



TELANGANA ELECTRICITY REGULATORY COMMISSION
Vidyut Nyantran Bhavan, G.T.S. Colony, Kalyan Nagar, Hyderabad 500 045

ORDER

ON

**DETERMINATION OF ANNUAL PERFORMANCE REVIEW FOR FY: 2023-24,
END OF CONTROL PERIOD REVIEW FOR
4TH CONTROL PERIOD (FY: 2019-20 TO FY: 2023-24)**

AND

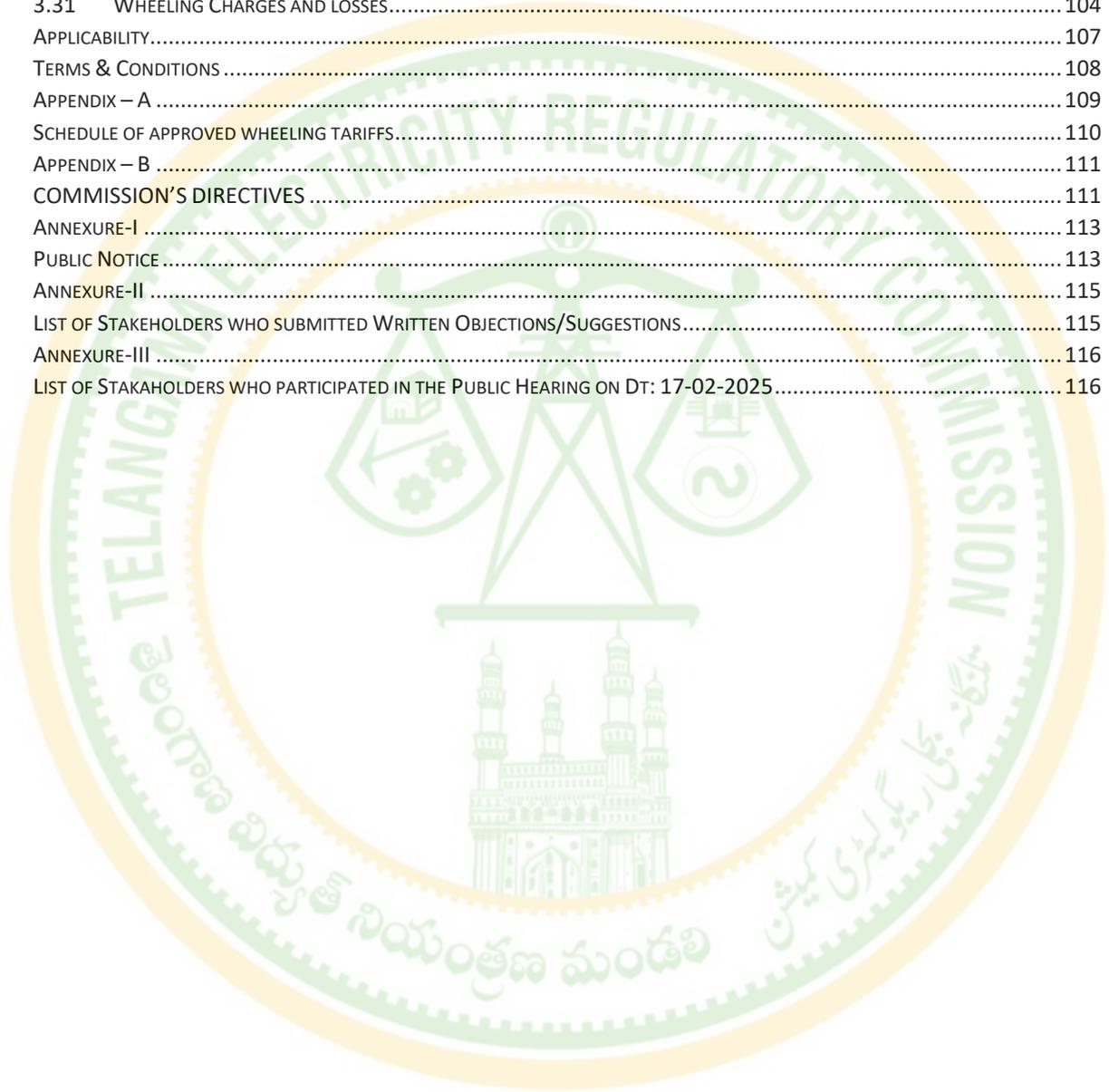
**DETERMINATION OF REVISED AGGREGATE REVENUE REQUIREMENT
(ARR) AND WHEELING TARIFFS FOR DISTRIBUTION BUSINESS
FOR FY 2025-26**

