TISMA

TELANGANA IRON & STEEL MANUFACTURERS ASSOCIATION

Regd. No 58 of 2022

Dated: 11-10-2024

TGERC HYDERABAD INWARD
14 OCT 2024
No. Sign

To
The Secretary
TGERC, Vidyut Niyantran Bhavan
Kalyan Nagar, GTS Colony
Hyderabad

Subject: Submission of Comments/Objections on the Petitions Filed by TG Genco and TG DISCOMs – Reg

Ref:
a) Filings made by TG Genco for True-up for FY 2022-23 and MYT for control period FY 2024-25 to FY 2028-29
b) Determination of ARR & Wheeling Charges for 5th Control Period (FY 2024-25 to FY 2028-29) for Distribution Business
c) Determination of ARR for 5th MYT (FY 2024-25 to FY 2028-29) & FPT for FY 2024-25 and CSS for FY 2024-25 for Retail Supply Business

Dear Sir,

Referring to the above-cited subject, **Telangana Iron and Steel Manufacturers Association (TISMA)** hereby submits its preliminary comments and objections on the petitions filed by TG Genco and TG DISCOMs. Due to the limited time available, we are providing initial observations, with a commitment to submit detailed objections during the public hearings on TG Genco's 5th MYT petition, TG DISCOMs' ARR and Wheeling Charges for the 5th MYT Period, FPT and CSS for FY 2024-25.

We kindly request the Hon'ble Commission to consider these preliminary objections and grant us the opportunity to appear in person at the Public Hearing scheduled for the 21st and 23rd of October, 2024, to present our detailed objections.

Thank you for your attention to this matter.

Yours faithfully,
For Telangana Iron and Steel Manufacturers Association (TISMA)

Vinod Kumar Agarwal
9849079571
General Secretary

<u>Brief Statement of Objection on Petition filed by TGGENCO for Truing up the Generation Tariff for the FY 2022-23 and Multi Year Tariff Petition for the period from FY 2024-25 to FY 2028-29 for the existing stations</u>

1. The instant petition has been filed by TGGENCO for the True up of FY 2022-23 and determination of Multi year Tariff (MYT) for the FY 2024-29. The petition for the True up of FY 2022-23 has been filed under the Telangana State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation Tariff) Regulations, 2019 whereas the MYT for FY 2024-29 has been filed under the Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023.

2. **Non-adherence to the timelines of filing of the petitions:**

   Multi-year Tariff for FY 2024-29 – Regulation 6 of the TSERC (Multi Year Tariff) Regulation, 2023 provides for the filing of the MYT petition by 30th November. The relevant extracts of the same are reproduced as under:

   > *"**6 Procedure for filing Petition***
   >
   > *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."*

   Based on the above, it is clear that the instant petition (True up for preceding year and Tariff for each year of the Control period) must have been filed by the Generating company (APGENCO) by 30th November, 2023. However, the Petitioner has filed the instant Petition after a prolonged delay of ~10 months (September 2024) which in the opinion of the Objector is not appropriate.

3. **Absence of Audited Accounts**

   It is well understood that the True up for any FY is to be done in reference to the actual expenses gains against each line item of the ARR. Notably, the MYT Regulations 2019 also provides for the submission of Audited Accounts by the Licensed business along with the Petition to be filed before the Hon'ble Commission:

   > *"**2.2. "Accounting Statement(s)"** means for each Financial Year, the following statements, namely:*
   >
   > *2.2.4. cost records" prescribed by the Central Government under the Companies Act, 2013, as applicable together with notes thereto, and such other supporting statements and information as the Commission*
   > *may direct:*
   >
   > *Provided that separate Accounting Statements shall be prepared and submitted to the Commission for each Licensed Business in accordance with the License conditions, and for each regulated business:*

Provided further that, in case separate Accounting Statements are not submitted for each Licensed Business in accordance with the License conditions and for each regulated business for the FY 2018-19 onwards, the petitions filed by the Generating Entity, may be rejected by the Commission after giving the Petitioner a reasonable opportunity of being heard:"

In addition to non-submission of Audited Statement of Accounts for the FY 2022-23, the Licensee has also failed to provide the Auditor' s certification to substantiate the claim of Non tariff Income, Prior period income which are solely dependent on the Audit Accounts. Accordingly, the Licensee must be directed to submit the Annual Audited Statement of Accounts as part of the instant petition.

