Southern Power Distribution Company of Telangana Ltd (TGSPDCL)

Responses to Objections / Suggestions

On

Annual Performance Review for FY 2023-24 of 4th Control Period (FY 2019-20 to 2023-24) for Distribution Business

Aggregate Gains and Losses of Annual Performance Reviews (APR)/End-of-Control Period Review Petition of 4th Control Period (FY 2019-20 to 2023-24) for Distribution Business

ARR requirement for Distribution Business and determining of wheeling tariffs for FY 2025-26

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Response to M/s Power Foundation of India (PFI)

<table>
<tr><td colspan="3">4. M/s Power Foundation of India, B-28, Qutab institutional Area, New Delhi – 110016, +91 11-69650004, Email: dg@powerfoundation.org.in, website: www.powerfoundation.org.in</td></tr>
<tr><td>S.No.</td><td>Summary of Objections / Suggestions</td><td>Response of the Licensee</td></tr>
<tr><td>1</td><td>PFI prima facie observes that Audited Accounts of FY 2023-24 of TGSPDCL are not available on the website of the DISCOM and not even on Hon’ble TGERC’s website. Hon’ble TGERC, in the earlier APR / True-up Orders of the Distribution / Wheeling Business, has relied upon the Audited Accounts of the DISCOMs for approving their APR. Therefore, Audited Accounts carry utmost importance to analyze the APR Petitions by any stakeholder. Hence, it is not possible to give detailed comments on the APR Petition of TGSPDCL in the true sense and also defeats the purpose of a transparent process of seeking stakeholders’ comments on True-up Petitions.

PFI further submits that this is a serious non- compliance of the Regulatoryprovisions by TGSPDCL and accordingly Hon’ble Commission is requested to takeappropriate action against TGPDCL for unavailability of Audited Accounts foranalyzing the APR Petition for FY 2023-24 for Distribution by the stakeholders.</td><td>The TGSPDCL would like to bring to the kind notice of the Hon’ble commission the the audited quarterly accounts of FY 2023-24 and upto 2nd quarter of FY 2024-25 are already available in the DISCOM’s official website. Further, the audited annual accounts of FY 2023-24 have already been submitted to the Hon’ble Commission and the same is also available on TGDISCOM’s website in the path: - Tariffs & Filings → ARR Filings → Distribution Business Filings→ DB Workings.</td></tr>
<tr><td>2</td><td>Telangana (TG) DISCOMs, in their APR / True-up Petitions, have submitted Capital Investments and Capitalization for FY 2023-24. However, while computing the net Investment Capitalized, TG DISCOMs have not considered the impact of Decapitalization and Capital Subsidy/Grants, Consumer Contributions, etc. As per Note 13 of the Audited Accounts of TGNPDCL for FY 2023-24, the Capital Addition in FY 2023-24 is Rs. 552.55 Cr (568.16 - 15.61</td><td>The TGSPDCL has considered the Capital Investments and Capitalization for FY 2023-24. As mentioned in Note – 11 of the Audited Accounts it is considered as Rs. 1,763.52 crores after netting off of the Decapitalization of Rs. 15.46 crores from the Gross Capitalization of Rs. 1,778.98 crores and the same is placed in</td></tr>
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deductions/adjustments). However, TGNPDCL has claimed Rs. 626 Cr of addition in Capitalization in FY 2023-24.

Note:13 - PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS (Rs. in Crore)

Sl. No.	Asset Group	GROSS BLOCK As at 01.04.2023	Additions	Deductions/ Adjustments	As at 31.03.2024	ACCUMULATED DEPRECIATION As at 01.04.2023	For the Year	Deductions/ Adjustments	As at 31.03.2024	NET BLOCK As at 31.03.2024	As at 31.03.2023
I.	PROPERTY PLANT AND EQUIPMENT:										
1	Free Hold Land	1.75	0.11	0.00	1.86	-	-	-	-	1.86	1.75
2	Buildings	341.94	10.62	0.39	352.18	[illegible]	11.34	0.09	89.31	262.87	[illegible]
3	Plant and Equipment										
	a) Plant and Machinery	4,414.54	192.91	2.79	4,604.66	2,354.60	171.82	2.26	2,524.31	2,080.34	2,046.86
	b) Lines and Cable Network	3,985.96	324.43	0.08	4,310.33	1,981.77	151.79	0.08	2,133.36	2,176.96	2,004.14
	c) Meters and Metering equipment	713.14	37.81	12.09	738.86	420.74	32.37	4.40	453.71	305.15	292.40
4	Office Equipment										
	a) Office Equipment	18.79	0.32	0.01	19.10	8.95	1.05	0.00	10.00	9.10	9.85
	b) Air conditioners	1.07	0.01	-	1.08	0.81	0.02	-	0.83	0.25	0.26
5	Furniture and Fixture	5.20	0.15	-	5.35	3.84	0.11	-	3.95	1.41	1.36
6	Vehicles	2.73	-	0.00	2.72	2.45	0.00	0.00	2.45	0.27	0.27
7	Computers and IT Equipment	82.66	1.80	0.27	84.18	63.53	7.24	0.27	70.49	13.69	19.12
	Sub Total (a)	9,567.67	568.16	15.51	10,120.22	4,914.69	365.94	12.02	5,268.62	4,851.60	4,652.97
II.	INTANGIBLE ASSETS:										
	Computer Software	34.93	0.02	-	34.94	26.56	2.32	-	28.97	5.57	8.27
	Sub Total (b)	34.93	0.02	-	34.94	26.66	2.32	-	28.97	5.57	8.27
	Grand Total (a+b)	9,602.39	568.18	15.51	10,155.16	4,941.35	368.26	12.02	5,297.58	4,857.37	4,661.24

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It is pertinent to note that as per the APERC (Terms and Conditions for determination of Tariff for Wheeling and Retail Supply of Electricity) Regulations 2005, ARR elements such as Depreciation and RoCE are computed considering the impact of decapitalization, capital assets funded by consumer contribution, grants, subsidy etc.