29.04.2025

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List of Abbreviations

A&G	Administrative and General
APTransco	Transmission Corporation of Andhra Pradesh Limited
APCPDCL	Andhra Pradesh Central Power Distribution Corporation Limited
APEREC	Andhra Pradesh Electricity Regulatory Commission
APNPDCL	Northern Power Distribution Company of Andhra Pradesh Limited
ARR	Aggregate Revenue Requirement
AT&C	Aggregate Technical and Commercial Losses
CAGR	Compound Annual Growth Rate
CC	Consumer Contribution
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CPI	Consumer Price Index
CT	Current Transformer
CWIP	Capital Work in Progress
DA	Daily Allowance
DE	Divisional Engineer
DISCOM	Distribution Company
DNR	Distribution Network Renovation
DTR	Distribution Transformer
EE	Employee Expenses
FPT	Filing for Proposed Tariff
FRP	Financial Restructuring Plan
FY	Financial Year
G.O.Ms	Government Order (Manuscript)
GFA	Gross Fixed Assets
GHMC	Greater Hyderabad Municipal Corporation
GoI	Government of India
GoTG	Government of Telangana
HT	High Tension
HV	High Voltage
HVDC	High Voltage Direct Current
IDC	Interest During Construction
ISI	Indian Standard Institute
kV	kilo Volt
LI	Lift Irrigation
LT	Low Tension
LV	Low Voltage
MAT	Minimum Alternative Tax

MoP	Ministry of Power
MSW	Municipal Solid Waste
MU	Million Units
MW	Mega-Watt
MYT	Multi Year Tariff
NEP	National Tariff Policy
NTI	Non-Tariff Income
NTP	National Tariff Policy
O&M	Operation and Maintenance
O.P.	Original Petition
OA	Open Access
PFC	Power Finance Corporation
PTC	Power Trading Corporation
PTR	Power Transformer
R&M	Repairs & Maintenance
RBI	Reserve Bank of India
RE	Renewable Energy
REC	Rural Electrification Corporation
RMI	Renovation, Modernisation & Improvement
RoCE	Return on Capital Employed
RoE	Return on Equity
RRB	Regulated Rate Base



TELANGANA ELECTRICITY REGULATORY COMMISSION

'Vidyut Niyantaran Bhavan', G.T.S. Colony, Kalyan Nagar, Hyderabad 500 045

Dated 29.04.2025

Present

Dr. Justice Devaraju Nagarjun, Chairman

OP No.1 of 2025, O.P.No. 3 of 2025 and O.P.No.31 of 2024.

Southern Power Distribution Company of Telangana Limited (TGSPDCL)

O.P. No.2 of 2025, O.P.No.4 of 2025 and O.P.No.32 of 2024.

Northern Power Distribution Company of Telangana Limited (TGNPDCL)

... Applicants

Southern Power Distribution Company of Telangana Limited (TGSPDCL) and Northern Power Distribution Company of Telangana Limited (TGNPDCL) (hereinafter referred to as "Applicants" or "Petitioners" or "TGDISCOMs" or "Licensees") filed petitions for Annual Performance Review for Distribution Business for FY: 2023-24 of TGSPDCL on Dt: 30-11-2024 and TGNPDCL on Dt: 31-12-2024, End of Control Period i.e., 4th Control Period (FY: 2019-20 to FY: 2023-24) of TGSPDCL on Dt: 24-12-2024 and TGNPDCL on Dt: 31-12-2024, Determination of revised ARR and Wheeling Charges for FY: 2025-26 initially for TGSPDCL on Dt: 30-11-2024 and TGNPDCL on Dt: 30-11-2024 and later on revised petitions were filed by TGSPDCL on Dt: 13-12-2024 and TGNPDCL on Dt: 13-12-2024 respectively under Section 61 of the Electricity Act, 2003 and in accordance with provisions under 'Multi Year Tariff' (MYT) Regulation No.2 of 2023 for determination of Revised Aggregate Revenue Requirement (ARR) and Wheeling Tariffs for Distribution Business for FY 2025-26 in accordance with the provisions under clause 77 of Regulation No.2 of 2023.