4. Operations and Maintenance Expenses

Regulation 19 of the MYT Regulations 2019 provides for the O&M Expenditure based on norms as shown under:

"19. Operating& maintenance expenses (O&M)

19.t. The O&M expenses foreach year of the Control Period shall be approved based on the formula shown below

O&Mn = (R&M + EMPn + A&Gn) x 99%

Where,

R&Mn - Repair and Maintenance Costs of the Applicant for then n th year;

EMPn - Employee Cost of the Applicant for then n th year;

A&Gn - Administrative and General Costs of the Applicant for the n th year;

The above components shall be computed in the manner specified in this clause:

19.2. Employee Cost (EMPn)

Employee cost shall be computed as per the approved norm escalated by CPI, *adjusted by provisions for expenses beyond the control of the Generating Entity and one time expected expenses, such as recovery/adjustment of Terminal Benefits, implications of pay commission, arrears and interim relief, governed by the following formula*

....

...

19.3. Repairs and Maintenance Expense (R&M)

The expense shall be calculated as ***percentage (as per the norm defined)*** *of Opening Gross Fixed Assets for the Year governed by following formula:*

....

....

19.4 Administrative& General Expense (A&G)

A&G expense shall be ***computed as per the norm escalated by the inflation factor*** *and adjusted by provisions for confirmed initiatives (IT etc. initiatives as proposed by the Generating Entity and validated by the Commission) or other expected one-time expenses, and shall be governed by following formula."*

The O&M Expenses claimed by the Petitioner is based on actuals as per the Annual Audited Accounts for the FY 2022-23 and is ~146% of the O&M Expenses approved in the MTR Order. The Petitioner submission is therefore in non-compliance of the MYT Regulations 2019 and does not deserve attention.

Notably, the Petitioner has placed excessive reliance on the Impact of Pay revision to account for the deviation in actual O&M expenses. Even otherwise, the claims made by the Petitioner is not in concurrent with the MYT Regulations 2019 which adequately provide for the one-time claims.

5. **Return on Equity**

The Petitioner has considered the Rate of Roe of 20.713% for thermal stations and run-of river stations and 22.049% for hydel stations with pondage by grossing up the base rate of 15.5% and 16.5% with the applicable Corporate Tax rate of 22% with applicable Surcharge and CESS of 10% and 4% respectively.

It is pointed out that the Tax rate claimed by the Licensee is not in accordance with the MYT Regulations 2019 which provide for the consideration of Tax rate based on actuals. In such regard, the Tax rate must be considered in reference to the Audited Accounts for the FY 2022-23.

6. **Additional Pension liabilities**

The Licensee has not submitted any reasons for the variations in respect of the contribution towards pension liabilities. Additionally, there is no documentary evidence to substantiate the claim of Additional Pension liabilities. Accordingly, the Hon'ble Commission is humbly submitted to disallow any such expense in the absence of necessitating information on record.

7. **Gains sharing on Operational parameters**

Regulation 6.9 of the MYT Regulations 2019 provide for a mechanism for pass through of gains or losses on account of controllable factors. The Licensee has not submitted the proposal for Gain sharing in respect of Variation in performance parameters, such as Availability, Auxiliary Consumption, Secondary fuel oil consumption, Gross Station Heat Rate for the FY 2022-23.

For instance, for KTPS V Genco, the actual SHR is 2307 kCal/ kWh (against normative of 2500 kCal/ kWh), the actual Secondary Fuel Oil Consumption is 0.523 ml/ kWh (against normative of 2 ml/ kWh). The Licensee has failed to pass on the impact of better operational performance to the consumers keeping them devoid of their rightful due.

Brief Statement of Objection on Petition filed by TG discoms (TGSPDCL and TGNPDCL) on:

- **Filing of ARR & Proposed Wheeling Tariffs for Distribution Business for FY 2024-29**
- **Filing of ARR for Retail Supply Business for FY 2024-29 & Tariff Proposals for FY 2024-25**

1. The instant petitions have been filed by TG discoms for the determination of ARR & Wheeling Tariffs for Distribution Business for FY 2024-29 and determination of ARR for Retail Supply Business for FY 2024-29 & Tariff Proposals for FY 2024-25. The instant petition has been filed by both the discoms under the Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023 (MYT Regulations 2023).