Therefore, PFI submits before Hon'ble TSERC that TGNPDCL has not considered the impact of Decapitalization and Capital Subsidy/Grants or Consumer Contributions and hence, appropriate reduction should be made by the Hon'ble TSERC while deriving the Capital Expenditure and Capitalization for FY 2023–24. Accordingly, revised Depreciation and RoCE has been worked out by PFI in the sections below.

the website of TGSPDCL.

Further it is to mention that, while computing the Regulatory Rate Base for FY 2023-24 the TGSPDCL has considered the Grants / Donations received from Consumer Contribution which is Rs. 0.21 crores.

Therefore the computations made by the TGSPDCL is as per the Regulations issued by the Hon'ble TGERC.

	As mentioned above, audited accounts for FY 2023–24 of TGSPSCL is not available; therefore, the impact of Decapitalization and Capital Subsidy/Grants, Consumer Contributions, etc. cannot be ascertained by PFI. However, the said details must be sought and appropriate reduction, for TGSPSCL also, in Depreciation and RoCE have to be considered in the True-up Order for FY 2023–24.	
3	TGNPDCL has not provided the details of assets funded by consumer/user contributions or through any capital subsidy/grant in FY 2023-24. Accordingly, PFI requests the Hon'ble TSERC to approve Depreciation for FY 2023-24 for Distribution Business of TG DISCOMs considering the Retired Assets and the impact of Assets funded by Consumer Contribution or through any Capital subsidy or Grant. In any case, the allowed Depreciation for TGNPDCL for FY 2023-24 should not be more than Rs. 356.24 Cr. [368.26 - 12.02]. Similar treatment has to be conducted for TGSPSCL based on the submission of audited accounts to the Commission and its availability on the website.	The TGSPDCL has considered the Depreciation component of Rs. 842.13 crores in Distribution ARR for FY 2023-24 is only after netting off of the depreciation portion of Retired / Deleted Assets of Rs.12.68 crores from the Gross Depreciation of Rs. 854.81 crores. Further, the TGSPDCL has deducted the Amortization of Consumer Contribution Assets of Rs. 328.16 crores while arriving Net Distribution ARR under Non-Tariff Income (NTI) component. The details of Non-Tariff Income (NTI) is also submitted in the Write up of APR for FY 2023-24 petition under clause 3.1.9.
4	TG DISCOMs in APR Petitions have submitted the RoCE pertaining to FY 2023-24 for Distribution / Wheeling Business. However, while computing the RoCE for FY 2023-24, TG DISCOMs have not considered the Regulatory provisions stipulated in APERC (Terms and Conditions for determination of Tariff for Wheeling and Retail Supply of Electricity) Regulations 2005 which states that: a) Opening Assets base for FY 2023-24 should equal to approved True-up closing asset base for FY 2022-23.	The TGSPDCL has computed the RoCE by considering a. The Opening Assets base for FY 2023-24 is considered same as the closing asset base approved by the Hon'ble Commission in the APR order for FY 2022-23 i.e., Rs. 19,722.59 crores (Rs. 18,990.04 – Rs. 685.38 = Rs. 19722.59).

	b) Opening Accumulated Depreciation for FY 2023-24 should be equal to approved True-up Accumulated Depreciation till FY 2022-23. c) Opening Consumer Contribution for FY 2023-24 should be equal to True-up closing Consumer Contribution for FY 2022-23. The Hon'ble TSERC while determining the RoCE for FY 2022-23 in APR Order dtd. 7/06/2024 for Distribution Business has approved the RoCE for TG DISCOMs based on the Regulatory principles as shown above. However, TG DISCOMs have considered the actual parameters as per their Accounts for computing RoCE for FY 2023-24. Accordingly, PFI requests the Hon'ble TSERC to approve RoCE for FY 2023-24 for Distribution Business considering the impact of accumulated Depreciation and Consumer Contribution as approved for FY 2022-23 in APR Order dtd. 7/06/2024. Further, the revised Depreciation as worked out by PFI, shown in the above Section, should be considered by Hon'ble TSERC while approving Regulated Rate Base for FY 2023-24. Further, PFI submits before the Hon'ble Commission that TG DISCOMs have not submitted actual equity of FY 2023-24 pertaining to	b) Opening Accumulated Depreciation for FY 2023-24 as approved in the APR order for FY 2022-23 i.e., Rs. 5019.71 crores has been considered. c) Opening Consumer Contribution for FY 2023-24 is considered same as approved in the closing balance of Consumer Contribution for FY 2022-23 i.e., Rs. 7664.97 crores as approved by the Hon'ble TGERC in APR order for FY 2022-23 dated: 07.06.2024. The TGSPDCL has computed RoCE considering the Regulatory provisions stipulated in APERC (Terms and Conditions for determination of Tariff for Wheeling and Retail Supply of Electricity) Regulations 2005. While computing the RoCE for FY 2023-24 the TGSPDCL has considered the Equity portion of 25% approved in the 4th MYT Order for Distribution Business Dated 19.04.2020.