The Commission, in exercise of its powers under the Electricity Act, 2003 and Regulation No. 2 of 2023 after considering Petitioner's submissions, suggestions and objections of the stakeholders, responses of Petitioners and all other relevant material, passed the following.

COMMON ORDER

CHAPTER 1 INTRODUCTION

BACKGROUND

1.1 THE COMMISSION

- 1.1.1 Telangana Electricity Regulatory Commission was constituted by the Government of Telangana (GoTG) in terms of the provisions of Schedule XII(C)(3) of the A.P. Reorganisation Act of 2014, read with Section 82(1) of the Electricity Act, 2003 vide G.O.Ms.No.3, (Energy) (Budget) Department, dated 26.07.2014. Of late, the Government of Telangana issued G.O.Ms.No.12, Energy (HR. A1) Department, dated 31.05.2024 for change of nomenclature and amended the expression and abbreviation as 'Telangana Electricity Regulatory Commission (TGERC)'.
- 1.1.2 This Commission having been established u/s 82(1) of the Act, 2003 is required to exercise the powers and functions vested in it in terms of Section 86(1)(a) and Section 62(1) of the Act, 2003 to determine the tariff for wheeling of electricity within the State of Telangana.

1.2 TGDISCOMs

- 1.2.1 Consequent on formation of Telangana State w.e.f. 02.06.2014, the APCPDCL has been renamed as TSSPDCL duly excluding the Kurnool and Anantapur circles. Likewise, the APNPDCL has been renamed as TSNPDCL duly excluding seven (7) mandals viz., Chintoor, Kunavaram, Vararamachandrapuram, Kukunuru, Velairupadu, Badrachalam (excluding Badrachalam town) and part of Burgampadu (excluding twelve (12) revenue villages), which have become part of residuary State of Andhra Pradesh and merged with the then existing APSPDCL and APEPDCL respectively on the appointed dated i.e., 02.06.2014.
- 1.2.2 The statement of bifurcation of assets and liabilities between Telangana and APDISCOMs approved by Expert Committee formed for recommendation on bifurcation of assets & liabilities was communicated to Government of Telangana for further instructions and implementation.
- 1.2.3 During FY2016-17, State Government of Telangana vide G.O.Ms.No.225, 234 and 240 dated 11.10.2016, has issued orders for reorganization of districts

and formation of new districts in the State of Telangana. Accordingly, seven (7) revenue mandals under the territorial jurisdiction of TSNPDCL have been merged with Siddipet district of TSSPDCL, Gundala mandal of Nalgonda which is under the territorial jurisdiction of TSSPDCL has been demerged/hived off and merged with Jangaon district under the territorial jurisdiction of TSNPDCL.

- 1.2.4 The Government of Telangana vide G.O.Ms.No.20 dated 23.02.2019 has re-transferred the Gundala mandal from TSNPDCL jurisdiction to TSSPDCL and with regard to the transfer of assets and liabilities, the TSSPDCL has taken over the network of Gundala mandal w.e.f. 02.04.2019 which was during the FY2019-20. Accordingly, the assets and liabilities of Gundala are incorporated in TSSPDCL in FY2019-20.
- 1.2.5 The Commission in its order dated 17th March 2017 in O.P.Nos.3 and 4 of 2017, has allowed the name of the license to be the Southern Power Distribution Company of Telangana Limited (TSSPDCL) in place of APCPDCL and the Northern Power Distribution Company of Telangana Limited (TSNPDC) in place of APNPDC.
- 1.2.6 In the wake of the State Government issuing U.O. Note No.4634/Genl, L&C/2024, dated 17.05.2024 to replace all references to “TS” with “TG” in the nomenclature of all State PSUs, Agencies, Autonomous Institutions and other government bodies, the TSSPDCL and TSNPDCL have replaced the abbreviated form of the company from TSSPDCL and TSNPDCL to TGSPDCL and TGNPDCL respectively and also to use the revised logo in all official documents.

