

October 13, 2022

The Secretary,
TSERC
5th Floor, Singareni Bhavan,
Red Hills,
Hyderabad.

Dear Sir,

Sub:Filing of the True-up petition for the Distribution Business for the FY 2006-07 to FY 2020-21, under Multi-Year Tariff principles in accordance with the “Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005” by TSSPDCL and TSNPDCL – objections / comments of TAAPMA

Ref: Public Notice issued by TSDISCOMs on 18/08/2022 & 08/09/2022

Referring to the subject, TAAPMA is hereby submitting its comments/objections in the matter of True-up of Distribution Business for the period from FY 2006-07 to 2020-21 filed before Telangana State Electricity Regulatory Commission by TSSPDCL and TSNPDCL.

Request you to accept our additional objections if any, at the time of public hearing and also give us the opportunity to present our objections in person at Public Hearing.

We request you to consider our late submission. We regret the inconvenience caused.

Thanking You
Yours Sincerely,
(For TAAPMA)



Arun Lahoti
Hon.Secretary



**Telangana And Andhra Plastics Manufacturers Association
(TAAPMA)**

Statement of Objections

against the

**Filing of the True-up petition for the Distribution Business
for the FY2006-07 to FY2020-21, under Multi-Year Tariff
principles in accordance with the “Andhra Pradesh
Electricity Regulatory Commission (Terms and Conditions
for Determination of Tariff for Wheeling and Retail Sale of
Electricity) Regulation, 2005”**

by the

**Southern Power Distribution Company of
Telangana Limited (TSSPDCL)**

&

**Northern Power Distribution Company of
Telangana Limited (TSNPDCL)**

as the Distribution licensee

September, 2022

TABLE OF CONTENTS

STATEMENT OF OBJECTIONS	3
1 INADEQUATE DATA /DETAILS /DOCUMENTARY EVIDENCES PROVIDED.....	4
2 INSTANT TRUE-UP EXERCISE IS NOT IN ACCORDANCE TO THE HON’BLE TRIBUNAL’S JUDGEMENT DATED 11.11.2011 IN OP NO. 1 OF 2011	6
3 NON-COMPLIANCE TO TSERC’S TARIFF REGULATIONS, 2005 AND ITS SUBSEQUENT AMENDMENTS	8
4 NON-COMPLIANCE TO THE HON’BLE TSERC’S GUIDELINES FOR INVESTMENT APPROVAL (FEBRUARY 2006).....	10
5 NON-COMPLIANCE TO THE HON’BLE TSERC’S DIRECTIVES AS PER TSERC ORDER DATED 29.04.2020	13
6 UDAY MOU SIGNED BETWEEN MINISTRY OF POWER, GOVT. OF TELANGANA AND TS DISCOMS	16
7 O&M EXPENSES	22
8 DEPRECIATION.....	30
9 RETURN ON CAPITAL EMPLOYED.....	31
10 NON-TARIFF INCOME.....	42
11 OTHER EXPENDITURE	44
12 ALLOWABLE TRUE-UP AS PER OBJECTOR’S ASSESSMENT.....	46
13 PRAYERS	57

THE STATEMENT OF OBJECTIONS BY THE OBJECTOR

STATEMENT OF OBJECTIONS

The Distribution licensees namely Southern Power Distribution Company of Telangana Limited and Northern Power Distribution Company of Telangana Limited (hereinafter referred to as the 'discoms' or 'TS Discoms' or 'Petitioners' or 'distribution companies' or 'Licensees') have filed the Petitions for True up of the Distribution Business for FY2006-07 to FY2020-21 as per Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005.

The Statement of Objections is herein being filed on behalf of 'Telangana And Andhra Plastics Manufacturers Association (TAAPMA)', formerly known as Andhra Pradesh Plastic Manufacturers Association (APPMA), (hereinafter also referred to as Objector), an Association which was started in 1969 as a Trade Association for the manufacturers of the plastic industry in the states of Telangana and Andhra Pradesh and currently having its office at 914, Ninth Floor Raghava Ratna Towers, Chirag Ali Lane, Abids Hyderabad 500001, Telangana, India (hereinafter called the 'Objector'). The main function of the TAAPMA is to promote and protect the interests of trade, commerce and industry

TAAPMA has been working pro-actively to facilitate issues related to open access for its consumers and in facilitating a competitive power market in the country. Industrial consumers account for about 25~39% of the total energy sales of the Telangana Distribution Utilities. They contribute about 36~41% to the total revenue from tariffs. The special characteristics of the Industrial consumers that benefit the Utilities are:

- They are the subsidising category of consumers for the utilities. Hence they are the revenue earners ensuring better returns for the utilities.
- The Load curve and consumption pattern enable better capacity utilisation and low Cost of Service for the Utilities in comparison to LT consumer categories.

The Objector strongly objects to the Filing of the True-up Petition for the Distribution Business for the FY2006 to FY2021 (herein after referred to as the 'Tariff Petition' or 'Petition' or 'Subject Petition') and prays that the True-up Application may be rejected *in limine*, in the interest of justice and equity. The brief facts, propositions, analysis, grounds for the above prayer of the Objector are narrated herein below:

1 INADEQUATE DATA /DETAILS /DOCUMENTARY EVIDENCES PROVIDED

- 1.1. It is to be noted that the TS Discoms have filed the True-up Petitions for their Distribution Business for FY 2006-07 to FY 2020-21. The said submissions of both the Discoms are inadequate in the terms of details/data/justification/documentary evidence provided for the true-up claims made by TSSPDCL and TSNPDCL. The Objector has already addressed the same issue before Hon'ble TSERC via its Letter dated 29th August, 2022. However, the Objector has neither received any replies nor the requested information from the TS Discoms. A copy of the same letter is attached herewith as **Appendix-A**.
- 1.2. To reiterate what is mentioned in the letter, the Objector is pointing out the detailed data and documentary evidence supporting such data which are not furnished by the Petitioners in the instant Petitions:
- Formula-linked workable excel model for True-up Petitions filed by TSNPDCL and TSSPDCL for FY 2006-07 to FY 2020-21;
 - Mapping of each Financial Certificate with the associated work and cost (along with soft copies of work and cost details) for each year from FY 2006-07 to FY 2020-21 for both TSNPDCL and TSSPDCL;
 - Complete set of Audited Reports/Accounts for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21;
 - Formula-linked workable excel model of Fixed Asset Register for every year from FY 2006-07 to FY 2020-21;
 - Reconciliation Statements for each year from FY 2006-07 to FY 2020-21 of the True-up Amounts for each ARR element claimed by TSNPDCL and TSSPDCL with the Audited Reports/Accounts for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21; This should also include the break-up between Retail Supply Business and Distribution Business for each cost and revenue element;
 - All Actuarial Valuation Reports for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21;
 - Detailed Report on Wage Revision Impact for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21;
 - Detailed explanation with supporting documents for increase in Repair and Maintenance Expenses for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21;
 - Detailed explanation with supporting documents for increase in Administrative and General Expenses for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21;

- All Tax Evaluation Reports and Tax Assessment Orders for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21;
 - All Orders of the Hon'ble TSERC in O.P. No.s 39, 40, 41, 42, 43, 44, 45 and 46 of 2021 along with I.A. No.s 12, 13, 14, 15, 16, 17, 18 and 19 of 2021 and O.P. No. 20 of 2022 and O.P. No. 22 of 2022;
 - Pending Petitions/Appeals of the TSSPDCL and/or TSNPDCL (as Appellant/Respondent/Both) in TSERC/High Court/Supreme Court/Any other court that are related to the Electricity Distribution Business of TSSPDCL and/or TSNPDCL;
- 1.3. In the absence of above details and particulars, the prudence check of the claims made by the Petitioners cannot be conducted and gainful detailed objections/comments cannot be framed by the Objector. The Hon'ble Commission is requested to direct the Petitioners to furnish the above data along with comprehensive workable excel model for the same.
- 1.4. In the absence of complete information, the Objector has analysed the True up Petitions on a best effort basis using the limited information available in public domain and preliminary observations/comments/objections are discussed in detail in subsequent sections of the report.
- 1.5. It is prayed that the Hon'ble Commission may permit the Objector to participate and make additional submission and produce additional details and documentations before and during the course of the Public Hearing, in the interest of justice and equity.

2 INSTANT TRUE-UP EXERCISE IS NOT IN ACCORDANCE TO THE HON'BLE TRIBUNAL'S JUDGEMENT DATED 11.11.2011 IN OP NO. 1 OF 2011

2.1. The Hon'ble Tribunal vide its Judgement dated 11.11.2011 in OP No. 1 of 2011 had issued the following directives to the State Commissions:

“(i) Every State Commission has to ensure that Annual Performance Review, true-up of past expenses and Annual Revenue Requirement and tariff determination is conducted year to year basis as per the time schedule specified in the Regulations.

(ii) It should be the endeavour of every State Commission to ensure that the tariff for the financial year is decided before 1st April of the tariff year. For example, the ARR & tariff for the financial year 2011-12 should be decided before 1st April, 2011. The State Commission could consider making the tariff applicable only till the end of the financial year so that the licensees remain vigilant to follow the time schedule for filing of the application for determination of ARR/tariff.

(iii) In the event of delay in filing of the ARR, truing-up and Annual Performance Review, one month beyond the scheduled date of submission of the petition, the State Commission must initiate suo-moto proceedings for tariff determination in accordance with Section 64 of the Act read with clause 8.1 (7) of the Tariff Policy.

...

(v) Truing up should be carried out regularly and preferably every year. For example, truing up for the financial year 2009-10 should be carried out along with the ARR and tariff determination for the financial year 2011-12.

...

66. We direct all the State Commissions to follow these directions scrupulously, and send the periodical reports by 1st June of the relevant financial year about the compliance of these directions to the Secretary, Forum of Regulators, who in turn will send the status report to this Tribunal and also place it on its website.”

(Emphasis supplied)

2.2. It is prayed that the Hon'ble Commission may take cognizance of the aforementioned directives of the Hon'ble Tribunal made vide its Judgement dated 11.11.2011 in OP No. 1 of 2011.

2.3. A copy of the Hon'ble Tribunal's Judgement dated 11.11.2011 in OP No. 1 of 2011 is attached herewith as **Appendix-B**.



Telangana And Andhra Plastics Manufacturers Association

3 NON-COMPLIANCE TOTSERC'S TARIFF REGULATIONS, 2005 AND ITS SUBSEQUENT AMENDMENTS

3.1. The Tariff Regulations, 2005 and its subsequent Amendments stipulate the following:

“9 Resource Plan

9.1 The Distribution Licensee shall file for Commission's approval a Resource Plan on 1st April of the year preceding the first year of Control Period. The Resource Plan shall inter alia, contain the Sales Forecast, Load Forecast, Power Procurement Plan and a Distribution Plan (Capital Investment Plan) consistent with the requirements of the Commission's Guidelines on Load Forecast and Resource Plan (Distribution Plan and Power Procurement Plan) as amended from time to time.

Provided the Resource Plan for the first Control Period may be filed along with the Multi-year filings for ARR of the first Control Period.

9.2 The Commission shall approve the Resource Plan as per the Guidelines on Load Forecast, Resource Plan (Distribution Plan and Power Procurement Plan) and the Distribution Licensee shall adopt them in the Multi-Year and Annual filings for the Control Period.

...

16 INVESTMENT PLAN

16.1 The Commission shall adopt the Capital Investment Plan approved as part of the Resource Plan in terms of clause 9 of this Regulation for the purpose of determining the Regulated Rate Base (RRB) at the commencement of the Control Period:

Provided that for the first Control Period, the Distribution Licensee shall file its Capital Investment Plan for the Control Period as part of its Multi-Year Filings for Commission's approval.

16.2 The Distribution Licensee shall seek approval for individual schemes in the Capital Investment Plan at least 90 days before undertaking the investment in accordance with the Guidelines on Investment Approval. The individual schemes/projects submitted by the Distribution Licensee for Commission's approval must provide complete details including those relating to the cost and capitalisation for each year of the Control Period.

16.3 The Commission may provide corrections in the ARR of the Distribution Licensee for subsequent years of the Control Period to the extent of deviation from the investments approved as part of the Capital Investment Plan. The Distribution Licensee shall justify the deviations beyond 1.0 percent for each individual scheme/project and any other material deviations from the Capital

Investment Plan including introduction of; or substitution of existing schemes/ projects by, new scheme/project (s).”

(Emphasis supplied)

- 3.2. Thus, as per the above Regulations, it is evident that the Hon'ble Commission may provide corrections in the ARR of the Distribution Licensee for subsequent years of the Control Period to the extent of deviation from the investments approved as part of the Capital Investment Plan such that the TS Discoms shall have to:
- Seek approval for individual schemes in the Capital Investment Plan at least 90 days before undertaking the investment in accordance with the Guidelines on Investment Approval
 - The individual schemes/ projects submitted by the Distribution Licensee for Commission's approval must provide complete details including those relating to the cost and capitalisation for each year of the Control Period
 - Justify the deviations beyond 1.0 percent for each individual scheme/project and any other material deviations from the Capital Investment Plan including introduction of; or substitution of existing schemes/ projects by, new scheme/project (s)
- 3.3. From the instant Petitions, it is apparent that the Petitioners have not complied with the above stipulations as per the Tariff Regulations of the Hon'ble Commission.
- 3.4. It prayed that the Hon'ble Commission may direct the Petitioners to submit a point-by-point compliance report of the above along with all of the necessary supporting documents and evidences and the same may be made available on the public domain so that the Objector may submit its objections/comments on the same.
- 3.5. If the Petitioners fail to prove absolute compliance to the Hon'ble Commission's Tariff Regulations, it prayed that the Hon'ble Commission may reject the instant Petitions *in limine*.