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<td>Distribution Business. As per the Regulatory provisions, actual equity (with cap of 30%) to be considered while approving RoCE to the DISCOMs. So, Hon'ble Commission to direct TG DISCOMs to furnish information pertaining to actual equity infused in FY 2023-24 for Distribution Business and determine RoCE accordingly.</td>
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<td>5</td>
<td>TGSPSCL has claimed Rs. 22.78 Cr. as Other Expenditure for FY 2023-24, details are as tabulated below. TGSPSCL has submitted that such other expenditure has been claimed as per the Standards of Performance issued by the Hon'ble TSERC.

<table>
<tr><th>Particulars</th><th>Approved</th><th>Actuals</th><th>Deviation</th></tr>
<tr><td>Assets Scrapped</td><td>0</td><td>2.58</td><td>2.58</td></tr>
<tr><td>Compensation paid to Electrical accidents</td><td>0</td><td>20.2</td><td>20.2</td></tr>
<tr><td>Total</td><td>0</td><td>22.78</td><td>22.78</td></tr>
</table>

It is pertinent to note that all penalties and compensation payable by the DISCOM to any party for failure to meet any Standards of Performance or for damages, as a consequence of the orders of the Commission, Courts, Consumer Grievance Redressal Forum, and Ombudsman, etc., should not be allowed to be recovered through the Aggregate Revenue Requirement. Hon'ble Commission in Telangana.

State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023 has laid down the same principle.

Furthermore, the Hon'ble TSERC, while doing the APR of FY 2022-23, has not approved any Other Expenditure for the Telangana DISCOMs basis the fact that "No Other Expenditure" was approved in MYT Order for the Control Period. Relevant extract of the APR Order dtd. 7/06/2024 for FY 2022-23 for Distribution Business is as follows:

"4.7.4 The Commission has not approved any other expenses for 4th</td>
<td>The payment of ex gratia is a statutory and regulatory requirement mandated by the Hon'ble Commission vide Proceedings No. TSERC/Secy/86 of 2015 dated 28-12-2015 and Proceedings No. TSERC/Secy/64 of 2017 dated 28-12-2017 which also determines the amount to ensure fairness and consistency. These expenses, arising from compliance with safety measures and unforeseen electrical accidents, are legitimate operational costs and have been approved for inclusion in the Distributon Aggregate Revenue Requirement for 4^{th} MYT Control Period by the Hon'ble Commission in the form of special appropriations.

As per the directions by the Hon'ble Comission in the above proceedings dated 28.12.2015 the TGSPDCL is paying Ex-gratia amount to victims of Electrical Accidents occurred including the consumer fault (majority of the faults are on part consumer).

Capitalizing of these expenses, as permitted by the Hon'ble Commission, ensures that the cost is distributed over time, minimizing the immediate impact on consumers while maintaining the financial viability of DISCOMs. Excluding these costs would place an undue financial burden on DISCOMs and hinder their</td>
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	Control Period. Hence the Commission is not inclined to approve the other expenses for FY for FY 2022-23." In view of the above, PFI submits before the Hon'ble Commission to not allow any Other Expenditure for TG DISCOMs in APR of FY 2023-24 for Distribution Business.	ability to fulfill their social and regulatory obligations. Furthermore, the inclusion of ex gratia payments aligns with regulatory directives and supports the implementation of safety measures mandated by the Hon'ble Commission. Therefore, TGDISCOMs respectfully requests the Honorable Commission to retain the inclusion and approval of other expenses in the APR filings.
6	TG DISCOMs have not factored in the impact of True-down with carrying cost. For instance, ARR for FY 2023-24 approved by the Hon'ble TSERC for TGNPDCL was considering the addition in GFA of Rs. 1794 Cr., whereas in actual the addition in GFA is only Rs. 552.55 Cr. (as stipulated above in the Capitalization Section). The Revenue surplus computed by TGNPDCL of Rs. 935.28 Cr. is upfront loading in Tariff which has been recovered from the consumers and now proposed by TGNPDCL as reduction in ARR during APR / True-up. But such reduction by Rs. 935.28 Cr. is without the impact of Carrying Cost. This surplus amount has been accumulated with TGNPDCL for the past 2 years; therefore, it has to be recovered with Carrying Cost. As a matter of principle, the impact of True-Up or True-down should always be adjusted with Carrying Cost. Similarly, TGSPDCL has claimed Revenue Surplus of Rs. 263.27 Cr. without any Carrying Cost. In this regard, reference is drawn from Hon'ble DERC Tariff Order dtd. 30/09/2021 for one of its regulated DISCOM (NDMC) wherein it can be noted from Table 3.42 that even the surplus arrived after True-Up is adjusted with Carrying Cost. Relevant extracts of the Tariff Order are quoted as follows:	As per the provisions of the Regulation No. 4 of 2005, any variation in the Actuals vs Approved ARR Components of the Distribution Business is being computed and net True-up/True-down of wheeling ARR will be considered in the APRs by the Hon'ble Commission for each year of the Control Period. The net impact of True-up/True-down for the control period will be considered as a pass through in the subsequent Control Period ARR as per the MYT regime. Hence, carrying cost for True-up/True-down does not arise as the wheeling tariff is fixed for the control period.