1.3 Regulation No.1 of 2014

- 1.3.1 The Commission soon after its formation has notified Regulation viz., ‘Adoption’ Regulation No.1 of 2014 on 10.12.2014 being adoption of previously subsisting regulations, decisions, directions or order, licenses and practice of directions.
- 1.3.2 In accordance with the above Regulation, all the Regulations framed by the erstwhile Commission before formation of Telangana State will continue to apply for the State of Telangana, till further modification.

1.4 Regulation No.4 of 2005

1.4.1 Accordingly, the Regulation No.4 of 2005 notified on 14.11.2005 viz., 'Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity' Regulation, 2005 and its subsequent amendment thereof, as subsisting as on date of constitution of TGERC and in force, shall mutatis mutandis apply to the State of Telangana. Regulation No.4 of 2005 introduced Multi-Year-Tariff framework and specified the principles and procedures of filings and also defines control period as a multi-year period fixed by the Commission from time to time, usually five (5) years, consequently 4th control period is from FY2019-20 to FY2023-24.

1.5 Earlier ARR & FPT Filings and Orders of the Commission

1.5.1 TGDISCOMs have made filings for determination of ARR & Wheeling Tariffs for Distribution Business for 4th control period on 16.12.2019. Whereas, after comprehensive public consultation process on the filings, the Commission has passed orders on 29.04.2020 in O.P.Nos.9 and 10 of 2019 & I.A.No.9 of 2020 read with its amendment order dated 01.03.2021.

1.6 True-up for 1st, 2nd and 3rd control period and Annual Performance Reviews (APRs) for FY2019-20 to FY2022-23 for Distribution Business

1.6.1 Based on filings made by TGDISCOMs, the Commission passed order dated 23.03.2023, determining True-up for 1st, 2nd and 3rd control period and Annual Performance Reviews (APRs) for FY2019-20, FY2020-21 and FY2021-22 for Distribution Business. Subsequently, the Commission vide its order dated 07.06.2024 in O.P.Nos.37 and 38 of 2023 has determined APR for FY2022-23 for Distribution Business. The relevant paragraphs of the said orders are reproduced below for reference:

Order dated 23.03.2023

5.10 Aggregate Gains or Losses of APR claimed and approved for FY2019-20, FY2020-21 and FY2021-22 of 4th control period

5.10.1 The aggregate gains or losses of APR for FY2019-20, FY2020-21 and FY2021-22 of 4th control period claimed by TSDISCOMs and approved by the Commission is as shown in the Table below:

Financial Year	Claimed		Approved	
	TSSPDCL	TSNPDCL	TSSPDCL	TSNPDCL
2019-20	193.54	-277.78	20.54	-384.76
2020-21	-115.00	-286.56	-253.05	-354.02
2021-22	-723.08	-557.32	-1114.66	-634.03
Total	-644.54	-1121.66	-1347.17	-1372.80

Order dated 07.06.2024

4.11 *Aggregate Gains or Losses of APR claimed and approved Commission's View*

4.11.1 *The aggregate gains or losses of APR for FY2022-23 of 4th control period claimed by TGDISCOMs and approved by the Commission is as shown in the Table below:*

Table 4.20: Aggregate gains or losses of APR for FY2022-23

Financial year	Claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
2022-23	-338.58	-780.09	-389.17	-854.62

4.12 *Recovery of Revenue Gap/(Surplus) Aggregate Gains or Losses of APR claimed and approved*