4 NON-COMPLIANCE TO THE HON'BLE TSERC'S GUIDELINES FOR INVESTMENT APPROVAL (FEBRUARY 2006)

4.1. The TSERC's Guidelines for Investment Approval (February 2006) stipulates the following:

"1.1 As per the provisions of paragraph 10 of the Transmission and Bulk Supply Licence (Licence No. 1/2000) and paragraph 9 of the Distribution & Retail Supply License (Licence No. 12/2000), the Licensee shall promptly notify the Commission of any Schemes pertaining to the Transmission or Distribution System which the Licensee from time to time proposes to implement.

As per the Licence conditions, the Licensees are required to obtain prior approval of the Commission for any investment above Rs.500 lakhs (major investment).

The Licensee needs to demonstrate to the satisfaction of the Commission that:

(a) there is a clear need for the major investment and it forms part of the Licensee's Resource Plan. In case the major investment proposed in any year of the control period is not covered under the approved Resource Plan, the Licensee has to establish the need, justification and urgency to take up the scheme in the time-frame proposed and

(b) the Licensee has examined the economic, technical, system and environmental aspects of all viable alternatives to the proposal.

...

Periodic Reporting

1.8 The Licensee shall submit to the Commission periodic progress reports duly correlated to the commissioning schedules. This monitoring shall take place at the end of every half-year. The Licensee shall submit to the Commission a progress report within 15 days of end of each such monitoring period. This progress report should provide details of the progress made in each of the approved Schemes.

1.9 The Licensee shall indicate the expenditure incurred till the reporting period vis-à-vis the provisions approved by the Commission while approving the investment Scheme.

1.10 The Licensee shall submit the details of the Scheme completed indicating the original cost, interest during construction, expenses capitalised and original schedule of completion, as approved by the Commission for such scheme along with the actual cost, interest during construction, expenses capitalised, etc. and, date of completion.

1.11 On completion of a scheme or a usable module of the scheme, a Physical Completion Certificate (PCC) to the effect that the work in question has been fully executed, physically, and the assets created are put to use, is required to be issued by the engineer concerned not below the rank of Superintendent Engineer. The PCC shall be accompanied with a Financial Completion Certificate (FCC) to

the effect that the assets created have been duly entered in the Fixed Assets Register by transfer from the CWIP register to OCFA. The FCC shall have to be issued by an officer not below the rank of Senior Accounts Officer. The Licensee shall submit these certificates to the Commission within 60 days of completion of work/module/scheme, at the latest.

1.12 The Commission or its authorized representative shall have the right to verify the correctness of the PCC and FCC.

1.13 The Licensee shall also undertake a post-completion review of the Scheme to assess whether the objective of the investment is met or not and whether or not the desired benefits are accruing from the Scheme and submit a report to the Commission after twelve months of its completion.

1.14 The waiver granted for implementing Schemes below Rs. 500 lakhs relaxes only the requirement of obtaining prior Commission approval for the investment. The Commission still retains the authority to assess the efficiency and economy with which the Licensee makes any investment and to verify that these investments are consistent with the spirit of the Licence and the Act, and for this purpose may require the Licensee to furnish details of any such scheme, from time to time.

1.15 If it comes to the Commission's notice that the quality of supply to consumers in a particular area is below the standards set out by the Commission due to lack of investments in the Transmission System or Distribution System in that area, the Commission may suo motu direct the Licensee to make investment in Schemes that would result in improvement of the quality of supply. Provided however that while issuing such a direction, the Commission would take into consideration the Licensee's resource position."

(Emphasis supplied)

4.2. As can be observed from the above the Guidelines for Investment Approval mandate the TS Discoms to:

- Obtain prior approval of the Commission for any investment above Rs. 500 lakhs (major investment) providing due justifications. (Such that the waiver granted for implementing Schemes below Rs. 500 lakhs relaxes only the requirement of obtaining prior Hon'ble Commission approval for the investment. The Hon'ble Commission still retains the authority to assess the efficiency and economy with which the Licensee makes any investment and to verify that these investments are consistent with the spirit of the Licence and the Act, and for this purpose may require the Licensee to furnish details of any such scheme, from time to time.)
- Submit the PCC and FCC certificates (On completion of a scheme or a usable module of the scheme) to the effect that the assets created have been duly entered in the Fixed Assets Register by transfer from the CWIP register to OCFA to the Hon'ble Commission *within 60 days of completion of work/module/scheme, at the latest.* (Such
-

- that the Hon'ble Commission or its authorized representative shall have the right to verify the correctness of the PCC and FCC.)
- Undertake a post-completion review of the Scheme to assess whether the objective of the investment is met or not and whether or not the desired benefits are accruing from the Scheme and submit a report to the Commission after twelve months of its completion.
- 4.3. It is observed that the Petitioners have flouted the 60 days limit for submission of PCC and FCC certificates. Moreover, in the instant Petition, Petitioners have not provided the mapping of each PCC and FCC with the associated work and cost (along with soft copies of work and cost details) for each year from FY 2006-07 to FY 2020-21 for both TSNPDCL and TSSPDCL. Nor have the Petitioners submitted their Fixed Asset Registers for every year from FY 2006-07 to FY 2020-21.
- 4.4. It is prayed that the Hon'ble Commission may take cognizance of the above provisions of the Guidelines for Investment Approval and direct the Petitioners to submit the necessary reports/documents and evidences and the same may be made available on the public domain so that the Objector may submit its objections/comments on the same.
- 4.5. Furthermore, it is prayed that the Hon'ble Commission may take due action providing due reasoning in accordance to the following provisions of the Guidelines for Investment Approval:
- “1.16 Based on the information provided by the Licensee as per the process as specified in the preceding paragraphs, the Commission may, if it comes to the conclusion that the Licensee had not followed the provisions of the guidelines or has been guilty of negligence or wilful default in implementing a Scheme which are not consistent with the objectives sought to be achieved by such investments, disallow recovery of such cost in the Tariff Order or pass such other orders, as the Commission may consider appropriate.***
- 1.17 If the assessment suggests that the company has overestimated the amount needed for investments, the Commission reserves the right to reduce the project cost of the scheme and take any other action it deems appropriate.***
- ...
- 1.19 Without prejudice to the above the Commission may at any time direct the Licensee to comply with such further or other conditions as the Commission may consider appropriate for undertaking investments consistent with the objects of the Andhra Pradesh Electricity Reform Act, 1998 (Act No. 30 of 1998), the Electricity Act, 2003, the Regulations framed thereunder and the terms and conditions contained in the Licences issued by the Commission.***
- 1.20 Any violation of these conditions shall be a breach of the obligations assumed by the Licensee under Transmission & Bulk Supply Licence and/or the***

Distribution and Retail Supply Licence and may be subjected to the same proceedings as if the terms of the licence conditions have been violated or not complied with by the Licensee.”

(Emphasis supplied)

- 4.6. A copy of the TSERC’s Guidelines for Investment Approval (February 2006) is attached herewith as **Appendix-C**.

5 NON-COMPLIANCE TO THE HON’BLE TSERC’S DIRECTIVES AS PER TSERC ORDER DATED 29.04.2020

- 5.1. As per the Distribution order dated 29.04.2020 of TS Discoms pertaining to 4th Control Period (FY2019-20 to FY 2023-24) issued by the Hon’ble TSERC, the Hon’ble Commission had directed the TS Discoms as follows:

“1. Neutral Wire-HVDC areas

*The Commission directs the DISCOMs to run neutral wire from 33/11 kV SS to all single phase transformers both existing and new installations without resorting to use of earth as return conductor. Further, the DISCOMs are directed to strictly implement earthing practices as per 61(1)(a), 67(1A) and 92 of IE Rules, 1956 and provide three earth pits as per the prescribed construction standards. **The DISCOMs shall submit half yearly reports by 31st October and 30th April for the periods ending 30th September and 31st March respectively.***

2. True-up for 1st, 2nd and 3rd Control Periods

The Commission directs the DISCOMs to submit their true-up claims along complete details sought regarding the capitalization claimed for each year of the 1st, 2nd and 3rd Control Periods in the Petitions to be filed for Annual Performance Review for FY 2019-20. The DISCOMs are also directed to submit the requisite supporting documents such as Physical Completion Certificates (PCCs), Financial Completion Certificates (FCCs) etc. as mandated in the investment approval guidelines.

The Commission directs the DISCOMs to make a detailed submission regarding the differential treatment of GoTS under the UDAY scheme and likely consequences of the same in in the Petitions to be filed for Annual Performance Review for FY 2019-20. The Commission directs the DISCOMs to submit the details of long-term loans viz., loans availed for capital expenditure, taken over by GoTS under UDAY scheme in the Petitions to be filed for Annual Performance Review for FY 2019-20.

3. Computation of depreciation in accordance with CERC (Terms and Conditions of Tariff) Regulations, 2019

The Commission directs the DISCOMs to submit the computations of depreciation for each year of 4th Control Period in accordance with the provisions of the CERC Tariff Regulations, 2019 in Annual Performance Review for each year of 4th Control Period.

4. Capital Investments

The DISCOMs shall seek approval for individual schemes at least 90 days undertaking the investment in accordance with the Guidelines for Investment Approval. The individual schemes/ projects submitted by the DISCOMs for Commission's approval must provide complete details including those relating to the cost and capitalisation for each year of 4th Control Period.

Considering the importance of capitalisation of works, the Commission lays down the following requirements to be fulfilled before accepting inclusion of the value of capitalised work in the Original Cost of Fixed Assets (OCFA):

a. On completion of a capital work, a physical completion certificate (PCC) to the effect that the work has been fully executed, physically, and the assets created are put in use, to be issued by the concerned engineer not below the rank of Superintendent Engineer.

b. The PCC shall be accompanied or followed by a financial completion certificate (FCC) to the effect that the assets created have been duly entered in the fixed assets register by transfer from the Capital Works in Progress (CWIP) register to OCFA. The FCC shall have to be issued by the concerned finance officer not below the rank of Senior Accounts Officer.

c. The above mentioned certificates have to be submitted to the Commission within 60 days of completion of work, at the latest. The Commission may also inspect or arrange to inspect, at random, a few of the capitalised works included in the OCFA to confirm that the assets created are actually being used and are useful for the business."

- 5.2. It is apparent from the instant Petitions of the TS Discoms that the TS Discoms have not complied with the directives of the Hon'ble Commission's Distribution order dated 29.04.2020.
- 5.3. It prayed that the Hon'ble Commission may direct the Petitioners to submit a point-by-point compliance report of the aforementioned directives along with all of the necessary supporting documents and evidences and the same may be made available on the public domain so that the Objector may submit its objections/comments on the same.



Telangana And Andhra Plastics Manufacturers Association

- 5.4. If the Petitioners fail to prove absolute compliance to the Hon'ble Commission's directives in the aforementioned Distribution order dated 29.04.2020, it prayed that the Hon'ble Commission may reject the instant Petitions *in limine*.

6 UDAY MOU SIGNED BETWEEN MINISTRY OF POWER, GOVT. OF TELANGANA AND TS DISCOMS

6.1. In the instant Petitions, the Discoms have submitted as follows:

TSSPDCL:

*“Subsequently in 2017, Telangana Discoms entered in to UDAY scheme and as per the agreement, total outstanding debt balance of TSSPDCL of Rs.5550.21 crores (75% of total outstanding) as on 21.02.2017 has been taken over by Government of Telangana. The GoTS has released Rs. 4593.84 crores in FY 2016-17 and Rs. 282.93 Crores in 2017-18 in the form of Equity. **The outstanding loans of the Discoms which includes long -term and short-term borrowings has been taken over by the GoTS in the form of Equity infusion in the DISCOMs.** Therefore as per the Regulation mandate, though DISCOM has savings through interest & principle repayment portion of loans but since the same has been taken as equity infusion by GoTS but not as a capital grant it attracts Return on Equity @ 14% p.a as per Regulation 4 of 2005.*

...

Therefore, no benefit has been accrued to the DISCOM due to UDAY as the equity infusion by the GoTS attracts return on equity of 14% which is higher than the cost of debt that would have incurred in the absence of UDAY scheme. Further, it is noteworthy to mention that the loans taken under UDAY also comprises FRP & other loans taken to meet the working capital requirements and these costs of finance are not allowed as a pass through under Distribution or Retail Supply Business.

The GoTS has taken over Rs. 5550 crores of loans of TSSPDCL under UDAY agreement. The Breakup of capital expenditure loans and Working capital loans taken over by GoTS under UDAY is tabulated below:

Total Loans taken over under UDAY Scheme	5,500.00	Crs.
CAPEX Loans	1,851.40	Crs.
Working Capital Loans	3,698.60	Crs.

The Honble Commission has not considered any interest of working capital loans for

power purchase in the Retail Supply ARR. Only loans to meet capital expenditure have been considered in the Distribution Business ARR.