3.76 The closing Revenue Surplus for FY 2018-19 as per the Tariff Order dated 28/08/2020 is Rs. 129.47 Cr. The Revenue surplus/(gap) for FY 2019-20 as now approved by the Commission is summarized as follows:

Table 3. 42: Commission Approved Net Revenue Surplus/ (Gap) at the end of FY 2019-20

Sr. No.	Particulars	FY 2019-20
A	Opening Revenue Surplus/(Gap)	129.47
B	Revenue Surplus/(Gap) for the year	92.05
C	Rate of Return on equity	14%
D	Rate of Return on debt	8.00%
E	Rate of Return on Carrying Cost	9.80%
F	Amount of Carrying Cost	17.20
G	**Closing Revenue Surplus/(Gap)**	**238.73**

PFI therefore requests Hon'ble TSERC to determine the Revenue surplus for TG DISCOMs along with the Carrying Cost, which is to be considered at WACC rate (10.55% as considered by TG DISCOMs). The Revenue Surplus after / True-up APR of FY 2023-24 as worked out by PFI considering the impact of Carrying Cost is as follows:

Particulars	TGNPDCL	PFI (TGNPDCL)	TGSPDCL	PFI (TGSPDCL)	Proposed Disallowances (North+South)
Operation & Maintenance Expenses	2625.45	2625.45	3560.16	3560.16	0.00
Return on Capital Employed	299.37	298.17	555.75	555.75	(1.20)
Depreciation	368.26	356.24	842.13	842.13	(12.02)
Special Appropriations	21.01	21.01	5.25	5.25	0.00
Other Expenses	0.00	0.00	22.78	0.00	(22.78)
Aggregate Revenue Requirement	3314.09	3300.87	4986.07	4963.29	(35.99)
Less: Other Revenue	*167.95*	*167.95*	*475.48*	*475.48*	*0.00*
Net Aggregate Revenue Requirement	**3146.13**	**3132.92**	**4510.59**	**4487.81**	**(35.99)**
Revenue Surplus/(Gap) for FY 2023-24	**935.28**	**948.50**	**263.27**	**286.05**	
Carrying cost rate (at WACC)	-	10.55%	-	11.03%	-
Carrying Cost for FY 2023-24		100.07		31.55	
Carrying Cost for FY 2024-25		110.62		35.03	
Total Carrying Cost		210.69		66.58	
Revised Revenue Surplus/(Gap) of FY 2023-24 with Carrying Cost		**1159.19**		**352.63**	Additional Surplus **313.27**

In view of above, PFI proposes the disallowance of Rs. 35.99 Cr. in the Trued-up APR of FY 2023-24 leading to additional Revenue Surplus of

	Rs. 313.27 Cr. with impact of Rs. 277.27 Cr. as Carrying Cost. The above computation of PFI along-with impact based on the Audited Accounts for TGSPDCL may be considered by Hon'ble TSERC while approving the APR of FY 2023-24.	
7	Telangana (TG) DISCOMs in their ARR Petitions for FY 2025-26 have submitted that they have claimed Capital expenditure (CAPEX) for FY 2025-26 same as approved by Hon'ble TSERC in MYT Order for Distribution Business for the Control Period FY 2024-25 to FY 2028-29 dtd. 28/10/2024. TGNPDCL has claimed Rs. 1,413 Cr. while TGSPDCL has claimed Rs. 2,467 Cr. of CAPEX in FY 2025-26, summing to Rs. 3,880 Cr. at State level. However, PFI notes that the CAPEX approved by the Hon'ble TSERC in MYT Order dtd. 28/10/2024 was Rs. 2,417 Cr. for TGSPDCL and Rs. 1,413 Cr. for TGNPDCL. So, TGSPDCL has erroneously claimed Rs. 50 Cr. additionally. Hon'ble TSERC is requested to allow only Rs. 2,417 Cr. CAPEX for TGSPDCL for FY 2025-26. Further, it is pertinent to note Telangana is not availing Revamped Distribution Sector Scheme (RDSS) – A flagship scheme of Ministry of Power (GoI). The State has not participated in RDSS and only Particularly Vulnerable Tribal Groups (PVTG) Households electrification works have been sanctioned under RDSS. Distribution Transformer (Rural) are 23.35% metered and total DTRs are only 34.4% metered. Some key parameters highlighting the negative performance of TG DISCOMs are as follows: a) AT&C Loss has increased from 18.65% in FY 2022-23 to 20.02% in FY 2023-24. b) ACS-ARR Gap (on Cash basis) has increased from Rs. 1.11/kWh (FY 23) to Rs. 1.46/kWh (FY 24). c) Both TG DISCOMs - TGSPDCL and TGNPDCL are loss-making utilities and were rated as 'C' as per 12th Integrated Rating for FY	TGSPDCL would like to submit before the Hon'ble Commission that Rs 50 Crs. is not an erroneous calculation. TGSPDCL has budgeted Rs 50 Crs. for smart meters addition as part of its base capex which is being done as part of its commitment to reduce commercial losses. TGSPDCL regularly perusing with GoTG for clearing the Electricity dues. Further, the TGSPDCL addressed letters to MoP, GoI to approve the proposals of TGSPDCL under RDSS Scheme after approval from Government of India the DISCOM will participate in RDSS scheme.