4.12.1 *As per Clause 10.5 of Regulation 04 of 2005 the Commission directs the Applicant to include and propose the adjustment mechanism of the total approved revenue surplus for TGSPDCL for Rs.1736.34 crore (gap of Rs.20.54 crore for FY2019-20, surplus of Rs.253.05 crore for FY2020-21, surplus of Rs.1114.66 crore for FY2021-22 and surplus of Rs.389.17 crore for FY2022-23) and revenue surplus for TGNPDCL for Rs.2227.42 crore (surplus of Rs.384.76 crore for FY2019-20, surplus of Rs.354.02 crore, surplus of Rs.634.03 crore and surplus of Rs.854.62 crore) in its end of control period review petition for 4th control period.*

1.7 APPROVAL OF TGDISCOMs' RESOURCE PLAN AND BUSINESS PLAN FOR 5TH & 6TH CONTROL PERIODS

1.7.1 Based on filings, the Commission passed order on 29.12.2023 approving the Resource Plan and Business Plan of TGDISCOMs for 5th control period for FY2024-25 to FY2028-29 and 6th control period for FY2029-30 to FY2033-34. In the said order it was also stated that the Commission shall examine the MYT filings as per the MYT Regulation in force.

1.8 APPROVAL OF TGDISCOMs' AGGREGATE REVENUE REQUIREMENT (ARR) AND WHEELING TARIFFS FOR DISTRIBUTION BUSINESS FOR THE 5TH CONTROL PERIOD (FY2024-25 TO FY2028-29)

1.8.1 Based on filings made and after comprehensive public consultation process on the filings the Commission passed order on 28.10.2024 on Aggregate Revenue Requirement (ARR) and Wheeling Tariffs for Distribution Business for the 5th control period for FY2024-25 to FY2028-29.

1.9 STATUTORY AND REGULATORY PROVISIONS

- 1.9.1 As per Section 62 of the Electricity Act, 2003 the Commission can determine the tariff for supply of electricity by a generating company to a distribution licensee, further the Commission is empowered to determine tariff for generation and sale of electricity within the State under Section 86(1)(a) & 86(1)(b) of the Act.
- 1.9.2 The Commission had notified (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation [Regulation No.4 of 2005].
- 1.9.3 As per clause 10 and other applicable clauses provided in Regulation No.4 of 2005 and clause 6.2 and other applicable clauses as provided in Telangana Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023 [Regulation 2 of 2023] the TGDISCOMs are required to file a petition for true-up of Wheeling Business for FY 2023-24 and revised ARR for and proposal for revised tariff & charges for FY 2025-26. For the sake of convenience, the applicable clauses of Regulation No.4 of 2005 and Regulation 2 of 2023 are reproduced below:

Regulation No.2 of 2023

6.2 The petitions to be filed for each Control Period under this Regulation are as under:

d) After first year of the Control Period and onwards, the annual petitions by transmission licensee, distribution licensee (for Wheeling business) and SLDC shall comprise of:

- i. True-up of preceding year;*
- ii. Aggregate Revenue Requirement for ensuing year of the Control Period;*
- iii. Proposal of Revised tariff and charges for the ensuing year of the Control Period.*

TGSPDCL AND TGNPDCL HAVE SEPARATELY FILED THE FOLLOWING PETITIONS:

- *Annual Performance Review for FY 2023-24*
- *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)*
- *Revised ARR and determination of wheeling tariffs for FY 2025-26*

1.10 ADMISSION OF PETITIONS

- 1.10.1 The Original Petitions submitted by TGDISCOMs were scrutinised and found to be generally in order as required under (Conduct of Business) Regulations,

2015 (Regulation No.2 of 2015). The Commission has admitted the filings and the same were taken on record by assigning the numbers as

1. *Annual Performance Review for FY 2023-24: O.P.No 1 of 2025 & O.P.No 2 of 2025 for TGSPDCL and TGNPDCL respectively.*
2. *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: O.P.No 3 of 2025 & O.P.No 4 of 2025 for TGSPDCL and TGNPDCL respectively.*
3. *Revised ARR and determination of wheeling tariffs for FY 2025-26: O.P.No 31 of 2024 & O.P.No 32 of 2024 for TGSPDCL and TGNPDCL respectively.*

1.11 DATA GAPS

1.11.1 Upon scrutiny of the filings, the Commission identified certain data gaps and directed the petitioners to furnish additional information. Subsequently, the petitioners have submitted the additional information sought by the Commission. The Commission has considered the original filings and additional information submitted by the petitioners.