But, the Honble Commission has computed the savings as INR 743.88 Crores for TSSPDCL for each year of FY 2017-18 and FY 2018-19 in respective Retail Supply Tariff Orders which includes savings towards capital expenditure loans and working

capital loans for each year. These savings were already considered as pass through in the Retail Tariffs for FY 2017-18 and FY 2018-19. Therefore, the DISCOM prays before the Honble Commission to

- **Consider the loans taken under UDAY by GoTS as equity infusion**
- **Consider no savings on loans under UDAY scheme for the DISCOM and the computed savings of Rs. 1487.76 crores (for two years) which was already passed through the tariffs in retail supply Tariff Order FY 2017-18 and FY2018-19, may be added back to the True-ups of third control period i.e. FY2014-15 to FY 2018-19**

Hence, the DISCOM prays the Hon'ble Commission to allow the True-ups for the 3rd control period entirely as per the Regulation.

Particulars	Rs. in crores
Third Control Period Gap	1300.69
Add. Savings already considered in the Retail Supply Tariff Order FY 2017-18 & FY 2018-19	1487.76
Total True-up Gap	2788.45

Further, in compliance to the Directive No. 3 of the Distribution Business Tariff Order for 4th Control Period (FY 2019-2024), the details of the loans taken over under UDAY scheme is enclosed as Annexure -II.”

TSNPDCL:

“Subsequently in 2017, Telangana Discoms entered in to UDAY scheme and as per the agreement, total outstanding debt balance of TSNPDCL of Rs.3373 crores (75% of total outstanding) as on 30.09.2015 has been taken over by Government of Telangana. The GoTS has released Rs. 2,396 crores in 2016-17 and Rs.450 crores in 2017.18 in the form of Equity. **The outstanding loans of the Discoms which includes long--term and short-term borrowings has been taken over by the GoTS in the form of Equity infusion in the DISCOMS.** Therefore, as per the Regulation mandate, though DISCOM has savings through interest & principle repayment portion of loans but since the same has been taken as equity infusion by GoTS but not as a capital grant it attracts Return on Equity @ 14% p.a as per Regulation 4 of 2005.

...

Therefore, no benefit has been accrued to the DISCOM due to UDAY as the equity infusion by the GoTS attracts return on equity of 14% which is higher than the cost of debt that would have incurred in the absence of UDAY scheme. Further, it is noteworthy to mention that the loans taken under UDAY also comprises FR loans taken to meet the power purchase payments and

these costs of finance are not allowed as a pass through under Distribution or Retail Supply Business.

The GoTS has taken over Rs. 3,373 crores of loans of TSNPDCL under UDAY agreement. The Breakup of capital expenditure loans and Working capital loans taken over by GoTS under UDAY is tabulated below.

Total Loans taken over under UDAY Scheme	3,373	Crs.
CAPEX Loans	940	Crs.
Working Capital Loans	2,433	Crs.

The Hon'ble Commission has not considered any interest Pass-through of working capital loans for power purchase in the Retail Supply ARR. Only loans to meet capital expenditure have been considered in the Distribution Business ARR.

But, the Hon'ble Commission has computed the savings as INR 372.54 Crores for TSNPDCL for each year of FY 2017-18 and FY 2018-19 in respective Retail Supply Tariff Orders which includes savings towards capital expenditure loans and working capital loans for each year. These savings were already considered as pass through in the Retail Tariffs for FY 2017-18 and FY 2018-19. Therefore, the DISCOM prays before the Hon'ble Commission to

- **Consider the loans taken under UDAY by GoTS as equity infusion.**
- **Consider no savings on loans under UDAY scheme for the DISCOM and the computed savings of Rs.745.08 crores (for two years) which was already passed through the tariffs in retail supply Tariff Order FY 2017-18 and FY 2018-19, may be added back to the True-ups of third control period ie FY 2014-15 to FY 2018-19.**

Hence, the DISCOM prays the Hon'ble Commission to allow the True-ups for the 3rd control period entirely as per the Regulation.

Particulars	Rs. in crores
Third Control Period Gap	82.82
Add. Savings already considered in the Retail Supply Tariff Order FY 2017-18 & FY 2018-19	745.08
Total True-up Gap	827.90

Further, in compliance to the Directive No. 3 of the Distribution Business Tariff Order for 4th Control Period (FY 2019-2024), the details of the loans taken over under UDAY scheme is enclosed as Annexure – XI.”

(Emphasis supplied)

6.2. As per the UDAY MoU signed between Ministry of Power, Govt. of Telangana and the TS Discoms, the Govt. of Telangana had committed to take the following measures:

“a) Taking over 75% of the debt of the Telangana DISCOMs as on 30th September, 2015 by 31-03-2017.



Telangana And Andhra Plastics Manufacturers Association

b) The Borrowings made by the state to takeover DISCOMs debt during 2016-17 shall be utilized by Government of Telangana solely for the purpose of discharging the DISCOMs debt and transfer to DISCOMs as a mix of grant, loan or equity as described in the following table:

(Rs. in Crores)

<i>Year</i>	<i>Total Debt taken over</i>	<i>Transfer to the DISCOMs in the form of Grants</i>	<i>Transfer to the DISCOMs in the form of Loan</i>	<i>Transfer to the DISCOMs in the form of Equity</i>	<i>Outstanding State Loan of the DISCOMs</i>
<i>Year - 1 (By 31-03-2017)</i>	<i>75% of the total debt i.e. Rs. 8923 Crs.</i>	<i>50% of Rs 8,923 cr Rs 4,462 crs to be taken over in 2016-17</i>	<i>25% of Rs 8923 crs -Rs 2230 crs</i>	<i>25% of Rs 8923 crs - Rs 2,231 crs will be issued in 2016-17</i>	<i>Rs. 2230 Crs</i>

**Discoms to pay the interest on loans till takeover by Go I S. The loan to be taken over by GoTS in the year 2017-18.*

...

e) The Government of Telangana shall issue non-SLR bonds to raise funds for providing grant to the DISCOMs.

g) The takeover of the debt shall be in the order of debt already due, followed by debt with highest cost:

<i>Year</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>
<i>Previous year's DISCOMs loss to be taken over by State</i>	<i>0% of the loss of 2015-16</i>	<i>5% of the loss of 2016-17</i>	<i>10% of the loss of 2017-18</i>	<i>25% of the loss of 2018-19</i>	<i>50% of the previous year loss</i>

h) Government of Telangana shall provide Operational Funding Requirement (OFR) support to the DISCOMs, till the DISCOMs achieves turnaround.

...

j) Government of Telangana shall guarantee repayment of principal and interest payment for the balance debt remaining with DISCOMs / bonds issued by DISCOMs.

k) Henceforth, Banks / FIs shall not advance short term debt to DISCOMs for financing losses. Therefore, Government of Telangana shall guarantee the bonds issued by DISCOMs or issue bonds itself to meet current losses after 1st October 2015, if any, within the limit of loss trajectory finalised by MoP.”

6.3. As can be observed, as per the Terms of the UDAY MoU, the Govt. of Telangana had committed to:

- Takeover 75% of the debt of the Telangana DISCOMs as on 30th September, 2015 by 31-03-2017
 - The Borrowings made by the state to takeover DISCOMs debt during 2016-17 would be transferred to the Discoms *as a mix of grant, loan or equity*.
 - To issue non-SLR bonds to raise funds for providing grant to the DISCOMs.
 - Provide Operational Funding Requirement (OFR) support to the DISCOMs, till the DISCOMs achieves turnaround.
 - Guarantee repayment of principal and interest payment for the balance debt remaining with DISCOMs / bonds issued by DISCOMs.
 - Guarantee the bonds issued by DISCOMs or issue bonds itself to meet current losses after 1st October 2015, if any, within the limit of loss trajectory finalised by MoP.
- 6.4. As per the UDAY MoU signed between Ministry of Power, Govt. of Telangana and the TS Discoms, the TS Discoms had committed to take the following measures:
- “a) For the 25% of the debt remaining with DISCOM as on 30th September, 2015 DISCOM to fully/ partially issue state government guaranteed bonds or get them converted by Banks/FIs into loans or bonds with interest not more than the Banks base rate plus 0.1 %.***
- DISCOMs to ensure timely payment of lender's dues towards principal/interest for the balance debt remaining with them.***
- b) The DISCOMs shall pay interest to the Government of Telangana on the outstanding Government Guaranteed bonds for the Go TS loan in a financial year at the rate at which Telangana Government issued non-SLR Bonds.”***
- (Emphasis supplied)***
- 6.5. It is prayed that the Hon’ble Commission may ensure that the borrowings made by the state to takeover DISCOMs debt during 2016-17 would be transferred to the Discoms as a mix of grant, loan or equity are strictly in accordance with the Terms of the UDAY MoU and that the other commitments of Govt. of Telangana and the TS Discoms are being strictly complied with.
- 6.6. Wherever there is non-compliance of the Terms of the UDAY MoU, it is prayed that the Hon’ble TSERC may take note of the same in its Order and disallow any claims made by the Petitioners which are in violation of the Terms of the UDAY MoU in the instant Petition.

7 O&M EXPENSES

7.1. The TSSPDCL and TSNPDCL Discoms have claimed a true up of Rs. 2,555.61 Crores & Rs. 1,403.56 Crores respectively towards the variation in the O&M Expenses for the Period from FY 2006-07 to FY 2020-21. The TSSPDCL and TSNPDCL have stated the actual O&M expenses to the tune of Rs. 20,299.95 Crores & Rs. 12,037.99 Crores respectively against the approved value of Rs. 17,744.34 & 10,634.43. The Objections in respect of the variation in O&M expenses claimed by the Licensee are provided below:

A. Truing up of O&M expenses is not allowable as it is a Controllable Expense

7.2. As per clause 10.4 of the Tariff Regulations, the O&M expenses are 'Controllable' expenses and the Hon'ble Commission in its latest Tariff Order dated 29.04.2020 and past orders had allowed the same on normative basis. In view of the provisions of the APERC Tariff Regulations, 2005, the variation in respect of 'Controllable' expenses are not allowable. The Relevant clauses (10.5 to 10.8) of the APERC Tariff Regulations is interpreted below:

“10.5 Pass-through of gains and losses on variations in "uncontrollable" items of ARR: - The Distribution Licensee shall be eligible to claim variations in "uncontrollable" items in the ARR for the year succeeding the relevant year of the Control Period depending on the availability of data as per actuals with respect to effect of uncontrollable items Provided that the Commission shall allow the financing cost on account of the time gap between the time when the true-up becomes due and when it is actually allowed and the corrections shall not be normally revisited

10.6 Sharing of gains and losses on variations in "controllable" items of ARR; - The Distribution Licensee in its annual filings during the Control Period shall present gains and losses for each controllable item of the Aggregate Revenue Requirement. A statement of gain and loss against each controllable item will be presented after adjusting for any variations on account of uncontrollable factors

***10.7 For the purpose of sharing gains and losses with the consumers, only aggregate gains or losses for the Control Period as a whole will be considered. The Commission will review the gains and losses for each item of the ARR and make appropriate adjustments wherever required
Provided that for the first Control Period, insofar as the gains and losses from the Retail Supply Business of the Distribution Licensee are concerned, these will be shared with the consumers on yearly basis.***

10.8 Notwithstanding anything contained in this Regulation, the gains or losses in the controllable items of ARR on account of factors that are beyond the control of the Distribution Licensee -force majeure -- shall be passed on as an additional

charge or rebate in ARR over such period as may be specified in the Order of the Commission.”

(Emphasis Supplied)

- 7.3. Above stated clauses 10.5-10.8 of the defined regulation clearly depicts a picture that only force majeure items are allowed for pass through over and above the normative values, subjected to Commission prudence check.
- 7.4. Contrary to this, the Petitioners have claimed the entire variation in O&M expenses without appreciating that Reg.10.8 provides that only the gains and losses on account of factors which are beyond the control of the Petitioner – force majeure – are to be allowed.
- 7.5. Basically, the Operation and Maintenance Expenses consist of three elements:
- A. Employee Cost Expenses
 - B. Repair and Maintenance Expenses
 - C. Administrative and General Expenses
- 7.6. As Discoms are regulated entities, the Hon’ble Commission has set out the allowable norms for these three components in the relevant tariff orders which are to be strictly adhered. However, both the Discoms have deviated from the approved norms. The major reasons stated in instant Petitions against the deviation are as below:
- Wage Revision
 - Regularization of outsourcing employees
 - Actuarial Valuation Report
 - Leave Encashment
 - DA hike and new recruitment
 - Increase in Repairs and Maintenance cost
 - Increase in travelling and vehicle hire expenses
- 7.7. It is reiterated that the Hon’ble Commission may direct the Petitioners to submit the following details, without which prudence check exercise of *Wage Revision, Actuarial Valuation Report, Leave Encashment, Increase in Repairs and Maintenance cost, Increase in travelling and vehicle hire expenses*, would be hampered:
- All Actuarial Valuation Reports for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21;
 - Detailed Report on Wage Revision Impact for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21;
 - Detailed explanation with supporting documents for increase in Repair and Maintenance Expenses for TSNPDCL and TSSPDCL from FY 2006-07 to FY2020-21;

- Detailed explanation with supporting documents for increase in Administrative and General Expenses for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21;

B. Enabling Provision for O&M expenses computation as per APERC Regulation 2005:

- 7.8. Clause 14 of the APERC Tariff Regulations, 2005 stipulate the following pertaining to Operation and Maintenance Expenses:

“14 OPERATION AND MAINTENANCE COSTS

14.1. Operation and Maintenance (O&M) costs shall comprise the following:

- a. Salaries, wages and other employee costs;*
- b. Administrative and General costs;*
- c. Repairs and maintenance, and*
- d. Other miscellaneous expenses, like legal charges, audit fees, lease charges, rent, rates and taxes etc.*

14.2. The Distribution Licensee in its filings for the Control Period shall submit consolidated O&M expenses for the Base Year of the Control Period, and two years preceding the Base Year. The O &M expenses for the Base Year shall be determined based on latest audited accounts, best estimates of Distribution Licensee of actual O&M expenses for relevant years and other factors considered relevant. The O&M expenses the Base Year, if required, will be used for projecting the expenses for each year of Control Period.