	2022-23. As per RDSS guidelines, all Government Departments' Dues of current electricity dues for the year must be paid. This is a mandatory pre-qualifying criterion that DISCOMs must fulfill before being evaluated under the scheme. This requirement has not been fulfilled by the State. So, despite the poor financial performance, TG DISCOMs have continued to project huge CAPEX and recover the same from the end consumers through Retail Supply Tariff. PFI submits before Hon'ble Commission that in view of above, TG DISCOMs should participate in RDSS, attempt to increase metering levels which will help in better Energy Accounting and Reduction in Loss levels and should also help in reducing the Retail Tariff of the end consumers through reduction in CAPEX.	
8	TG DISCOMs in their ARR Petitions have submitted O&M expenses comprising of Employee, Administrative and General (A&G) and Repair and Maintenance (R&M) expenses. TG DISCOMs submitted that the Employee expenses for FY 2024-25 has been arrived by considering base figures of FY 2023-24 and escalating the same by CPI inflation. Further, some additional manpower requirement is also claimed for FY 2024-25. Employee cost projections for FY 2025-26 have arrived by escalating Employee expenses of FY 2024-25 with CPI inflation (5.79%) as approved in the Distribution MYT Order dtd. 28/10/2024 for 5th Control Period. Hon'ble TSERC in MYT Order for Distribution Business for the Control Period FY 2024-25 to FY 2028-29 dtd. 28/10/2024 has approved O&M expenses for FY 2025-26 based on the expenses approved for FY 2024-25. Further, O&M expenses for FY 2024-25 were approved considering average of true-up expenses for the immediately preceding Control Period till FY 2022-23 and approved values for FY 2023-24.	The actual employee expenses incurred by TGSPDCL is Rs. 3,166.15 crores for FY 2023-24 already crossed the approved figure of Rs. 3,162.37 crores for FY 2024-25 of 5th MYT. Hence the TGSPDCL has considered the actual expenses and proposed the man power requirement and considered the CPI for projection of FY 2025-26. For projection of Employee expenses for FY 2025-26 the DISCOM has considered the CPI twice since the base year for projection is considered of FY 2023-24 (actual).

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<td>Further, it is worth considering that the MYT Order for Distribution Business for the Control Period FY 2024-25 to FY 2028-29 dtd. 28/10/2024 is quite a recent Order wherein Hon’ble TSERC considered recent actuals of TG DISCOMs.

TG DISCOMs have significantly increased the O&M Expenses for FY 2025-26 in current filing of ARR Petition from the approved O&M Expenses for FY 2025-26 in the MYT Order dtd. 28/10/2024, tabulated as follows:

<table>
<tr><th rowspan="2">Particulars</th><th colspan="3">TGNPDCL</th><th colspan="3">TGSPDCL</th></tr>
<tr><th>Claimed</th><th>MYT Order</th><th>Diff.</th><th>Claimed</th><th>MYT Order</th><th>Diff.</th></tr>
<tr><td>Employee expenses</td><td>2869</td><td>2498</td><td>(371)</td><td>3779</td><td>3345</td><td>(434)</td></tr>
<tr><td>A&G expenses</td><td>319</td><td>142</td><td>(177)</td><td>228</td><td>228</td><td>0</td></tr>
<tr><td>R&M expenses</td><td>149</td><td>155</td><td>6</td><td>240</td><td>240</td><td>0</td></tr>
<tr><td>O&M expenses</td><td>3337</td><td>2795</td><td>(542)</td><td>4247</td><td>3813</td><td>(434)</td></tr>
<tr><td>O&M expenses pertaining to Distribution Business (90%)</td><td>3003</td><td>2516</td><td>(488)</td><td>3822</td><td>3432</td><td>(391)</td></tr>
</table>