1.12 PUBLIC NOTICE

1.12.1 The petitioners, as directed by the Commission, published for information of all stakeholders a Public Notice in two (2) English, two (2) Telugu and One (1) Urdu daily newspapers on 11.01.2025 (Annexure-1).

1.12.2 The Public Notice was to inform stakeholders and the general public at large that petitioners have filed APR for FY 2023-24, End of control period review petition for 4th control period and revised ARR & Wheeling tariff for FY 2025-26 petition before the Commission. It was also notified in the Public Notice that, objections/suggestions on the filings may be filed with the petitioners by 01.02.2025 with a copy marked to the Commission Secretary. In the Public Notice it was also indicated the public hearing shall be held on 17.02.2025(Monday) from 11:00 AM onwards in Court Hall of the Commission, 'Vidyut Niyantaran Bhavan', G.T.S. Colony, Kalyan Nagar, Hyderabad 500 045. The filings along with supporting material have been made available by the petitioners. The Public Notice, filings and supporting material were also hosted on the websites of the petitioners as well as the Commission.

1.13 RESPONSE TO PUBLIC NOTICE

1.13.1 In response to the Public Notice, objections/suggestions were received from six (7) stakeholders. The details of stakeholders who submitted objections/

suggestions is enclosed as Annexure-II. The petitioners were directed to give their response in writing to all the written objections received, by 01.02.2025 by sending the same to the respective objector with a copy to the Commission before the scheduled date of Public Hearing. The replies were also posted on the website of the Commission.

1.14 PUBLIC HEARING

1.14.1 The Commission has conducted the Public Hearing on 17.02.2025. During the Public Hearing, the petitioners have made brief presentation on their filings and then the Commission heard the objectors desiring to be heard in person. During the public hearings, apart from the registered objectors, the persons/ organizations who were interested to submit their objections were also heard. As directed by the Commission, the Petitioners responded on the issues raised by the objectors during the Public Hearings. The list of stakeholders who attended the public hearing is enclosed at Annexure-III.

CHAPTER 2 SUMMARY OF FILINGS

2.1 PETITIONERS' SUBMISSIONS

2.1.1 The Petitioners have made the following in their original filings and the additional submissions:

- Annual Performance Review for FY 2023-24
- End of Control Period Review for 4th control period i.e., FY: 2019-20 to FY: 2023-24
- Revised ARR and Wheeling tariff proposals for FY 2025-26

The summary of the submissions is detailed below:

2.2 ANNUAL PERFORMANCE REVIEW FOR FY 2023-24

2.2.1 The summary of APR for FY 2023-24 as claimed by TGSPDCL is as shown in Table below:

Table 2.1 Summary of APR of FY 2023-24 as claimed by TGSPDCL

<i>(In Rs Crores)</i>			
Particulars	4 th CP order	Actuals	Deviations
Operation & Maintenance expenses	3629.20	3560.16	(69.04)
Return on Capital Employed	538.02	555.75	17.73
Depreciation	1158.53	842.13	(316.40)
Taxes on Income	63.47	0.00	(63.47)
Special appropriations	20.00	5.25	(14.75)
Other Expenditure	0.00	22.78	22.78
Aggregate Revenue Requirement	5409.22	4986.07	(423.15)
Less: Non-Tariff Income	585.52	456.40	(129.12)
Less: Revenue from Captive OA	49.84	19.08	(30.76)
Net Aggregate Revenue Requirement	4773.86	4510.59	(263.27)