2. **Non-adherence to the timelines of filing of the petitions:**

   Multi-year Tariff for FY 2024-29 – Regulation 6 of the TSERC (Multi Year Tariff) Regulation, 2023 provides for the filing of the MYT petition by 30th November. The relevant extracts of the same are reproduced as under:

   > *"**6 Procedure for filing Petition***
   >
   > *6.2 The petitions to be filed for each Control Period under this Regulation are as under:*
   >
   > *b) **Multi Year Tariff petition shall be filed by 30th November of the year preceding the first year of the Control Period by transmission licensee, distribution licensee** (for wheeling business) and SLDC comprising:*
   >
   > *i. **True-up of preceding year;***
   >
   > *ii. Aggregate Revenue Requirement for each year of the Control Period;*
   >
   > *iii. Proposal of Tariff and Charges for each year of the Control Period.*
   >
   > *c) **Multi Year Tariff petition shall be filed by 30th November of the year preceding the first year of the Control Period by distribution licensee (for retail supply business)** comprising:*
   >
   > ***i. True-up of preceding year;***
   >
   > *ii. Aggregate Revenue Requirement for each year of the Control Period;*
   >
   > *iii. Revenue from retail sale of electricity at existing tariffs & charges and projected revenue gap for the first year of the Control Period;*
   >
   > *iv. Proposal of consumer category wise retail supply tariff and charges for first year of the Control Period:*
   >
   > ***Provided that the Multi Year Tariff petitions for the Control Period commencing from 01.04.2024 shall be filed by generating entity, transmission licensee, distribution licensee and SLDC on or before 31.01.2024."***

Based on the above, it is clear that the instant petition lacks on 2 fronts:

- The Licensees have not filed the application for the True up of previous year (which is FY 2022-23) for Distribution and Retail Supply business (ref Regulation 6.2(b)(i) and 6.2(c)(i) respectively).
- the Petitioner has filed the instant Petition after a prolonged delay of ~10 months (July 2024 and September 2024 respectively for Distribution and RST business)) which in the opinion of the Objector is not appropriate. The reasoning put forth by the

Licensees seems to be an afterthought to cover up for the substantial delay caused at the Licensee's end.

On account of instant filings in non-compliance of the MYT Regulations 2023, the Petitioner's submissions merit non-consideration.

3. **Impact of previous years True up of Distribution business**

The Hon'ble Commission in the Order dated 07.06.2024 in the matter of Annual Performance Review of Distribution Business for FY 2022-23 has approved a Revenue Surplus of Rs. 1736.34 crore and Rs. 2227.42 Crore for TGSPDCL and TGNPDCL respectively. The relevant extracts from such Order is as under:

> ***"4.12 RECOVERY OF REVENUE GAP/(SURPLUS)***
>
> *4.12.1 As per Clause 10.5 of Regulation 04 of 2005 the Commission directs the Applicant to include and propose the adjustment mechanism of the **total approved revenue surplus for TGSPDCL for Rs. 1736.34 crore** (gap of Rs. 20.54 crore for FY 2019-20, surplus of Rs. 253.05 crore for FY 2020-21, surplus of Rs. 1114.66 crore for FY 2021-22 and surplus of Rs. 389.17 Crore for FY 2022-23) and **revenue surplus for TGNPDCL for Rs. 2227.42 Crore** (surplus of Rs.384.76 Crore for FY 2019-20, surplus of Rs. 354.02, surplus of Rs. 634.03 Crore and surplus of Rs 854.62 Crore) in its end of control period review petition for 4th control period.*
>
> *This Order is corrected and signed on this the 7th day of June, 2024."*

It is mentioned that the impact of Revenue Gap pertaining to the True up of FY 2019-20 to FY 2022-23 has to be passed in the Retail supply business. The Hon'ble Commission is sincerely submitted to consider the impact of True up of Distribution business in the RST for FY 2024-25.

4. **Capital Cost and GFA**

The petitioner (TGSPDCL) has claimed asset additions to the tune of Rs. 31,589 Crore for the Control period FY 2024-29 which is significantly high compared to the actual Capital Cost capitalized by the Distribution Licensees in the previous control period (FY 2019-24). Notably, such high level of projections for Capital cost is injurious to the financial health of the Distribution licensees as non-capitalization of the projected capital cost would effectively result into the revenue surplus which is against the principles of reasonable cost recovery.