PFI notes from above table that TG DISCOMs have claimed Rs. 878 Cr. additional O&M expenses for Distribution expenses in FY 2025-26 despite the fact Hon’ble TSERC very recently has approved O&M Expenses for FY 2025-26 in MYT Order dtd. 28/10/2024. It defeats the whole purpose of MYT when within a span of 3-4 months the expenses are increased by 12%. PFI thereforerequests Hon’ble TSERC to allow O&M expenses as approved in Distribution MYT Order and disallow additional Rs. 878 Cr. (486 Cr of TGNPDCL and 391 Cr of TGSPDCL) while approving the expenses for FY 2025-26.</td>
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<td>TG DISCOMs in their ARR Petitions have claimed Depreciation pertaining to FY 2025-26 for Distribution Business including the Depreciation on Consumer Contributed Assets. However, as per the Regulatory Provisions, Depreciation on assets funded by consumer/user contributions shall not be allowed in the revenue requirement of the DISCOM. Relevant extract of Regulations 26 of Regulation No. 2 of 2023 (Telangana State Electricity Regulatory Commission (Multi-Year Tariff) Regulation, 2023) is as follows:</td>
<td>TGSPDCL would like to submit before the Hon’ble Commission that new GFA that are being added in FY 2025-26 and the subsequent depreciation that is calculated from addition of such GFA is netted off with consumer contribution and thus the impact of consumer contribution has been excluded from the depreciation calculation.</td>
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	"26 Consumer Contribution, Deposit Work, Grant and Capital Subsidy 26.2 The expenses on such capital works shall be treated as follows: (c) provisions related to depreciation, as specified in clause 28, shall not be applicable to the extent of such financial support received." TGSPDCL has claimed Rs. 106 Cr. and TGNPDCL has claimed Rs. 15 Cr. of Depreciation through Consumer Contribution. Accordingly, PFI requests the Hon'ble TSERC to reduce the Depreciation as claimed by TG DISCOMs for FY 2025-26 by Rs. 121 Cr., considering the impact of Depreciation on Assets funded by Consumer Contribution.	
10	TG DISCOMs have submitted the Interest Charges on Loan pertaining to FY 2025-26. However, while computing the Interest on Loan for FY 2025-26, TG DISCOMs have not considered the Regulatory provisions stipulated in Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023. As per the applicable Regulatory principles, opening balance of Long-Term loans for FY 2025-26 should be equal to approved closing balance for FY 2024-25. Further, TGSPDCL has not considered same interest rate as approved in the MYT Distribution Order dt. 28/10/2024. Therefore, PFI has recomputed the Interest Charges on Loan pertaining to FY 2025-26 based on applicable Regulatory principles, as tabulated below:	The TGSPDCL has considered the Opening Balance of Normative Loan of Rs. 4,838 crores which is less than approved of Rs. 4969.44 crores in the MYT order of 5th control period and Rate of Interest of 10% as per prevailing Interest rate on Loans as against approved rate of Interest of 9.97%. Hence the computation of Interest on Loans has reduced from 534.69 crores to Rs. 503 crores approved in MYT Order for 5th control period.

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<tr><th rowspan="2">Particulars</th><th colspan="3">TGNPDCL</th></tr>
<tr><th>Claimed</th><th>PFI working</th><th>Deviation</th></tr>
<tr><td>Opening Balance of long-term loans</td><td>3,615</td><td>2,668</td><td>(947)</td></tr>
<tr><td>Receipt of New Loans (excl consumer contributions)</td><td>1096</td><td>1,096</td><td></td></tr>
<tr><td>Repayment of loan (Depreciation for the year)</td><td>460</td><td>443</td><td>(17)</td></tr>
<tr><td>Equity portion of GFA of fully depreciated asset</td><td>39</td><td>39</td><td></td></tr>
<tr><td>CB of long-term loans</td><td>4,289</td><td>3,360</td><td>(929)</td></tr>
<tr><td>Average of long-term loans</td><td>3,952</td><td>3,014</td><td>(938)</td></tr>
<tr><td>Rate of interest</td><td>10.75%</td><td>10.75%</td><td></td></tr>
<tr><td>Interest cost on Long term loans</td><td>425</td><td>324</td><td>(101)</td></tr>
<tr><td>Interest cost on Long term loans to Distribution business (90%)</td><td>382</td><td>292</td><td>(91)</td></tr>
</table>

In view of above, PFI submits before the Hon’ble TSERC to consider PFI working as shown above for Interest on Loan and kindly disallow Rs. 91 Cr. from the Interest on Loan claimed by TGNPDCL for FY 2025-26.
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<td>11</td>
<td>
29 Return on Equity
29.2 Return on Equity shall be computed at the following base rates:

(e) Distribution licensee: Base Return on Equity of 14% and additional Return on Equity up to 2% linked to Licensee’s performance towards meeting standards of performance.

Provided that the Commission at the time of true-up shall allow the additional Return on Equity up to 2% based on Licensee meeting the summary of overall performance standards as specified in Clause 1.11 of Schedule III of TSERC (Licensees’ Standards of Performance) Regulations, 2016.

Further, while computing the RoE for FY 2025-26, TG DISCOMs have not considered the Regulatory provisions stipulated in Telangana State
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<td>
TGSPDCL has claimed additional 2% ROE indicating that they are well poised to meet the standard of performance and have therefore factored it in their ROE computations for FY 2025-26.

The Standard of Performance is determined on various parameters or service areas such as Normal fuse-off calls, line breakdowns, distribution transformer failure, period of scheduled outage, street light faults and continuity indices.

In each of the above mentioned areas, TGSPDCL has carried out extensive work in
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Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023. As per the applicable Regulatory principles, opening balance of Equity for FY 2025-26 should equal to approved closing balance for FY 2024-25.