14.3 The composite O&M expenses permissible towards revenue requirement for each year the Control Period shall be determined, by using pre-determined norms or formulae this purpose. These norms or formulae shall be determined by the Commission based on Distribution Licensee's submissions in this regard, previous years' actual expenses and any other factors considered relevant by the Commission.”

(Emphasis supplied)

C.O&M norms defined in the MYT order dt. 27.03.2015 & 29.04.2020

7.9. Notwithstanding the previous points, it is submitted that the Hon’ble Commission vide its Order dt. 27.03.2015 has defined the O&M norms for FY 2015-16 to FY 2018-19 as follows:

Table No. 4.7 – Approved cost allocation to each cost driver for the years 2015-16 to 2018-19

TSSPDCL (in Rs)	2015-16	2016-17	2017-18	2018-19
Employee cost per Substation	6306348	6880946	7507898	8191974
Employee cost per KM of Line (ckt.km)	34653	37810	41255	45014
Employee cost per DTR	32632	35605	38849	42389
Employee cost per Consumer	1329	1450	1582	1726
A&G cost per Substation	1808036	1972774	2152522	2348647
A&G cost per KM of Line(ckt.km)	8521	9297	10144	11068
A&G cost per DTR	8018	8749	9546	10416
A&G cost per Consumer	321	350	382	417

Table No. 4.8 – Approved R&M Norms for the years 2015-16 to 2018-19

Elements	TSSPDCL	TSNPDCL
Norms for R&M expenses in % of opening GFA	1.92%	1.72%

TSNPDCL (in Rs)	2015-16	2016-17	2017-18	2018-19
Employee cost per Substation	5329633	5815238	6345089	6923217
Employee cost per KM of Line(ckt.km)	24488	26720	29154	31811
Employee cost per DTR	25551	27879	30419	33190
Employee cost per Consumer	1103	1204	1313	1433
A&G cost per Substation	1240150	1353145	1476436	1610960
A&G cost per KM of Line(ckt.km)	5698	6217	6784	7402
A&G cost per DTR	5945	6487	7078	7723
A&G cost per Consumer	257	280	306	333

7.10.

7.11. In the same manner, the Hon'ble Commission has also approved the O&M norms for FY 2019-20 and FY 2020-21 as follows vide its Order dt. 29.04.2020:

Table 5–12: Norms of employee cost and A&G expense for 4th Control Period

Rs. in crore

Particulars	FY 2019-20		FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24	
	TSSPDCL	TSNPDCCL	TSSPDCL	TSNPDCCL	TSSPDCL	TSNPDCCL	TSSPDCL	TSNPDCCL	TSSPDCL	TSNPDCCL
Employee Cost per substation	7231070	6296800	7558362	6581806	7900468	6879710	8258058	7191099	8631833	7516582
Employee Cost per km of line length	17067	14084	17840	14722	18647	15388	19491	16084	20373	16812
Employee cost per DTR	5715	6219	5973	6501	6244	6795	6526	7103	6822	7424
Employee Cost per consumer	570	616	595	644	622	673	651	704	680	736
A&G expenses per substation	522690	326005	546347	340761	571076	356185	596924	372306	623942	389157
A&G expenses per km of line length	1234	729	1290	762	1348	797	1409	833	1473	870
A&G expenses per DTR	413	322	432	337	451	352	472	368	493	384

Particulars	FY 2019-20		FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24	
	TSSPDCL	TSNPDCCL	TSSPDCL	TSNPDCCL	TSSPDCL	TSNPDCCL	TSSPDCL	TSNPDCCL	TSSPDCL	TSNPDCCL
A&G expenses per consumer	41	32	43	33	45	35	47	36	49	38

Table 5–13: Computation of K factor for FY 2018-19

Particulars	Units	FY 2018-19	
		TSSPDCL	TSNPDCCL
Opening GFA	Rs. crore	12524.39	6042.99
R&M expenses	Rs. crore	126.66	71.98
K factor	%	1.01%	1.19%

**The R&M expenses for each year of 4th Control Period have been arrived at by multiplying the K factor with the opening GFA for the respective year*

7.12. The Objector has computed the allowable True-up for the TSSPDCL and TSNPDCL in accordance to the above norms defined by the Hon'ble Commission and the actual Substations, Line Length, DTR, Consumer and GFA data as available in the Audited Accounts of the Petitioners:

Information provided in Audited Accounts for TSSPDCL

TSSPDCL	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
No. of Substations	1,344	1,407	1,488	1,593	1,644	1,675
Line Length in KM	2,55,613	2,62,889	2,78,106	2,89,253	2,98,932	3,55,613
No. of DTRs	3,18,765	3,44,763	3,98,586	4,11,372	44,35,453	4,57,384
No of Consumers	68,97,922	73,21,151	76,24,732	82,53,998	87,52,121	91,07,326

(All Figures in Crores)

TSSPDCL	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
GFA*	7,806	9,716	11,265	12,524	14,192	16,417

Information provided in Audited Accounts for TSNPDCL

TSNPDCL	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
No. of Substations	1110	1195	1283	1368	1405	1439
Line Length in KM	2,16,224	2,13,606	2,18,194	2,62,158	2,67,844	2,72,083
No. of DTRs	2,42,539	2,55,087	2,66,213	2,82,666	2,95,018	3,05,031
No of Consumers	51,78,054	52,74,360	54,29,988	57,05,258	59,81,954	61,77,230

(All Figures in Crores)

TSNPDCL	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
GFA*	4,275	4,807	5,421	6,043	7,030	7,888

Allowable O&M expenses for TSSPDCL as per Objector Assessment:

(All Figures in Crores)

TSSPDCL	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Employee Cost	786.67	897.48	1,031.69	730.86	791.61	863.71
A&G Expenses	220.04	256.00	293.25	50.87	56.76	78.80
R&M	166	150	187	216	126	143
O&M Expenses	1,172.85	1,303.36	1,511.48	998.02	974.87	1,085.85

Allowable O&M expenses for TSNPDCL as per Objector Assessment:

(All Figures in Crores)

TSSPDCL	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Employee Cost	517.20	589.30	677.03	546.98	588.10	629.47
A&G Expenses	134.36	153.21	175.98	29.16	31.32	33.49
R&M	68	74	83	93	72	84
O&M Expenses	719.41	816.04	935.69	669.38	691.34	746.62

* Note: GFA figures (Netted off CWIP) has been considered as per consistent methodology adopted by Hon'ble TSERC

7.13. The detailed computation of allowable O&M expenses for FY16 - 21 is attached herewith as **Appendix-D**

Summary of Disallowances in O&M Expenses as per Objector's Assessment - TSSPDCL:

(All Figures in Crores)

(All Figures in Crores)

Over the control period 2009-14						
TSSPDCL (O&M Cost)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment(E=C-A)	Disallowance in deviation claimed (F =D-E)
Operation and Maintenance Cost	3,969.21	4,886.00	3,969.21	916.79	0.00	916.79

(All Figures in Crores)

Over the control period 2014-19						
TSSPDCL (O&M Cost)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment(E=C -A)	Disallowance in deviation claimed (F =D-E)
Operation and Maintenance Cost	7,154.92	8753.00	6002.54	1598.08	-1152.38	2750.46

(All Figures in Crores)

Over the control period 2019-21						
TSSPDCL (O&M Cost)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment(E=C -A)	Disallowance in deviation claimed (F =D-E)
Operation and Maintenance Cost	5,451.85	5,105.37	2100.03	-346.48	-3351.82	3005.34

Summary of Disallowances in O&M Expenses as per Objector's Assessment - TSNPDCL:

(All Figures in Crores)

Over the control period 2006-09						
TSNPDC (O&M Cost)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment(E=C -A)	Disallowance in deviation claimed F =D-E
Operation and Maintenance Cost	608.42	753.00	608.42	144.58	0.00	-463.84

(All Figures in Crores)

Over the control period 2009-14						
TSNPDC (O&M Cost)	Approved (A)	Claimed (B)	As per Objector Assessment	Deviation (D=B-A)	Deviation allowable as per Objector	Disallowance in deviation claimed

Telangana And Andhra Plastics Manufacturers Association

			(C)		Assessment(E=C-A)	F =D-E
Operation and Maintenance Cost	1,629.22	2,426.00	1629.22	796.78	0.00	-832.44

(All Figures in Crores)

Over the control period 2014-19						
TSNPDCL (O&M Cost)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment(E=C-A)	Disallowance in deviation claimed F =D-E
Operation and Maintenance Cost	4,471.00	5275.00	3505.46	804.00	-965.54	-3667.00

(All Figures in Crores)

Over the control period 2019-21						
TSNPDCL (O&M Cost)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment(E=C-A)	Disallowance in deviation claimed F =D-E
Operation and Maintenance Cost	3,925.79	3,583.99	1356.20	-341.80	-2569.59	-4267.59

7.14. It is prayed that the Hon'ble Commission may limit the O&M expenses to the approved value for the period 2006-2015 and may allow the O&M expenses (based on norms approved by the Hon'ble TSERC) as per Objector's Assessment for the period 2016-21.

8 DEPRECIATION

- 8.1. It has been observed that the Distribution Licensees have computed depreciation in the instant Petition using the depreciation rates notified by Ministry of Power (MoP), GOI and incorporated the same into the RRB and expenditure calculations.
- 8.2. As per the enabling provision listed in APERC Tariff Regulations, 2005, depreciation ought to be computed as per the defined CERC rates. This is affirmed by the Hon'ble Commission in Clause 15 of its Tariff Regulations:

“15.1 For each year of the Control Period, depreciation shall be calculated on the amount of Original Cost of the Fixed Assets included in the RRB at the beginning of each year of the Control Period:

Provided that depreciation on assets funded by consumer /user contributions or through any capital subsidy/ grant etc. shall not be allowed in the revenue requirement of the Transmission Licensee.

15.2 Depreciation allowance for each year of the Control Period shall be determined, generally based on the methodology, rates and other terms as decided by CERC from time to time.

15.3 Depreciation shall be charged from the 1st April of the following year from the date the asset is put to use.”

(Emphasis supplied)

- 8.3. Additionally, the Hon'ble Commission's views in this regard as per Distribution Order dated 29.04.2020 are reproduced below:

“3.8 DEPRECIATION

Commission's Views

3.8.3 Regulation No.4 of 2005 stipulates that the depreciation shall be calculated on the amount of Original Cost of Fixed Assets included in the Regulated Rate Base at the beginning of each year of the Control Period, generally based on the methodology, rates and other terms as decided by CERC from time to time. The Commission has approved the depreciation for 4th Control Period considering the rates of depreciation as specified by CERC in its Tariff Regulations, 2019 as detailed in Chapter.”

(Emphasis supplied)

- 8.4. Thus, it is evident from the Tariff Regulations and the above-mentioned Hon'ble Commission's view that Depreciation is to be computed as per the rates specified by CERC from time to time.

8.5. Therefore, it is prayed that the Hon'ble Commission may direct the petitioner to revise its Depreciation claims in accordance to the Regulation 15 of the APERC Tariff Regulations 2005, and subsequently allow Depreciation after due prudence check.

9 RETURN ON CAPITAL EMPLOYED

9.1. The TSSPDCL and TSNPDCL discoms have claimed a true up of Rs. 185.99 Crores and Rs.525.01 Crores respectively towards the variation in the Return on Capital Employed (RoCE) for the Period FY 2007 to FY 2021. The TSSPDCL and TSNPDCL has stated that the actual RoCE is to the tune of Rs. 5,080.21 Crores and Rs. 2,524.27 Crores respectively. The Objections in respect of the variation in RoCE claimed by the Licensee are provided below:

A. Enabling provision for RoCE computation in the APERC Tariff Regulations, 2005

15 RETURN ON CAPITAL EMPLOYED

15.1 Return on Capital Employed (RoCE) for the RRB for the year 'i' shall be computed in the following manner:

$$\text{RoCE} = \text{WACC} * \text{RRB}_i$$

Where,

WACC is the Weighted Average Cost of Capital as fixed by the Commission for the Control period and expressed in terms of percentage;

RRB is the Regulated Rate Base (the asset base) approved by the Commission for each year of the Control period on which the Distribution Licensee shall be entitled to earn a return based on the Commission approved Weighted Average Cost of Capital (WACC).

i: ith year of the Control Period, i = 1, 2, 3 for the first Control Period

- The WACC shall be computed in the following manner:

$$\text{WACC} = \left[\frac{D/E}{1+D/E} \right] r_d + \left[\frac{1}{1+D/E} \right] r_e$$

Where,

D/E is the Debt to Equity Ratio and shall be determined at the beginning of the Control Period after considering Distribution Licensee's proposal, previous years' D/E mix, market conditions and other relevant factors

r_d is the Cost of Debt and shall be determined at the beginning of the Control Period after considering Distribution Licensee's proposals, present cost of debt, market conditions and other relevant factors.

r_e is the Return on Equity and shall be determined at the beginning of the Control Period after considering CERC norms, Distribution Licensee's proposals, previous years' D/E mix, risks associated with distribution & supply business, market conditions and other relevant factors

The Weighted Average Cost of Capital as determined above shall remain unchanged during the Control Period.

