal water connections with separate DTRs (LT VI-B)”

4.2 Under Assets to be Transferred to Third DISCOM (Section 6) Downstream of assets from the Agri DTR till the end consumption point, that would cover the Agri DTRs and LT Lines are only included. That is asset transfer includes only agriculture pump set related infrastructure. Book value of these assets are Rs. 4,929 Crore.

4.3 Under Assets to be Transferred to Third DISCOM DTRs, HT/LT lines and related electrical infrastructure of other consumer categories to be served by the third DISCOM are not included.

4.4 According to the G O “Loan amount to be transferred to third DISCOM = (Value of Distribution Network Transferred) + (Government Receivables Transferred)– (Payables to GENCO, STU, SCCL Transferred). According to Table 11 in the G O Loans (Rs. 9,032 Crore) = Government receivables (Rs. 35,982 crore) – Generators payables (Rs. 26,950 Crore). There is no mention of Value of Distribution Network Transferred to the third DISCOM in the Table 11. Does it mean that no part of distribution network is transferred to the third DISCOM?

4.5 The paragraph before the Table 11 in the G O is as follows: “The amounts equivalent to Government services arrears, power purchase true ups approved, fuel charge adjustment amounts, cost of assets and other amounts due to DISCOMs by Government of Telangana, equivalent loan amounts and payable to the GENCOs will be transferred to the 3rd DISCOM.” In the Table 11 under the column ‘Assets Transferred’ only amount related to government receivables, i.e., arrears appears.

PPA allocation

5.1 PPA allocation among the three DISCOMs as envisaged in the G O gives rise to many questions. According to Section 9 of the G O, “Existing PPAs with TGGENCO, CGS, IPPs, Inter-state solar, Inter-state Hydel to be split in the ratio of energy requirement.

- o Intra-state solar and NCEs to remain with the incumbent DISCOMs as they are allocated on geographical basis.

- o Upcoming additions in KUSUM & Indira Mahila Sakthi to be allocated to the third DISCOM for RPO compliance.”

5.2 According to Section 3 of the G O the jurisdiction of the third DISCOM shall be the entire State of Telangana. If intra-state renewable energy units are allocated on geographical basis then third DISCOM also shall have its share in these units as its jurisdiction encompasses the whole state of Telangana.

5.3 Upcoming solar units under KUSUM and Indira Mahila Sakthi are allocated to the third DISCOM for RPO compliance. The third DISCOM accounts for 42% of electricity consumption in the State. Given this share in electricity consumption its RPO compliance requirement will be high. The time lines of execution of KUSUM and Indira Mahila Sakthi units are not clear. What shall the third DISCOM do to meet its RPO requirement until these units come on stream? It is doubtful whether electricity generated by KUSUM and Indira Mahila Sakthi units will be sufficient to meet the third DISCOM's RPO compliance.

5.4 Though the third DISCOM accounts for 42% of electricity consumption in the state its consumption (particularly agriculture and lift irrigation schemes) is characterised by intra-day and seasonal fluctuation. Given this fact, there shall be flexibility in allocation of electricity to the third DISCOM.

5.5 Much of electricity consumption in the TGRPDCL license area is either state subsidised or state financed. In order to bring down financial burden on the State Government cheaper power may be allocated to TGRPDCL.

Metering

6.1 The interface meters are proposed to be used for accounting the total energy consumed by the 3rd DISCOM. In accordance with Central Electricity Authority Regulations on meters interface meters must be of 0.2S Accuracy class. All the DTRs of the third DISCOM will be considered as interface points. For Agriculture DTRs, the Smart meters will be installed at the LT side of DTRs for measuring consumption by agriculture services. The existing meters with the other category connections such as LI Schemes, HMWSSB, CPWS/Mission Bhagiratha, Municipal water works (LT VI-B) will be upgraded for 0.2S accuracy.

6.2 In the past the Commission directed the TGDISCOMs to install meters on agriculture DTRs. But TGDISCOMs avoided doing it on one or the other pretext. At one time they reported that they were not able to mobilise finances to take up metering of agriculture DTRs. At another time they responded that agriculture feeders would be separated and metering these separate feeders would be sufficient to measure power consumption by agriculture connections. But they never submitted time line and cost of separate agriculture feeders.