In view of above, PFI has recomputed the Interest Charges on Loan pertaining to FY 2025-26 based on applicable Regulatory principles, as tabulated below:

Particulars	TGNPDCL			TGSPDCL		
	Claimed	Approved	Diff	Claimed	Approved	Diff
Regulatory Equity at the beginning of the year	1,302	995	(307)	1917	1,835	(82)
Capitalization during the year	1461	1461		1772	1772	
Equity portion of capitalization during the year	365	365		443	443	
Equity portion of fully depreciated assets (incremental)	65	65		14	14	
Regulatory Equity at the end of the year	1,602	1,295	(307)	2346	2,264	(82)
Rate of Return on Equity						
Base rate of Return on Equity	16%	14%		16%	14%	
Effective Income Tax rate	0%	0%		0%	0%	
Rate of Return on Equity	16%	14%		16%	14%	
Return on Equity Computation						
Return on Regulatory Equity at the beginning of the year	208	139	(69)	307	257	(50)

Particulars	TGNPDCL			TGSPDCL		
	Claimed	Approved	Diff	Claimed	Approved	Diff
Return on Regulatory Equity addition during the year	24	21	(3)	35	30	(5)
Total Return on Equity	**232**	**160**	**(72)**	**341**	**287**	**(54)**
Total Return on Equity to Distribution business (90%)	**209**	**144**	**(65)**	**307**	**258**	**(49)**

In view of above, PFI submits before the Hon'ble TSERC to consider PFI working as shown above for RoE and kindly disallow Rs. 114 Cr. (Rs. 65 Cr. for TGNPDCL and Rs. 49 Cr. for TGSPDCL) from RoE claimed by TG DISCOMs for FY 2025-26.

terms of improving the response time of 1912, carrying out scheduled and regular maintenance activities as part of summer action plan preparedness, launching of Emergency Response Team Vehicles to quickly turnaround/ restore normalcy. Hence, TGSPDCL's claim of additional 2% ROE in the ROE computation is valid and justified and it humbly prays to the Hon'ble Commission to kindly approve the computations as per its filings.

	Further, PFI submits before the Hon'ble Commission that TG DISCOMs have not submitted actual equity of FY 2023-24 pertaining to Distribution Business. As per the Regulatory provisions, actual equity to be considered while approving ROCE to the DISCOMs. So, Hon'ble Commission may direct TG DISCOMs to furnish information pertaining to actual equity infused in FY 2023-24 for Distribution Business while doing the APR of FY 2023-24.	
12	TG DISCOMs have submitted Non-Tariff Income for FY 2025-26 based on actuals for FY 2023-24 with 2% y-o-y growth rate. However, it has been observed by PFI that the actual Non-Tariff Income for TGSPDCL for FY 2023-24 is Rs. 456 Cr., however, TGSPDCL has claimed Rs. 125 Cr. of Non-Tariff Income in FY 2025-26. Therefore, PFI submits before Hon'ble Commission to consider Rs. 475 Cr. of Non-Tariff Income for TGSPDCL for FY 2025-26 which is computed using 2% y-o-y growth rate over the actual Non-Tariff Income of FY 2023-24	The Non-Tariff Income of Rs. 456.40 crores for FY 2023-24 submitted to the Hon'ble TGERC in the APR for FY 2023-24 is inclusive of Amortization of Consumer Contribution Assets of Rs. 328.16 crores. Excluding Amortization, the Non-Tariff Income considered for factorization as per new MYT Regulation is of Rs. 128.24 crores for FY 2023-24 as base year. The TGSPDCL has escalated the 2% y-o-y growth rate purely on Non-Tariff Income and the growth rate cannot be applicable for the Amortization of Depreciation on Consumer Contribution Assets.
13	TG DISCOMs while computing the Wheeling Charges for FY 2025-26 using Contracted Capacities and Voltage wise losses have considered the figures approved in MYT Distribution Order dtd. 28/10/2024 for FY 2025-26. PFI submits that the Hon'ble Commission may consider actual data of FY 2023-24 while determining the Wheeling Charges of TG DISCOMs for FY 2025-26.	The proposal of TGSPDCL for the voltage wise contracted capacities was approved in the Resource Plan and 5th MYT control period wheeling tariff order by the Hon'ble Commission. Hence, the TGSPDCL has considered same approved contracted capacities for computation of voltage wise wheeling charges.

Response to Sri Kiran Kumar Vempati

Sri Kiran Kumar Vempati, H.No.1-2-1/1, Opp. CC Bank, Sri Venkateswaraswamy Temple Road, Near MM Court Circle, Suryapet-508213		
S.No.	**Summary of Objections / Suggestions**	**Response of the Licensee**
1	DISCOMs incurring losses besides collecting unauthorized fixed charges, a contempt of the Tariff Order dated 23 Mar 2022, passed by the TSERC. The Commission disallowed DISCOMs' proposal of collecting fixed charges based on RMD at Clause 6.10, present in page 149, of the Tariff Order. Both DISCOMs can reduce Admin & General expenses further. Both DISCOMs are spending on unnecessary legal costs, DISCOMs are challenging consumer favor orders of tiny amounts too, e.g., CG.No. 13/2024-25/suryapet circle. Most of the time challenges are not voluntary filings. It is evident as DISCOMs challenging the orders only when consumers file Sec 142 or non-compliance appeals. Most of the challenges are getting filed to save themselves from hefty non-compliance of order penalties or disciplinary actions. Challenges are not in the interest of DISCOMs but in the interest of saving respective officers' paychecks or Sec 142 actions, a clear misuse of DISCOMs' money for legal expenses for officers' failures.	The Objection pertains to the collection of unauthorized fixed charges does not pertains to Distribution Business Filings of TGSPDCL. Since the various petitions are filed in the APEX Court and Hon'ble High Court by the Wheeling/Open Access and other consumers and obtain stay order on the Demand Notices served by the TGSPDCL for payment of the Wheeling Charges, Cross Subsidy Sur-charge etc., determined by the Hon'ble TGERC based on the directions of the Hon'ble Supreme Court of India and Hon'ble High Court of the State. The TGSPDCL is constrained to engage the services of senior advocate of Hon'ble Supreme Court and Advocate General and Additional Advocate General of High Court of Telangana to appeal in the said cases and to take necessary action for disposal of the cases as the said cases involved huge amounts pending from the consumers.
2	TGNPDCL assures about CGRFs as: "The 'Forum' is functioning independently and impartially even though it is an 'internal Forum' of the Licensee without allowing any scope for 'doubt' and pointing out the mistakes of the officers of the Licensee and settling all grievances concerning electricity." "The decision of the Forum is final as far as the Licensee is concerned. However, the complainant may make a	The Hon'ble CGRF is conducting the monthly meetings with consumers District wise. The TGSPDCL is creating public awareness through pamphlets banners, Local paper advertisements, tom-toms, through social media, through consumes and organizations to attend the said meeting and give grievances to the Hon'ble CGRF to resolve the grievance.