- The Regulated Rate Base (RRB) for the purposes of computing the RoCE for a year of the Control Period will be computed in the following manner.

$$\text{RRB}_i = \text{RRB}_{i-1} + \Delta \text{RAB}_i + \text{WC}_i$$

Where,

RRB_i : Regulated Rate Base for the ith year of the Control period

ΔRAB_i: Change in the Rate Base in the ith year of the Control Period. This component would be the average of the value at the beginning and end of the year as the asset creation is spread across a year and is arrived at as follows:

$$\Delta \text{RAB}_i = (\text{Inv}_i - D_i - \text{CC}_i) / 2$$

Where,

Inv_i: Investments projected to be capitalised during the ith year of the Control Period and approved.

D_i: Amount set aside or written off on account of Depreciation of fixed assets for the ith year of the Control Period.

CC_i: User Contributions pertaining to the ΔRAB_i and capital grants/subsidies received during ith year of the Control Period for construction of service lines or creation of fixed assets.

RRB_{i-1}: Regulated Rate Base for the financial year preceding the ith year of the Control period and shall be determined on the basis of approved Capital Investment Plan referred to in clause 16.1 of this Regulation. For the first year of the Control Period, RRB_{i-1} will be the Regulated Rate Base for the Base Year i.e. RRB₀. The values for the Base Year will be determined based on the latest audited accounts available, best estimates of the actuals pertaining to the relevant years and any other factors considered relevant by the Commission.

$$\text{RRB}_0 = \text{OCFA}_0 - \text{AD}_0 - \text{CC}_0,$$

where

OCFA₀: Original Cost of Fixed Assets at the end of the Base Year available for use and necessary for the purpose of the licensed business

AD₀: Amounts written off or set aside on account of depreciation and advance against depreciation if any, of fixed assets pertaining to the regulated business at the end of the Base Year

CC₀: Total contributions pertaining to the OCFA₀, made by the users towards the cost of construction of distribution/service lines by the Distribution Licensee and also includes the capital grants/subsidies received for this purpose.

B. RoCE Computation Methodology adopted as per the MYT Order dated 27.03.2015:

9.2. The relevant extract of the MYT Order is reproduced below:

“31. Calculation of Return on capital employed (ROCE)

As per Regulation 4 of 2005, the Return on Capital Employed is a permitted as an element of ARR. The amount claimed in this manner is expected to meet the cost of debt and cost of equity to finance the assets used in the distribution business. The Return On Capital Employed is generally worked out under regulated framework as follows:

The value of capital/net assets used in the distribution business defines the Regulated rate base Weighted Average Cost of Capital (WACC) in percentage is worked out based on a) debt –equity ratio (capital structure) b) cost of debt and c) return on equity, and

WACC, in percent, is applied on RRB to arrive at ROCE for each year of control period.

31.4. Return on Capital Employed (ROCE): *As per Regulation, return on Capital Employed is calculated by multiplying the regulated base rate with weighted average cost of capital. The amount claimed through return on Capital employed is to meet the cost of debt and the cost of equity.”*

(Emphasis supplied)

9.3. In line with the Clause 15 of the APERC Tariff Regulations and the RoCE Computation Methodology adopted as per the MYT Order dated 27.03.2015, the Objector has computed the RoCE allowable to TSSPDCL and TSNPDCL based on the Audited

• **WC_i:** Working Capital Requirement in the ith year of the Control Period and shall be considered as being equal to one twelfth of the Operations and Maintenance expenses as allowed for that year.

Account
s for the
respecti

ve control Period as follows:

Consumer Contributions -TSSPDCL									
Particular	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
Opening	607.31	738.12	958.58	1,185.52	1,446.64	1,652.84	2,001.53	2,387.66	2,772.96
Addition	130.82	220.46	226.93	261.12	206.20	348.68	386.13	385.30	(139.11)
Closing	738.12	958.58	1,185.52	1,446.64	1,652.84	2,001.53	2,387.66	2,772.96	2,633.84
Consumer Contributions -TSSPDCL									
Particular	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21			
Opening	2,633.84	3,076.25	3,508.11	3,926.13	4,538.70	5,257.91			
Addition	442.40	431.86	418.02	612.57	719.21	582.83			
Closing	3,076.25	3,508.11	3,926.13	4,538.70	5,257.91	5,840.74			

Consumer Contributions - TSNPDCL									
Particular	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
Opening	237.20	244.56	287.86	289.89	354.37	406.08	462.35	540.92	617.24
Addition	7.36	43.30	2.03	64.48	51.71	56.28	78.56	76.32	65.73
Closing	244.56	287.86	289.89	354.37	406.08	462.35	540.92	617.24	682.97

Consumer Contributions - TSNPDCL							
Particular	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	
Opening	682.97	673.25	755.62	875.09	946.29	1,019.03	
Addition	(9.72)	82.37	119.47	71.19	72.74	137.58	
Closing	673.25	755.62	875.09	946.29	1,019.03	1,156.61	

Depreciation - TSNPDCL									
Depreciation - TSSPDCL									
Particular	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
Opening Acc Dep	1,341.17	1,543.66	1,777.36	2,038.61	2,333.91	2,660.23	3,051.34	3,504.94	4,012.54
Dep Addition	202.49	233.70	260.93	295.30	325.93	390.35	452.79	507.53	476.06
Adj/Deduction	-	-	0.33	-	0.40	0.75	0.81	0.06	(912.18)
Closing Dep	1,543.66	1,777.36	2,038.61	2,333.91	2,660.23	3,051.34	3,504.94	4,012.54	3,576.41

Depreciation - TSSPDCL						
Particular	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Opening Acc Dep	3,576.41	4,122.04	4,801.83	5,622.67	6,485.60	7,492.46
Dep Addition	544.52	673.28	832.33	855.81	996.99	1,066.58
Adj/Deduction	1.10	6.52	-11.49	7.12	9.88	1.97
Closing Dep	4,122.04	4,801.83	5,622.67	6,485.60	7,492.46	8,561.01

Particular	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
Opening Acc Dep	689.26	798.42	918.19	1,053.95	1,222.08	1,393.67	1,585.80	1,791.79	2,017.44
Dep Addition	109.44	120.29	136.50	168.30	178.04	195.84	213.67	232.08	246.54
Adj/Deduction	0.28	0.53	0.74	0.16	6.44	3.72	7.68	6.43	20.57
Closing Dep	798.42	918.19	1,053.95	1,222.08	1,393.67	1,585.80	1,791.79	2,017.44	2,243.41

Depreciation - TSNPDCL						
Particular	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Opening Acc Dep	2,243.41	2,608.71	2,836.21	3,168.46	3,546.82	3,981.81
Dep Addition	367.61	299.06	335.45	379.91	444.87	322.62
Adj/Deduction	2.31	71.57	3.19	1.56	9.87	25.38
Closing Dep	2,608.71	2,836.21	3,168.46	3,546.82	3,981.81	4,279.05

GFA-TSSPDCL							
Particular	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Opening GFA*	3,020.14	3,170.98	3,801.82	4,427.99	5,118.20	6,479.19	7,463.92

GFA - TSSPDCL								
Particular	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14
Opening GFA*	3,020.14	3,170.98	3,801.82	4,427.99	5,118.20	6,479.19	7,463.92	8,472.17
Addition	159.52	630.95	626.55	690.21	659.07	1,872.46	1,913.28	2,133.02
Decapitalisation	8.68	0.11	0.38	-	-	887.73	905.04	1,036.22
Closing	3,170.98	3,801.82	4,427.99	5,118.20	5,777.27	7,463.92	8,472.17	9,568.97
Addition	159.52	630.95	626.55	690.21	659.07	1,872.46	1,913.28	
Decapitalisation	8.68	0.11	0.38	-	-	887.73	905.04	
Closing	3,170.98	3,801.82	4,427.99	5,118.20	5,777.27	7,463.92	8,472.17	

GFA -TSNPDCL									
Particular	FY 07	FY 08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Opening GFA*	1,623.87	1,756.90	1,916.01	2,353.62	2,721.42	2,945.77	3,291.19	3,664.58	3,944.51
Addition	133.57	159.17	440.10	371.78	234.82	353.73	388.65	293.37	370.13
Decapitalisation	0.54	0.06	2.50	3.98	10.47	8.30	15.25	13.45	39.66
Closing	1,756.90	1,916.01	2,353.62	2,721.42	2,945.77	3,291.19	3,664.58	3,944.51	4,274.98
GFA -TSNPDCL									
Particular	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21			
Opening GFA*	4,274.98	4,807.37	5,421.15	6,043.00	7,030.48	7,887.89			
Addition	536.21	735.62	626.05	989.40	871.60	748.85			
Decapitalisation	3.81	121.84	4.21	1.92	14.19	30.00			
Closing	4807.37	5,421.15	6,043.00	7,030.48	7,887.89	8,606.75			



Telangana And Andhra Plastics Manufacturers Association

RRB - Base Year (TSSPDCL)								
Particulars (Rs. Crores)	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14
Opening Balance of OCFA	3,020.14	3,170.98	3,801.82	4,427.99	5,118.20	5,777.27	6,762.00	7,770.25
Opening Balance of Working Capital	-	-	-	-	-	-	-	-
Opening Balance of Accumulated Depreciation	1,341.17	1,543.66	1,777.36	2,038.61	2,491.40	2,817.73	3,208.84	3,662.43
Opening balance of Accumulated Consumer Contribution	607.31	738.12	958.58	1,185.52	1,446.64	1,652.84	2,001.53	2,387.66
Regulated Rate Base (RRB) (Opening)	1,071.66	889.20	1,065.88	1,203.86	1,180.16	1,306.70	1,551.64	1,720.15
Capitalisation allowed during the Year	150.84	630.84	626.17	690.21	659.07	984.73	1008.25	1096.80
Depreciation	202.49	233.70	261.25	452.79	326.33	391.11	453.60	507.60
Consumer Contribution	130.82	220.46	226.93	261.12	206.20	348.68	386.13	385.30
O&M Expenses as per Objector's Assessment	371.27	389.84	406.90	644.72	716.33	785.00	869.17	954.34
Change in Working Capital (O&M/12)	30.94	32.49	33.91	53.73	59.69	65.42	72.43	79.53
RRB (Closing)	858.26	1,033.39	1,169.95	1,126.43	1,247.00	1,486.22	1,647.72	1,844.53
Change in RRB (Δ RB)	(60.30)	120.83	102.90	41.88	122.96	187.89	156.69	181.48
Regulated Rate Base (RRB)	1,011.37	1,010.02	1,168.78	1,245.74	1,303.12	1,494.58	1,708.33	1,901.63

RRB - Base Year (TSSPDCL)							
Particulars (Rs. Crores)	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Opening Balance of OCFA	8,867.05	8,030.03	9,624.13	11,250.68	12,870.63	15,039.96	16,661.90
Opening Balance of Working Capital	-	-	-	-	-	-	-
Opening Balance of Accumulated Depreciation	4,170.03	3,733.91	4,279.53	4,959.33	5,780.17	6,643.10	7,649.96
Opening balance of Accumulated Consumer Contribution	2,772.96	2,633.84	3,076.25	3,508.11	3,926.13	4,538.70	5,257.91
Regulated Rate Base (RRB) (Opening)	1,924.05	1,662.28	2,268.35	2,783.24	3,164.33	3,858.16	3,754.03
Capitalisation allowed during the Year	-837.01	1594.10	1626.55	1619.95	2169.33	1621.94	1205.81
Depreciation	(436.13)	545.62	679.80	820.84	862.93	1,006.86	1,068.55
Consumer Contribution	(139.11)	442.41	431.86	418.03	612.57	719.21	582.83
O&M Expenses as per Objector's Assessment	1,056.47	1,156.59	1,340.03	1,541.22	908.23	991.71	1,108.32
Change in Working Capital (O&M/12)	88.04	96.38	111.67	128.43	75.69	82.64	92.36
RRB (Closing)	1,574.24	2,171.96	2,671.57	3,035.89	3,782.48	3,671.39	3,216.11
Change in RRB (Δ RB)	(42.85)	399.42	369.12	318.98	422.60	30.58	(130.42)
Regulated Rate Base (RRB)	1,881.21	2,061.70	2,637.46	3,102.22	3,586.93	3,888.74	3,623.61



