

14 OCT 2024

Gopinath Injeti <ceo@sicma.in>

No.

Sign

Submission of Comments/Objections on recent Petitions Filed by TGGENCO, TGTRANCSO & TGDISCOMS

I.Gopinath <ceo@sicma.in>

To: secy@tserc.gov.in

11 October 2024 at 16:33

Cc: ractsspdcl@gmail.com, cgmir@tsnpdcl.in, tsnpdclrac@gmail.com, cs@tggenco.com, cs@tggenco.in, cs@tgtransco.in, SICMA INFO <info@sicma.in>

To,
✓ **The Secretary**
Telangana State Electricity Regulatory Commission
Hyderabad

We are writing with reference to the following petitions filed by TG GENCO, TG TRANCSO & TG DISCOMS, scheduled for hearings during 21-23 October 2024:

- Filings by TG GENCO for TRUE-UP for FY 2022-23 and MYT for the period FY 2024-25 to FY 2028-29 for Generation Business.
- Filings by TG TRANCSO for determination of tariff for their Transmission Business and SLDC activity for 5th MYT for the period FY 2024-25 to FY 2028-29.
- Filings by TG DISCOMS for determination of ARR & WHEELING Charges 5th control period from FY 2024-25 to FY 2028-29 for their Distribution Businesses.
- Filings by TG DISCOMS for determination of ARR for 5th MYT (FY 2024-25 to FY 2028-29) and TARIFF proposals for FY 2024-25 for their Retail Supply Businesses

Given the extensive documentation and limited timeframe, we are submitting herewith our preliminary comments/objections against the filings of TGGENCO and TGDISCOMS. We seek permission of the Hon'ble Commission for filing and presenting our detailed and comprehensive objections against all the aforementioned petitions of TGGENCO, TGTRANCSO and TGDISCOMS, during the public hearings scheduled during 21-23 October 2024. Further, we request the Hon'ble Commission to permit our consultants, Mercados Energy Markets India Pvt Ltd., to represent us either in-person or virtually during these public hearings.

Yours faithfully

Gopinath Injeti**Chief Executive Officer****South Indian Cement Manufacturers' Association**

Copy to: Company Secretary, TG GENCO, Hyderabad
Copy to: Company Secretary, TG TRANSCO, Hyderabad
Copy to: CGM (RAC), TG SPDCL, Corporate Office, Hyderabad
Copy to: CGM (IPC & RAC), TG NPDCL, Warangal.

2 attachments **Preliminary Objections against filings of TG GENCO.pdf**
6418K **Preliminary Objections against filings of TG DISCOMS.pdf**
6562K

Preliminary Statement of Objections against filings of TGGENCO for Truing Up of Generation Tariff for FY 2022-23 and Multi-Year Tariff Petition for FY 2024-25 to FY 2028-29 for Existing Stations

- 1. Overview of the Petition:** TGGENCO has submitted a petition for the truing up of FY 2022-23 and the determination of a Multi-Year Tariff (MYT) for the period FY 2024-29. The truing up for FY 2022-23 is filed under the Telangana State Electricity Regulatory Commission (TSERC) (Terms and Conditions for Determination of Generation Tariff) Regulations, 2019, while the MYT for FY 2024-29 is submitted under the TSERC (Multi-Year Tariff) Regulation, 2023.
- 2. Timeliness of Filing:** Regulation 6 of the TSERC (Multi-Year Tariff) Regulation, 2023 specifies that the MYT petition should be submitted by November 30 of the year preceding the first year of the Control Period. This includes the True-up for the preceding year. Therefore, the petition should have been filed by TGGENCO by November 30, 2023. However, the current petition was submitted approximately 10 months late, in September 2024, which the Objector believes is inappropriate.
- 3. Lack of Audited Accounts:** The truing up process requires actual expense data from the Annual Revenue Requirement (ARR). The MYT Regulations of 2019 mandate that audited accounts be submitted with the petition. Specifically, Regulation 2.2 states that the accounting statements must include cost records prescribed under the Companies Act, 2013, along with necessary supporting documents. The petitioner has not submitted the audited accounts for FY 2022-23 and has also failed to provide auditor certification for claims related to Non-tariff Income and prior period income. Therefore, the Licensee should be directed to submit the Annual Audited Statement of Accounts along with this petition.
- 4. Operations and Maintenance (O&M) Expenses:** According to Regulation 19 of the MYT Regulations 2019, O&M expenses must be calculated based on specific norms. The petitioner claims O&M expenses based on actual figures from the Annual Audited Accounts for FY 2022-23, which amounts to approximately 146% of the O&M expenses approved in the Multi-Year Tariff Order. This submission does not comply with MYT Regulations 2019. The petitioner has excessively attributed the increased O&M expenses to pay revisions, which is not consistent with the provisions of the MYT Regulations.
- 5. Return on Equity (RoE):** The petitioner has proposed a RoE of 20.713% for thermal stations and 22.049% for hydel stations by grossing up the base rates with applicable corporate tax rates. However, the tax rate used by the Licensee does not align with the MYT Regulations 2019, which require the tax rate to be based on actuals from the audited accounts for FY 2022-23.