	representation against the order of the Forum to the VIDYUTH OMBUDSMAN." TGSPDCL assures about CGRFs as: "The 'Forum' is functioning independently and impartially without allowing any scope for 'doubt' and pointing out the mistakes of the officers of the Licensee and settling all grievances concerning electricity." "The decision of the Forum is final as far as the Licensee is concerned. However, the Complainant may prefer a representation against the order of the Forum to the VIDYUTH OMBUDSMAN." Both DISCOMs are not creating proper consumer/public awareness. DISCOMs failed to implement/adopt Clause 16(4)(b) of Electricity (Rights of Consumer) Rules 2020, which reads as below: "The distribution licensee shall publish the guaranteed standards of performance along with compensation structure, information on procedure for filing of complaints,in the bills for the month of January and July. If it is not possible to publish the same at the back of the bills, the distribution licensee shall publish it on a separate handout and distribute it along with the bills." The consumer complaints reaching CGRFs and Vidyut Ombudsman is almost negligible when compared to DISCOMs consumer base. Not even one (1) appeal a week is filed at Ombudsman.	The TGSPDCL is displaying the SoP Charter in all it's offices on the conspicuous parts of office premises. TGSPDCL publishing and updating performance standards regularly through official platforms. SOP reports are submitted to the Hon'ble Commission as per regulatory requirements, ensuring transparency and accountability. It is not possible to print the SoP information on the bills as it is a large content and the Tariff Structure is printed on the back side of the bill. Further, the TGSPDCL is considering to reduce the size of the bill as part of Green Initiative and providing e-Bill to the consumers who opted the e-Bill. Since the number of complaints filed before the Hon'ble CGRF and Vidyut Ombudsman is minimal reflects the operational efficiency of the TGSPDCL. TGSPDCL actively engage in consumer awareness programs through multiple channels, including public meetings, advertisements, website notifications etc. Workshops and safety

	Lack of safety awareness initiations are resulting in fatal accidents and attracting compensations, this besides low or no expenditure on safety works. TGNPDCL showed all the special appropriations values (21.01 cr) towards compensation for fatal accidents. They didn't spend any thing on employee safety aids, awareness and other consumer-public related awareness programs. TGSPDCL not utilized 14.75cr from approved 20cr. TGSPDCL and TGNPDCL are not voluntarily compensating for breach of Guaranteed SOP timelines, though directed for automatic payments as per Clause 13 of Electricity (Rights of Consumer) Rules 2020 and as per Clause 6 under Schedule II of Regulation 5 of 2016 Licensees Standards of Performance. SOP reports filed by BOTH DISCOMS reveal that they are failing in meeting GSOP timelines for which they have to compensate automatically. Consumers should not be thrown to explicitly claim the GSOP compensation also. Both DISCOMs are not meeting Overall SOPs also. A prudence check on the SOP reports filed has to be done. They are not doing things (calculations) right raising a doubt on whether they are doing right things (reported figures) or not. SOP reports have many parameters/items with copy-paste figures from last year SOP reports. There are many mathematical errors too. DISCOMs are just submitting SOP reports as statutory but not paying attention in contents and in preparing the report.	programs are frequently conducted by TGSPDCL to educate consumers on electrical safety. The complaints are being received consumer complaints through 1912, mobile app, twitter, DISCOM's website, customer service center etc., as and when the complaints are received the TGSPDCL needs to acknowledge the compliant and registered. But due insufficient information received from the certain complaints viz., land mark of the outage area, furnishing of indemnity bond for title transfer, mismatch of the credentials in the enclosed documents etc., such complaints are treated as invalid. Hence, by considering the genuine complaints which are being attended by the TGSPDCL and resolved within time lines and meeting the timelines as per GSoP and OSoP.

	TGNPDCL claiming compliance of 100% Overall SOP standards on all items/parameters is alarming. Overall SOP timelines need to be revised, time to increase the bar. They also gave figures for the parameters which are no way can be filed by the consumers. I mean about SAIFI, SAIDI etc., for which TSERC also has not directed on the standards. Annexure I (GSOP) figures and Annexure II (OSOP) figures are contradicting each other and questions the credibility of figures and reports. DISCOMs are deceiving as if they met the Overall SOP standards by not doing things (calculations) right. This throws whether they are doing right things or not, a doubt on the reported figures itself.	