Telangana And Andhra Plastics Manufacturers Association

RRB - Base Year (TSNPDCL)								
Particulars (Rs. Crores)	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14
Opening Balance of OCFA	1,623.87	1,756.90	1,916.01	2,353.62	2,721.42	2,945.77	3,291.19	3,664.58
Opening Balance of Working Capital	-	-	-	-	-	-	-	-
Opening Balance of Accumulated Depreciation	689.26	798.42	919.24	1,056.48	1,270.32	1,454.80	1,654.36	1,875.71
Opening balance of Accumulated Consumer Contribution	237.20	244.56	287.86	289.89	354.37	406.08	462.35	540.92
Regulated Rate Base (RRB) (Opening)	697.41	713.92	708.92	1,007.24	1,096.73	1,084.89	1,174.47	1,247.95
Capitalisation allowed during the Year	133.03	159.12	437.61	367.80	224.35	345.42	373.39	279.92
Depreciation	109.71	120.82	137.25	213.83	184.48	199.56	221.35	238.52
Consumer Contribution	7.36	43.30	2.03	64.48	51.71	56.28	78.56	76.32
O&M Expenses as per Objector's Assessment	196.71	200.93	210.78	251.43	284.63	317.23	368.02	407.91
Change in Working Capital (O&M/12)	16.39	16.74	17.57	20.95	23.72	26.44	30.67	33.99
RRB (Closing)	696.97	692.18	989.68	1,075.78	1,061.17	1,148.04	1,217.29	1,179.05
Change in RRB (Δ RB)	24.37	14.24	166.73	65.69	17.80	71.23	67.41	16.53
Regulated Rate Base (RRB)	721.78	728.17	875.65	1,072.94	1,114.53	1,156.12	1,241.88	1,264.49

RRB - Base Year (TSNPDCL)							
Particulars (Rs. Crores)	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Opening Balance of OCFA	3,944.51	4,274.98	4,807.37	5,421.15	6,043.00	7,030.48	7,887.89
Opening Balance of Working Capital	-	-	-	-	-	-	-
Opening Balance of Accumulated Depreciation	2,114.23	2,381.33	2,751.24	3,121.87	3,460.51	3,841.98	4,296.71
Opening balance of Accumulated Consumer Contribution	617.24	682.97	673.25	755.62	875.09	946.29	1,019.03
Regulated Rate Base (RRB) (Opening)	1,213.04	1,210.68	1,382.88	1,543.66	1,707.40	2,242.22	2,572.15
Capitalisation allowed during the Year	330.47	532.39	613.78	621.85	987.48	857.41	718.85
Depreciation	267.10	369.91	370.63	338.64	381.47	454.73	348.00
Consumer Contribution	65.73	(9.72)	82.37	119.47	71.19	72.74	137.58
O&M Expenses as per Objector's Assessment	628.00	673.66	743.61	879.19	580.99	644.69	711.51
Change in Working Capital (O&M/12)	52.33	56.14	61.97	73.27	48.42	53.72	59.29
RRB (Closing)	1,158.34	1,326.74	1,481.69	1,634.14	2,193.80	2,518.43	2,746.13
Change in RRB (Δ RB)	51.15	142.24	142.36	155.14	315.82	218.69	175.93



Telangana And Andhra Plastics Manufacturers Association

Regulated Rate Base (RRB)	1,264.19	1,352.92	1,525.24	1,698.80	2,023.23	2,460.91	2,748.08	
ROCE - TSSPDCL								
Particulars (Rs. Crores)	FY07	FY08	FY09	FY10	FY11	FY 12	FY 13	FY 14
Regulated Rate Base (RRB)	1,011.37	1,010.02	1,168.78	1,245.74	1,303.12	1,494.58	1,708.33	1,901.63
Working Capital Loan	30.94	32.49	33.91	53.73	59.69	65.42	72.43	79.53
Net Regulated Rate Base (RRB)	980.43	977.54	1,134.87	1,192.01	1,243.43	1,429.17	1,635.90	1,822.10
Equity (25%)	245.11	244.38	283.72	298.00	310.86	357.29	408.97	455.53
Debt (75%)	735.32	733.15	851.15	894.01	932.57	1,071.88	1,226.92	1,366.58
Rate of return on Equity	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Rate of Return on Debt	9.00%	9.00%	9.00%	10.00%	10.00%	10.00%	10.00%	12.00%
Weighted Average Cost of Capital (WACC)	10.21%	10.21%	10.21%	10.96%	10.95%	10.96%	10.96%	12.48%
Return on Capital Employed (RoCE)	103.28	103.12	119.38	136.49	142.75	163.75	187.19	237.31

ROCE - TSSPDCL								
Particulars (Rs. Crores)	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	
Regulated Rate Base (RRB)	1,881.21	2,061.70	2,637.46	3,102.22	3,586.93	3,888.74	3,623.61	
Working Capital Loan	88.04	96.38	111.67	128.43	75.69	82.64	92.36	
Net Regulated Rate Base (RRB)	1,793.17	1,965.31	2,525.79	2,973.78	3,511.25	3,806.10	3,531.25	
Equity (25%)	448.29	491.33	631.45	743.45	877.81	951.52	882.81	
Debt (75%)	1,344.88	1,473.99	1,894.34	2,230.34	2,633.43	2,854.57	2,648.44	
Rate of return on Equity	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	
Rate of Return on Debt	12.00%	12.00%	12.00%	12.00%	12.00%	9.85%	9.85%	
Weighted Average Cost of Capital (WACC)	12.48%	12.48%	12.48%	12.48%	12.49%	10.87%	10.86%	
Return on Capital Employed (RoCE)	234.71	257.23	329.12	387.14	447.99	422.53	393.56	

ROCE - TSNPDCL								
Particulars (Rs. Crores)	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14
Regulated Rate Base (RRB)	721.78	728.17	875.65	1,072.94	1,114.53	1,156.12	1,241.88	1,264.49
Working Capital Loan	16.39	16.74	17.57	20.95	23.72	26.44	30.67	33.99
Net Regulated Rate Base (RRB)	705.39	711.42	858.08	1,051.99	1,090.81	1,129.68	1,211.21	1,230.50
Equity (25%)	176.35	177.86	214.52	263.00	272.70	282.42	302.80	307.62
Debt (75%)	529.04	533.57	643.56	788.99	818.11	847.26	908.41	922.87



Telangana And Andhra Plastics Manufacturers Association

ROCE - TSNPDCL								
Particulars (Rs. Crores)	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14
Rate of return on Equity	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Rate of Return on Debt	9.00%	9.00%	9.00%	10.00%	10.00%	10.00%	10.00%	12.00%
Weighted Average Cost of Capital (WACC)	10.22%	10.22%	10.22%	10.98%	10.98%	10.98%	10.98%	12.49%
Return on Capital Employed (RoCE)	73.78	74.43	89.53	117.81	122.36	126.91	136.30	157.89

ROCE –TSNPDCL							
Particulars (Rs. Crores)	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Regulated Rate Base (RRB)	1,264.19	1,352.92	1,525.24	1,698.80	2,023.23	2,460.91	2,748.08
Working Capital Loan	52.33	56.14	61.97	73.27	48.42	53.72	59.29
Net Regulated Rate Base (RRB)	1,211.86	1,296.78	1,463.27	1,625.53	1,974.81	2,407.19	2,688.79
Equity (25%)	302.96	324.19	365.82	406.38	493.70	601.80	672.20
Debt (75%)	908.89	972.58	1,097.45	1,219.15	1,481.11	1,805.39	2,016.59
Rate of return on Equity	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Rate of Return on Debt	12.00%	12.00%	12.00%	12.00%	12.00%	9.85%	9.85%
Weighted Average Cost of Capital (WACC)	12.48%	12.48%	12.48%	12.48%	12.49%	10.86%	10.87%
Return on Capital Employed (RoCE)	157.76	168.83	190.35	211.98	252.66	267.37	298.58

True-up of ROCE Allowable as per Objector's Assessment for TSSPDCL								
Particulars (Rs. Crores)	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14
RoCE Approved in MYT Order	132.55	146.21	159.88	184.66	209.08	227.60	243.92	257.10
RoCE as claimed by the Petitioner	113.00	119.00	146.00	173.00	201.00	255.00	293.00	348.00
RoCE as per Objector's Assessment	103.28	103.12	119.38	136.49	142.75	163.75	187.19	237.31
True-up Allowable as per Objector's Assessment	-29.27	-43.09	-40.50	-48.17	-66.33	-63.85	-56.73	-19.79



Telangana And Andhra Plastics Manufacturers Association

True-up of ROCE Allowable as per Objector's Assessment for TSSPDCL								
Particulars (Rs. Crores)	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	Total
RoCE Approved in MYT Order	278.00	376.00	490.00	610.00	730.00	573.77	647.43	5,266.20
RoCE as claimed by the Petitioner	234.00	333.00	559.00	565.00	542.00	583.22	615.99	5,080.21
RoCE as per Objector's Assessment	234.71	257.23	329.12	387.14	447.99	422.53	393.56	3,665.54
True-up Allowable as per Objector's Assessment	-43.29	-118.77	-160.88	-222.86	-282.01	-151.24	-253.87	(1,600.66)

True-up of ROCE Allowable as per Objector's Assessment for TSNPDCL								
Particulars (Rs. Crores)	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14
RoCE Approved in MYT Order	77.51	87.01	93.66	113.70	130.93	148.12	156.79	159.13
RoCE as claimed by the Petitioner	80.00	77.00	94.00	117.00	132.00	140.00	154.00	165.00
RoCE as per Objector's Assessment	73.78	74.43	89.53	117.81	122.36	126.91	136.30	157.89
True-up Allowable as per Objector's Assessment	-3.73	-12.58	-4.13	4.11	-8.57	-21.21	-20.49	-1.24

True-up of ROCE Allowable as per Objector's Assessment for TSNPDCL								
Particulars (Rs. Crores)	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	Total
RoCE Approved in MYT Order	188.52	224.68	267.65	328.59	404.02	297.62	371.35	3,049.28
RoCE as claimed by the Petitioner	151.00	160.00	247.00	213.00	259.00	267.08	268.19	2,524.27
RoCE as per Objector's Assessment	157.76	168.83	190.35	211.98	252.66	267.37	298.58	2,446.56
True-up Allowable as per Objector's Assessment	-30.76	-55.85	-77.30	-116.61	-151.36	-30.25	-72.77	(602.72)

Summary of Disallowances in ROCE as per Objector's Assessment - TSSPDCL:

(All Figures in Crores)

Over the control period 2006-09						
TSSPDCL (ROCE)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment(E=C-A)	Disallowance in deviation claimed F =D-E
Return on Capital Employed	438.64	378.00	325.78	-60.64	-113	52

(All Figures in Crores)

Over the control period 2009-14						
TSSPDCL (ROCE)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment(E=C-A)	Disallowance in deviation claimed (F =D-E)
Return on Capital Employed	1,122.36	1,270.00	867.49	147.64	-255	403

(All Figures in Crores)

Over the control period 2014-19						
TSSPDCL (ROCE)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment(E=C-A)	Disallowance in deviation claimed (F =D-E)
Return on Capital Employed	2,484.00	2,233.00	1,656.19	-251.00	-828	577

(All Figures in Crores)

Over the control period 2019-21						
TSSPDCL (ROCE)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment(E=C-A)	Disallowance in deviation claimed (F =D-E)
Return on Capital Employed	1,221.20	1,199.21	816.09	-21.99	-405	383

**Summary of Disallowances in ROCE Expenses as per Objector's Assessment -
TSNPDCL:**

(All Figures in Crores)

Over the control period 2006-09						
TSNPDCL (ROCE)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment(E=C-A)	Disallowance in deviation claimed F =D-E
Return on Capital Employed	258.18	251.00	237.74	-7.18	-20.44	13.26

(All Figures in Crores)

Over the control period 2009-14						
TSNPDCL (ROCE)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment(E=C-A)	Disallowance in deviation claimed F =D-E
Return on Capital Employed	708.67	708.00	661.27	-0.67	-47.40	46.73

(All Figures in Crores)

Over the control period 2014-19						
TSNPDCL (ROCE)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment(E=C-A)	Disallowance in deviation claimed F =D-E
Return on Capital Employed	1,413.46	1,030.00	981.59	-383.46	-431.87	48.41

(All Figures in Crores)

Over the control period 2019-21						
TSNPDCL (ROCE)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment(E=C-A)	Disallowance in deviation claimed F =D-E
Return on Capital Employed	668.97	535.27	565.96	-133.70	-103.01	-30.69

9.4. It is prayed that the Hon'ble Commission may allow the ROCE as per Objector's Assessment for the period 2016-21,subjected to prudence check.

10 NON-TARIFF INCOME

10.1. The TSSPDCL and TSNPDCL discoms have claimed the non-tariff income to the tune of Rs. 2,649.18 Crores and Rs. 572.93 Crores against the approved amount of Rs. 2,714.97 Crores and Rs.993.56 Crores for the period of 2006-21 pertaining to distribution business

10.2. Non -Tariff income means the income relating to the licensed business other than from tariffs for wheeling and retail sale, excluding any income from Other Business and income on account of Fuel Surcharge Adjustment, Cross-subsidy Surcharge and Additional Surcharge.