6. **Additional Pension Liabilities:** The Licensee has not provided reasons for variations in contributions toward pension liabilities, nor has it submitted documentary evidence to support the claims for additional pension liabilities. Consequently, the Commission is urged to disallow these expenses due to the lack of supporting information.
7. **Gains Sharing on Operational Parameters:** Regulation 6.9 of the MYT Regulations 2019 outlines a mechanism for the pass-through of gains or losses related to controllable factors. The Licensee has not submitted a proposal for gain sharing related to variations in performance parameters for FY 2022-23. For instance, KTPS V Genco's actual Gross Station Heat Rate (SHR) was 2307 kCal/kWh, compared to a normative 2500 kCal/kWh, and the actual secondary fuel oil consumption was 0.523 ml/kWh against a normative 2 ml/kWh. The Licensee's failure to share the benefits of improved operational performance with consumers is a significant oversight.

We shall be filing and presenting our detailed comments /objections against the filings of the TGDISCOMS during the scheduled hearings.



I. Gopinath

Chief Executive Officer

**South Indian Cement Manufacturers Association
(OBJECTOR)**



Date: 11th October 2024

Preliminary Statement of Objections against filings of TGDISCOMS (TGSPDCL & TGNPDCL), with reference to:

- *Filing of Aggregate Revenue Requirement (ARR) and Proposed Wheeling Tariffs for the Distribution Businesses for FY 2024-29 of TGDISCOMS.*
- *Filing of Aggregate Revenue Requirement (ARR) for Retail Supply Businesses for FY 2024-29 and Tariff Proposals for FY 2024-25 of TGDISCOMS.*

1. OVERVIEW OF PETITIONS:

The TGDISCOMS have submitted petitions for determining the ARR and Wheeling Tariffs for their Distribution Businesses for FY 2024-29, as well as for the ARR of the Retail Supply Businesses for the same period and Tariff Proposals for FY 2024-25. These petitions are filed under the Telangana State Electricity Regulatory Commission (Multi-Year Tariff) Regulation, 2023 (MYT Regulations 2023).

2. TIMELINESS OF PETITIONS:

According to Regulation 6 of the TSERC (MYT Regulations 2023), Multi-Year Tariff petitions must be filed by November 30 of the year preceding the first year of the Control Period. The pertinent details include:

- **Filing Requirements for Distribution Licensees:**
 - True-up of the preceding year
 - Aggregate Revenue Requirement for each year of the Control Period
 - Tariff and Charges proposal for each year of the Control Period
- **Filing Requirements for Retail Supply Licensees:**
 - True-up of the preceding year
 - Aggregate Revenue Requirement for each year of the Control Period
 - Projected revenue gap for the first year of the Control Period
 - Proposal for consumer category-wise retail supply tariff and charges for the first year of the Control Period

The regulations stipulate that Multi-Year Tariff petitions for the Control Period starting April 1, 2024, must be filed by January 31, 2024.

The current petitions fall short in two critical areas:

- The Licensees have not included the True-up application for the previous year (FY 2022-23) for both Distribution and Retail Supply (refer to Regulations 6.2(b)(i) and 6.2(c)(i)).

- o The petitions have been submitted approximately 10 months late (July 2024 and September 2024 for Distribution and Retail Supply respectively), which the Objector believes is unjustifiable. The reasons provided by the Licensees appear to be an attempt to rationalize this significant delay. Due to these non-compliant filings with the MYT Regulations 2023, the submissions from the Petitioner should not be considered.

3. IMPACT OF PREVIOUS YEAR'S TRUE-UP ON DISTRIBUTION BUSINESS:

In the Order dated June 7, 2024, concerning the Annual Performance Review of Distribution Business for FY 2022-23, the Hon'ble Commission approved a Revenue Surplus of Rs. 1,736.34 crore for TGSPDCL and Rs. 2,227.42 crore for TGNPDCL. The relevant excerpt states:

"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 emphasized that the impact of the Revenue Gap related to the True-up from FY 2019-20 to FY 2022-23 should be reflected in the Retail Supply Tariff for FY 2024-25.

4. CAPITAL COST AND GROSS FIXED ASSETS (GFA):

TGSPDCL has projected asset additions totalling Rs. 31,589 crores for the Control Period FY 2024-29, which is considerably higher than the actual Capital Cost capitalized by the Distribution Licensees during the previous control period (FY 2019-24). Such high projections for Capital Cost may adversely affect the financial health of the Distribution Licensees, as failure to capitalize the projected costs would lead to revenue surplus, contradicting the principles of reasonable cost recovery.

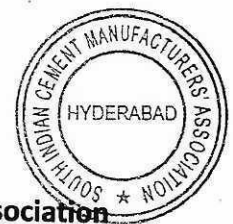
We shall be filing and presenting our detailed comments /objections against the filings of the TGDISCOMS during the scheduled hearings.


I. Gopinath

Chief Executive Officer

South Indian Cement Manufacturers Association

(OBJECTOR)



Date: 11th October 2024