6.3 Under TGRPDCL it is proposed to meter 5,22,479 agriculture DTRs. The smart meter will be of 0.2S accuracy. The cost of Smart Meter installation per DTR is considered at Rs 25,000. Total cost of this metering will be Rs. 1,306 Crore. Recently APEPDCL of Andhra Pradesh has carried out installing smart meters on agriculture DTRs in one circle. Cost of each smart meter was about Rs. 6,000. If this rate is taken into account total cost of installing smart meters on agriculture DTRs in Telangana will be Rs. 313.49 Crores. The cost of metering

mentioned in the G O is four times higher than this. As each DTR is considered as an interface point, meters of higher accuracy have to be installed. The third DISCOM, TGRPDCL, has to incur cost of Rs. 1,000 Crore more for installation of meters on agriculture DTRs.

6.4 In Telangana some feeders serve only agriculture DTRs. These feeders are already metered. In these cases, meters on the feeders will be sufficient to measure electricity consumption. Agriculture DTRs under these feeders need not be metered. To that extent cost of metering agriculture DTRs will come down. If TGRPDCL gets the distribution license this saving may not be possible.

6.5 It is important meter agriculture DTRs to measure electricity consumption by agriculture services. Is it necessary to create a separate DISCOM – TGRPDCL – just to take up this work? What is more cost of metering under new dispensation will be four times more!

6.6 To this one has to add additional cost of upgrading existing meters with the other category connections such as LI Schemes, HMWSSB, CPWS/Mission Bhagiratha, Municipal water works (LT VI-B).

6.7 Agriculture DTRs are spread over nook and corners of the state. Some parts of the State do not have network coverage. In such areas installation of smart meters will not be feasible.

6.8 Under the new dispensation “smart meter reading will be done on monthly basis by both incumbent and third DISCOM.” This situation arises because each DTR is considered as an interface point in electricity supply. Is it possible and necessary for both the incumbent and third DISCOM to take up monthly meter reading of more than five lakh meters?

6.9 If TGRPDCL gets the distribution license it will have the distinction of having the highest number of interface meters!

Cross subsidy

7.1 For the FY 2026-27 the Commission estimated cost of service for LT agricultural connections to be Rs. 8.99 per unit. Power consumption by LT agriculture services is estimated to be 23,193.60 MU. Based on this total cost of power supply to LT agriculture services during the FY 2026-27 will be Rs. 20,851 Crore. Out of this tariff income from the LT agriculture services will be Rs. 118.42 Crore. Government of Telangana has come forward to provide subsidy of Rs.12,181.21 Crore towards free power supply to LT agriculture services. The remaining cost of supply of free power to LT agriculture services amounting to Rs. 8,551.37 Crores has to be met through cross subsidy by subsidizing consumers.

7.2 Once LT agriculture services are transferred to TGRPDCL this cross subsidy burden also has to be borne by the State Government as there will be no subsidizing consumers under TGRPDCL. Creation of a separate DISCOM for LT agriculture services which receive free power supply will lead to substantial additional subsidy burden on the State Government. Separate DISCOM for agricultural services in stead of reducing financial burden on the state government will only add to it.

Manpower

8.1 Proposed manpower requirement for the Third DISCOM for performing Operation & Maintenance responsibility includes 660 engineers, 1,000 O&M staff and artisans, and 340 administrative staff totalling 2,000. According to the G O “the third DISCOM shall be responsible for supply of electricity, billing (if any) and grievance redressal to the said consumer categories.” 2,000 strong staff of the third DISCOM have to attend to nearly 5.25 lakh DTRs and connected wires. Each staff member has to look after more than 260 DTRs and associated wires. At present TGSPDCL has a staff strength of 28,773 and TGNPDCL has a staff strength of 19,308. Can 2,000 strong staff of the third DISCOM manage 42% of power supply in the State?

8.2 At present farmers in Telangana are facing many problems related to electrical supply. They do not have proper technical and manpower support from the existing DISCOMs to tide over their problems related to electrical supply. One of the results of this is death of hundreds of farmers every year due to electrical shocks. This situation will deteriorate further if the proposed manpower allotment is adopted.

8.3 TGRPDCL is also being set up in the name of improving services to farmers. But the way the third DISCOM is being created and structured farmers in the state have to be prepared to face even more difficulties in receiving proper electricity supply.

9. Irrespective of the outcome of the present petition (OP No.11 of 2026) we request the Commission to advise the State Government to release arrears pending from state government departments in a time bound manner. We also request the Commission to direct DISCOMs to take effective steps to bring down arrears from other consumers.

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

Thanking you.

Sincerely yours,

M. Thimma Reddy.