10.3. The Hon'ble Commission in its tariff regulations 2005 defines the Non-Tariff as a controllable factor. The relevant snip from the tariff regulations is reproduced below:

Distribution Business	
ARR Item	"Controllable"/ "Uncontrollable"
Operation & Maintenance expenses	Controllable
Return on Capital Employed	Controllable
Depreciation	Controllable
Taxes on Income	Uncontrollable
Non-tariff income	Controllable

10.4. It has been observed that the Non-Tariff in the Audited Accounts of the Licensees is booked to the tune of Rs. 4,370.15 Crores and Rs. 1,280.96Crores for TSSPDCL and TSNPDCL respectively for the period of 2006-21.

10.5. A simple comparison between the claimed non-tariff income and non-tariff income booked in Audited Accounts indicates that there is an understatement in non-tariff income claim made by Licensees.

10.6. The Hon'ble Commission is requested to the allow the Non-tariff income as per audited accounts as assessed by the Objector and may reduce the same from the claimed true up /ARR claim.

Summary of Disallowances as per Objector's Assessment - TSSPDCL:

(All Figures in Crores)

Over the control period 2006-21						
TSSPDCL (NTI)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment(E=C-A)	Disallowance in deviation claimed F =D-E
Non-Tariff Income	2,715	2,649	4,370	-66	1,655	-1723

Summary of Disallowances as per Objector's Assessment - TSSPDCL:

(All Figures in Crores)

Over the control period 2006-21						
TSSPDCL (NTI)	Approved (A)	Claimed (B)	As per Objector Assessment (C)	Deviation (D=B-A)	Deviation allowable as per Objector Assessment(E=C-A)	Disallowance in deviation claimed F =D-E
Non-Tariff Income	994	573	1,281	-420.44	287	-707.84

11 OTHER EXPENDITURE

11.1. TSSPDCL and TSNPDCL have claimed Other Expenditure to the tune of Rs. 124.66 Crores and Rs. 28.82 Crores respectively against approved value of Rs. 7.13 Crores and 30.56 Crores respectively for the period from FY 2006-07 to 2020-21. From the details submitted by TSSPDCL against other expenditure claim.

11.2. It has been observed that in the case of TSSPDCL, the Increase in Other Expenditure is mainly due to Compensation provided for Injuries, Death and Damages. While there is no rationale/backing provided in the instant Petition for TSNPDCL's other expenditure claim. The Objector's Assessment against such claims is as follows:

S No.	Details	Total for FY 2006-21			Objector's Assessment
		Claimed	Approved	Variation	
A	TSSPDCL				
1	Price Variances	5.43			-
2	Compensation for Injuries, Death and Damages	80.48			Compensation: <ul style="list-style-type: none"> • Compensation on account of R&R ought to be capitalized and cannot be claimed in the Distribution Business as it is violated of the Tariff Regulations. • Compensation provided on account of accidents cannot be allowed as part of true up claim as the same is penal in nature.
3	Loss on sale of scrap	5.70			It is a well settled principle that a cost can be loaded on to the consumers only if they have reaped the benefits from that expenditure and thus expenses towards Materials /Scrap/ Assets Loss etc. ought to be disallowed.
4	Provision for Obsolete stock	27.67			The provision for obsolete inventory is based on the book value of the unsold inventory. It is the duty of Discom to manage the inventory in such a way that it balances the supply demand scenario. Such inability of the Discom ought not to be passed on to the consumer.
5	Others Expenses	5.38			The claim has been made without providing any supporting data and details. Hence such ought not be passed to end consumer.
	Total	124.66	7.13	117.53	-
B	TSNPDCL				
	Total	30.56	28.82	(1.74)	The claim has been made without providing any supporting data and details. Hence such ought not be passed to end consumer.



Telangana And Andhra Plastics Manufacturers Association

- 11.3. In light of the same, the Objector requests that the Hon'ble Commission may outright disallow the true-up claim of TSSPDCL and TSNPDCL towards Other Expenditure and further direct the TSNPDCL to submit the details of its Other Expenditure Claim.

12 ALLOWABLE TRUE-UP AS PER OBJECTOR'S ASSESSMENT

12.1. Notwithstanding the prayers at sections no. 2 to 5 of these Objections, the Allowable True-up of the Distribution Business of the TS DISCOMS as per Objector's Assessment is as follows:

SUMMARY OF ALLOWABLE TRUE-UP AS PER OBJECTOR'S ASSESSMENT- TSSPDCL:

(All figures in Rs. Crores)

TSSPDCL Particulars	FY 2006-07		FY 2007-08		FY 2008-09		Total (1 st Control period)	
	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment
O&M	371.27	371.27	389.84	389.84	406.90	406.90	1,168.01	325.78
RoCE	132.55	103.28	146.21	103.12	159.88	119.38	438.64	438.00
Depreciation	130.90	139.00	152.47	146.00	171.85	153.00	455.22	3.00
Income Tax	-	1.00	-	1.00	-	1.00	-	-
Special Appropriation for Safety Measures	5.00	-	5.00	-	5.00	-	15.00	-
Other Expenditure	4.47	-	-	-	-	-	4.47	1,934.79
Gross ARR	644.19	614.55	693.52	639.96	743.63	680.28	2,081.34	-
Less:	-	-	-	-	-	-	-	531.11
Non-Tariff Income	-	198.01	-	289.45	-	43.66	-	14.82
Revenue from Wheeling Charges/Open Access	6.27	11.87	6.35	2.94	6.32	0.01	18.94	1,388.85
Net ARR	637.92	404.68	687.17	347.57	737.31	636.61	2,062.40	325.78
Gap/(Surplus)		(233.24)		(339.60)		(100.70)		(673.55)



Telangana And Andhra Plastics Manufacturers Association

TSSPDCL	FY 2009-10		FY 2010-11		FY 2011-12		FY 2012-13		FY 2013-14		Total (2 nd Control Period)	
Particulars	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment
O&M	644.72	644.72	716.33	716.33	785.00	785.00	869.17	869.17	954.34	954.34	3,969.56	3,969.56
RoCE	184.66	136.49	209.08	142.75	227.60	163.75	243.92	187.19	257.10	237.31	1,122.36	867.49
Depreciation	224.82	167.00	301.67	182.00	380.94	220.00	443.94	255.00	514.17	284.00	1,865.54	1,108.00
Income Tax	1.50	3.00	1.50	2.00	1.50	1.00	1.50	-	1.50	-	7.50	6.00
Special Appropriation for Safety Measures	5.00	-	5.00	-	5.00	-	5.00	-	5.00	-	25.00	-
Other Expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Gross ARR	1,060.70	951.21	1,233.58	1,043.08	1,400.04	1,169.75	1,563.53	1,311.36	1,732.11	1,475.65	6,989.96	5,951.05
Less:	-	-	-	-	-	-	-	-	-	-	-	-
Non-Tariff Income	32.10	386.33	32.17	426.98	32.25	99.25	32.32	118.10	32.42	72.31	161.26	1,102.97
Revenue from Wheeling Charges/Open Access	6.32	0.10	-	-	-	-	-	0.20	-	-	6.32	0.30
Net ARR	1,022.28	564.79	1,201.41	616.10	1,367.79	1,070.50	1,531.21	1,193.06	1,699.69	1,403.34	6,822.38	4,847.78
Gap/(Surplus)		(457.49)		(585.31)		(297.29)		(338.15)		(296.35)		(1,974.60)

TSSPDCL	FY 2014-15		FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19		Total (3 rd Control Period)	
Particulars	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment
O&M	1,056.47	1,056.47	1,163.80	1,156.59	1,398.00	1,340.03	1,634.75	1,541.22	1,901.90	908.23	7,154.92	6,002.54
RoCE	278.00	234.71	376.00	257.23	490.00	329.12	610.00	387.14	730.00	447.99	2,484.00	1,656.19
Depreciation	497.00	457.00	562.00	545.00	635.00	673.00	705.00	772.00	774.00	856.00	3,173.00	3,303.00
Income Tax	14.40	-	19.48	-	25.39	-	31.60	-	37.81	-	128.68	-
Special Appropriation for Safety Measures	30.00	-	35.00	-	40.00	-	45.00	-	50.00	-	200.00	-
Other Expenditure	0.48	-	0.50	-	0.53	-	0.56	-	0.59	-	2.66	-



Telangana And Andhra Plastics Manufacturers Association

TSSPDCL	FY 2014-15		FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19		Total (3 rd Control Period)	
Particulars	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment
Gross ARR	1,876.35	1,748.18	2,156.78	1,958.82	2,588.92	2,342.15	3,026.91	2,700.35	3,494.30	2,212.22	13,143.26	10,961.73
Less:	-	-	-	-	-	-	-	-	-	-	-	-
Non-Tariff Income	241.30	253.10	326.16	493.48	320.55	384.75	362.72	225.35	395.46	542.81	1,646.19	1,899.48
Revenue from Wheeling Charges/Open Access	-	0.22	-	1.15	-	4.64	-	27.23	-	24.46	-	57.70
Net ARR	1,635.05	1,494.87	1,830.62	1,464.20	2,268.37	1,952.77	2,664.19	2,447.77	3,098.84	1,644.95	11,497.07	9,004.55
Gap/(Surplus)		(140.18)		(366.42)		(315.60)		(216.42)		(1,453.89)		(2,492.52)

(All figures in Rs. Crores)

TSSPDCL	FY 2019-20		FY 2020-21		Total 4 th Control Period (FY 19-21)	
Particulars	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment
O&M	2,628.95	991.71	2,822.90	1,108.32	5,451.85	2,100.03
RoCE	573.77	422.53	647.43	393.56	1,221.20	816.09
Depreciation	759.54	986.56	850.02	1,066.58	1,609.56	2,053.14
Income Tax	39.05	-	44.06	-	83.11	-
Special Appropriation for Safety Measures	20.00	-	20.00	-	40.00	-
Other Expenditure	-	-	-	-	-	-
Gross ARR	4,021.31	2,400.80	4,384.41	2,568.46	8,405.72	4,969.27
Less:	-	-	-	-	-	-
Non-Tariff Income	450.65	390.53	456.87	446.05	907.52	836.58
Revenue from Wheeling Charges/Open Access	24.84	13.15	44.62	15.84	69.46	28.99
Net ARR	3,545.82	1,997.12	3,882.92	2,106.57	7,428.74	4,103.70
Gap/(Surplus)		(1,548.70)		(1,776.35)		(3,325.04)



Telangana And Andhra Plastics Manufacturers Association

True up for TSSPDCL as per Objector's Assessment								
Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
O&M	-	-	-	-	-	-	-	-
RoCE	-29.27	-43.09	-40.50	-48.17	-66.33	-63.85	-56.73	-19.79
Depreciation	8.10	-6.47	-18.85	-57.82	-119.67	-160.94	-188.94	-230.17
Income Tax	1.00	1.00	1.00	1.50	0.50	-0.50	-1.50	-1.50
Special Appropriation for Safety Measures	-5.00	-5.00	-5.00	-5.00	-5.00	-5.00	-5.00	-5.00
Other Expenditure	-4.47	-	-	-	-	-	-	-
Gross ARR	-29.64	-53.56	-63.35	-109.49	-190.50	-230.29	-252.17	-256.46
Less:	-	-	-	-	-	-	-	-
Non-Tariff Income	198.01	289.45	43.66	354.23	394.81	67.00	85.78	39.89
Revenue from Wheeling Charges/Open Access	5.60	-3.41	-6.31	-6.22	-	-	0.20	-
Net ARR	-233.24	-339.60	-100.70	-457.49	-585.31	-297.29	-338.15	-296.35

True up for TSSPDCL as per Objector's Assessment								
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Total
O&M	-	-7.21	-57.97	-93.53	-993.67	-1,637.24	-1,714.58	-4,504.19
RoCE	-43.29	-118.77	-160.88	-222.86	-282.01	-151.24	-253.87	-185.99
Depreciation	-40.00	-17.00	38.00	67.00	82.00	227.02	216.56	-201.18
Income Tax	-14.40	-19.48	-25.39	-31.60	-37.81	-39.05	-44.06	-210.29
Special Appropriation for Safety Measures	-30.00	-35.00	-40.00	-45.00	-50.00	-20.00	-20.00	-280.00
Other Expenditure	-0.48	-0.50	-0.53	-0.56	-0.59	-	-	-7.13
Gross ARR	-128.17	-197.96	-246.77	-326.56	-1,282.08	-1,620.51	-1,815.95	-5,388.78
Less:	-	-	-	-	-	-	-	-
Non-Tariff Income	11.80	167.32	64.20	-137.37	147.35	-60.12	-10.82	1,655.18
Revenue from Wheeling	0.22	1.15	4.64	27.23	24.46	-11.69	-28.78	7.09



Telangana And Andhra Plastics Manufacturers Association

Charges/Open Access								
Net ARR	-140.18	-366.42	-315.60	-216.42	-1,453.89	-1,548.70	-1,776.35	-7,051.05

SUMMARY OF REVENUE GAP/(SURPLUS) ON TRUE UP OF DISTRIBUTION BUSINESS FOR THE PERIOD FROM FY 2006-07 TO FY 2020-21 AS PER OBJECTOR'S ASSESSMENT – TSNPDCL:

(All figures in Rs. Crores)

1st Control Period		2nd Control Period		3rd Control Period		4th Control Period	
FY	Amount	FY	Amount	FY	Amount	FY	Amount
2006-07	(233.24)	2009-10	(457.49)	2014-15	(140.18)	2019-20	(1,548.70)
2007-08	(339.60)	2010-11	(585.31)	2015-16	(366.42)	2020-21	(1,776.35)
2008-09	(100.70)	2011-12	(297.29)	2016-17	(315.60)	Total	(3,325.04)
Total	(673.55)	2012-13	(338.15)	2017-18	(216.42)	Grand Total	(6,515.85)
TSSPDCL Claim	(556.01)	2013-14	(296.35)	2018-19	(1,453.89)		
		Total	(1,974.60)	Uday Savings	1487.76		
		TSSPDCL Claim	(1,630.03)	Total	-1,004.76		

SUMMARY OF ALLOWABLE TRUE-UP AS PER OBJECTOR'S ASSESSMENT- TSNPDCL:

(All figures in Rs. Crores)

TSNPDCL Particulars	FY 2006-07		FY 2007-08		FY 2008-09		Total (1 st Control Period)	
	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment
O&M	196.71	196.71	200.93	200.93	210.78	210.78	608.42	608.42
RoCE	77.51	73.78	87.01	74.43	93.66	89.53	258.18	237.74
Depreciation	82.38	90.00	90.27	102.00	98.10	115.00	270.75	307.00
Income Tax	-	1.00	-	1.00	-	2.00	-	4.00
Special Appropriation for Safety Measures	5.00	-	5.00	-	5.00	22.00	15.00	22.00



Telangana And Andhra Plastics Manufacturers Association

TSNPDCL	FY 2006-07		FY 2007-08		FY 2008-09		Total (1 st Control Period)	
	Particulars	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved
Other Expenditure	3.45	-	-	-	-	-	3.45	-
Gross ARR	365.05	361.49	383.21	378.36	407.54	439.31	1,155.80	1,179.16
Less:							-	-
Non-Tariff Income	-	128.71	-	70.42	-	43.66	-	242.78
Revenue from Wheeling Charges/Open Access	-	-	-	-	-	-	-	-
Net ARR	365.05	232.78	383.21	307.94	407.54	395.66	1,155.80	936.38
		(132.27)		(75.27)		(11.88)		(219.42)

(All figures in Rs. Crores)

TSNPDCL	FY 2009-10		FY 2010-11		FY 2011-12		FY 2012-13		FY 2013-14		Total (2 nd Control Period)	
	Particulars	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved
O&M	251.43	251.43	284.63	284.63	317.23	317.23	368.02	368.02	407.91	407.91	1,629.22	1,629.22
RoCE	113.70	117.81	130.93	122.36	148.12	126.91	156.79	136.30	159.13	157.89	708.67	661.27
Depreciation	150.00	143.00	184.00	147.00	232.00	161.00	276.00	174.00	319.00	186.00	1,161.00	811.00
Income Tax	1.25	2.00	1.25	2.00	1.50	1.00	1.50	-	1.50	-	7.00	5.00
Special Appropriation for Safety Measures	5.00	31.00	5.00	18.00	5.00	1.00	5.00	1.00	5.00	-	25.00	51.00
Other Expenditure	3.90	-	3.97	-	4.03	-	4.11	-	4.19	-	20.20	-
Gross ARR	525.28	545.24	609.78	573.99	707.88	607.14	811.42	679.32	896.73	751.80	3,551.09	3,157.49
Less:		-									-	-
Non-Tariff Income	5.86	128.71	5.91	74.27	5.95	71.03	6.00	61.65	6.05	72.13	29.77	407.80
Revenue from Wheeling Charges/Open Access	-	-	-	-	-	-	-	-	-	-	-	-
Net ARR	519.42	416.54	603.87	499.72	701.93	536.11	805.42	617.67	890.68	679.67	3,521.32	2,749.70
Gap/(Surplus)		(102.88)		(104.15)		(165.82)		(187.75)		(211.01)		(771.62)



Telangana And Andhra Plastics Manufacturers Association

(All figures in Rs. Crores)

TSNPDCL	FY 2014-15		FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19		Total (3 rd Control Period)	
	Particulars	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved
O&M	628.00	628.00	740.00	673.66	883.00	743.61	1,026.00	879.19	1,194.00	580.99	4,471.00	3,505.46
RoCE	188.52	157.76	224.68	168.83	267.65	190.35	328.59	211.98	404.02	252.66	1,413.46	981.59
Depreciation	235.27	195.00	258.20	133.00	311.59	208.00	372.40	236.00	427.63	268.00	1,605.09	1,040.00
Income Tax	8.48	-	9.09	-	9.36	-	9.56	-	10.58	-	47.07	-
Special Appropriation for Safety Measures	25.89	2.00	61.86	2.00	65.12	5.00	68.41	19.00	71.42	24.00	292.70	52.00
Other Expenditure	1.25	-	1.31	-	1.38	-	1.45	-	1.52	-	6.91	-
Gross ARR	1,087.41	982.76	1,295.14	977.50	1,538.10	1,146.96	1,806.41	1,346.17	2,109.17	1,125.65	7,836.23	5,579.05
Less:											-	-
Non-Tariff Income	68.15	30.99	92.25	98.78	147.57	58.37	173.76	49.88	189.15	64.21	670.88	302.23
Revenue from Wheeling Charges/Open Access	-	-	-	-	-	-	-	-	-	-	-	-
Net ARR	1,019.26	951.77	1,202.89	878.71	1,390.53	1,088.59	1,632.65	1,296.30	1,920.02	1,061.45	7,165.35	5,276.82
Gap/(Surplus)		(67.49)		(324.18)		(301.94)		(336.35)		(858.57)		(1888.53)

(All Figures in Crores)

TSNPDCL	FY 2019-20		FY 2020-21		Total 4 th Control Period (FY 19-21)	
	Particulars	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved
O&M	1,874.91	644.69	2,050.88	711.51	3,925.79	1,356.20
RoCE	297.62	267.37	371.35	298.58	668.97	565.96



Telangana And Andhra Plastics Manufacturers Association

TSNPDCCL	FY 2019-20		FY 2020-21		Total 4 th Control Period (FY 19-21)	
Particulars	Approved	Objector's Assessment	Approved	Objector's Assessment	Approved	Objector's Assessment
Depreciation	374.39	444.87	424.81	322.62	799.20	767.49
Income Tax	20.26	-	25.27	-	45.53	-
Special Appropriation for Safety Measures	20.00	20.34	20.00	19.85	40.00	40.19
Other Expenditure	-	-	-	-	-	-
Gross ARR	2,587.18	1,377.27	2,892.31	1,352.56	5,479.49	2,729.83
Less:					-	-
Non-Tariff Income	140.99	167.56	151.92	160.60	292.91	328.16
Revenue from Wheeling Charges/Open Access	-	-	-	-	-	-
Net ARR	2,446.19	1,209.72	2,740.39	1,191.96	5,186.58	2,401.68
Gap/(Surplus)		(1,236.47)		(1,548.43)		(2,784.90)

(All Figures in Crores)

True up for TSNPDCL as per Objector's Assessment								
Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
O&M	-	-	-	-	-	-	-	-
RoCE	-3.73	-12.58	-4.13	4.11	-8.57	-21.21	-20.49	-1.24
Depreciation	7.62	11.73	16.90	-7.00	-37.00	-71.00	-102.00	-133.00
Income Tax	1.00	1.00	2.00	0.75	0.75	-0.50	-1.50	-1.50
Special Appropriation for Safety Measures	-5.00	-5.00	17.00	26.00	13.00	-4.00	-4.00	-5.00
Other Expenditure	-3.45	-	-	-3.90	-3.97	-4.03	-4.11	-4.19
Gross ARR	-3.56	-4.85	31.77	19.96	-35.79	-100.74	-132.10	-144.93
Less:	-	-	-	-	-	-	-	-
Non-Tariff Income	128.71	70.42	43.66	122.85	68.36	65.08	55.65	66.08
Revenue from Wheeling Charges/Open Access	-	-	-	-	-	-	-	-
Net ARR	-132.27	-75.27	-11.88	-102.88	-104.15	-165.82	-187.75	-211.01



Telangana And Andhra Plastics Manufacturers Association

True up for TSNPDCL as per Objector's Assessment								
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Total
O&M	-	-66.34	-139.39	-146.81	-613.01	-1,230.22	-1,339.37	-3,535.13
RoCE	-30.76	-55.85	-77.30	-116.61	-151.36	-30.25	-72.77	-602.72
Depreciation	-40.27	-125.20	-103.59	-136.40	-159.63	70.48	-102.19	-910.55
Income Tax	-8.48	-9.09	-9.36	-9.56	-10.58	-20.26	-25.27	-90.60
Special Appropriation for Safety Measures	-23.89	-59.86	-60.12	-49.41	-47.42	0.34	-0.15	-207.51
Other Expenditure	-1.25	-1.31	-1.38	-1.45	-1.52	-	-	-30.56
Gross ARR	-104.65	-317.64	-391.14	-460.24	-983.52	-1,209.91	-1,539.75	-5,377.08
Less:	-	-	-	-	-	-	-	-
Non-Tariff Income	-37.16	6.53	-89.20	-123.88	-124.94	26.57	8.68	287.40
Revenue from Wheeling Charges/Open Access	-	-	-	-	-	-	-	-
Net ARR	-67.49	-324.18	-301.94	-336.35	-858.57	-1,236.47	-1,548.43	-5,664.47

SUMMARY OF REVENUE GAP/(SURPLUS) ON TRUE UP OF DISTRIBUTION BUSINESS FOR THE PERIOD FROM FY 2006-07 TO FY 2020-21 AS PER OBJECTOR'S ASSESSMENT – TSNPDCL:

(All Figures in Crores)

1st Control Period		2nd Control Period		3rd Control Period		4th Control Period	
FY	Amount	FY	Amount	FY	Amount	FY	Amount
2006-07	(132.27)	2009-10	(102.88)	2014-15	(67.49)	2019-20	(1,236.47)
2007-08	(75.27)	2010-11	(104.15)	2015-16	(324.18)	2020-21	(1,548.43)
2008-09	(11.88)	2011-12	(165.82)	2016-17	(301.94)	Total	(2,784.90)
Total	(219.42)	2012-13	(187.75)	2017-18	(336.35)	Grand Total	(4,917.71)
TSNPDCL Claim	(219.05)	2013-14	(211.01)	2018-19	(858.57)		



Telangana And Andhra Plastics Manufacturers Association

Total	(771.62)	Uday Savings	745.08
TSNPDCL Claim	(770.31)	Total	(1,143.45)



Telangana And Andhra Plastics Manufacturers Association

12.2. Notwithstanding the prayers at sections no. 2 to 5 of these Objections, it is prayed that the Hon'ble Commission may approve a true down of Rs.6515.85Crores for TSSPDCL and Rs. 4917.71 Crores for TSNPDCL Crores as assessed by the Objector against true up claim of Petitioner which is Rs. 3259 Crores for TSSPDCL and Rs. 833.54 Crores for TSNPDCL.

13 PRAYERS

Wherefore, the Objector most respectfully prays that this Hon'ble Commission may be pleased to:

- A. Consider the above Objection Statement filed by the Objector;
- B. Declare that the instant Petitions filed by the Petitioners are opposed to and ultra vires the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulations, 2005 and the Hon'ble TSERC's Guidelines for Investment Approval (February 2006) and Hon'ble TSERC's directives as per TSERC Order dated 29.04.2020, and reject the same *in limine*;
- C. Direct the Petitioners to furnish the data requested by the Objector as per its Letter attached herewith as Appendix-A, along with comprehensive workable excel model for the same;
- D. Notwithstanding Prayer B, consider the following Prayers of the Objector:
- E. Ensure that the borrowings made by the state to takeover DISCOMs debt during 2016-17 would be transferred to the Discoms as a mix of grant, loan or equity are strictly in accordance with the Terms of the UDAY MoU and that the other commitments of Govt. of Telangana and the TS Discoms are being strictly complied with; Wherever there is non-compliance of the Terms of the UDAY MoU, it is prayed that the Hon'ble TSERC may take note of the same in its Order and disallow any claims made by the Petitioners which are in violation of the Terms of the UDAY MoU in the instant Petition.
- F. Limit the O&M expenses to the approved value for the period 2006-2015 and may allow the O&M expenses (based on norms approved by the Hon'ble TSERC) as per Objector's Assessment for the period 2016-21.
- G. Direct the petitioner to revise its Depreciation claims in accordance to the Regulation 15 of the APERC Tariff Regulations 2005, and subsequently allow Depreciation after due prudence check.
- H. Allow the ROCE as per Objector's Assessment for the period 2016-21, subjected to prudence check.
- I. Allow the Non-tariff income as per audited accounts as assessed by the Objector and may reduce the same from the claimed true up /ARR claim.
- J. Disallow the true up of other expenses as such claims are extraneous to the Tariff Regulations;
- K. Approve a true down of Rs. 6515.85 Crores for TSSPDCL and Rs. 4917.71 Crores for TSNPDCL Crores as assessed by the Objector;

- L. Pass necessary orders as may be deemed appropriate in the facts and circumstances of the case in the interest of justice
- M. Permit the Objector to participate and make additional submission and produce additional details and documentations before and during the course of the Public Hearing, in the interest of justice and equity.

Date: 13.10.22

Place: Hyderabad



**OBJECTOR - Vimallesh Gupta ,
President**