2.2.2 TGSPDCL has claimed deviation of Rs (263.27) Crores on account of APR for FY 2023-24.

2.2.3 The summary of APR for FY 2023-24 as claimed by TGNPDCL is as shown in the Table below:

Table 2.2: Summary of APR of FY 2023-24 as claimed by TGNPDCL

<i>(In Rs Crores)</i>			
Particulars	4 th CP order	Actuals	Deviations
Operation & Maintenance expenses	2867.66	2625.45	(242.21)
Return on Capital Employed	680.94	299.37	(381.57)
Depreciation	654.92	368.26	(286.66)

Particulars	4th CP order	Actuals	Deviations
Taxes on Income	46.34	0.00	(46.34)
Special appropriations	20.00	21.01	1.01
Aggregate Revenue Requirement	4269.86	3314.09	(955.77)
Less: Non-Tariff Income	188.44	165.48	(22.96)
Less: Revenue from OA	0.00	2.47	2.47
Net Aggregate Revenue Requirement	4081.42	3146.13	(935.28)
ARR transferred to RSB	4081.42	4081.42	0.00
Net Regulatory Gap True-up(true-down)	0.00	(935.28)	(935.28)

2.2.4 TGNPDCL has claimed deviation of Rs (935.28) Crores on account of APR for FY 2023-24.

2.3 End of Control Period Review for 4th control period i.e., FY 2019-20 to FY 2023-24:

2.3.1 The petitioners have submitted the End of Control Period Review for 4th Control Period (FY 2019-20 to FY 2023-24) petitions in accordance with clause 10 of Regulation No. 4 of 2005. The petitioners have submitted that they have filed the petitions for Retail Supply Tariff for the FYs 2019-20, 2020-21 & 2021-22 of 4th control period on 31.03.2021. The petitioners were unable to file the petitions within timelines due to reasons mentioned in tariff filings.

2.3.2 The Commission has returned the said petitions due to delay filing due to which no tariff orders were issued for the FYs 2019-20 to 2021-22.

2.3.3 The Commission approved continuation of Tariff order for 2019-20, 2020-21 & 2021-22 through I.A.No.3 of 2019 in O.P.Nos.21 & 22 of 2017 dated 27.03.2021 respectively by considering the request of the petitioners. Whereas, the Commission has determined Distribution ARR & approved the Wheeling tariffs for 4th control period (FY 2019-20 to FY 2023-24) on Dt: 29-04-2020 in O.P No.s 9 and 10 of 2019 and I.A.No. 9 of 2020 read with its amendment order dated: 01-03-2021.

2.3.4 The petitioners were unable to pass on the Distribution Cost incurred and approved by the Commission for FYs 2019-20, 2020-21, 2021-22 to the Retail Supply consumers, due to non-approval of the Retail Supply Business petitions filed by the petitioner on 31.03,2021 by the Commission.

2.3.5 Therefore, the petitioners propose the variation computed in True up calculations for FY 2019-20, FY 2020-21 and FY 2021-22 by comparing with

the approved Distribution ARR components of FY 2018-19 Tariff order. The year wise comparisons have been summarised below.

2.3.6 The APRs for FY 2019-20, FY 2020-21 & FY 2021-22 were filed by considering the approved Distribution ARR of FY 2019-20 approved by the Commission in MYT order for Distribution Business for 4th control period, whereas the APR was to be filed based on the approved components of Distribution ARR of FY 2018-19 resulting in non-passing of the Distribution cost to the Retail Supply consumers. The component wise variation of Distribution ARR approved in the Tariff order for FY 2018-19 vis-vis the approved APR for FY 2019-20, FY 2020-21 & FY 2021-22 is as given below:

Table 2.3: Summary of APR of FY 2019-20 of TGSPDCL

(In Rs Crores)

Particulars	Distribution ARR Approved in MYT Order 2018-19	FY 2019-20 APR Approved	True-up Amount
Operation & Maintenance Expenses	1901.31	2576.12	674.81
Return on Capital Employed	729.99	659.57	(70.42)
Depreciation	774.49	757.01	(17.48)
Taxes on Income	37.81	0.00	(37.81)
Special appropriations	50.00	0.00	(50.00)
Other Expenditure	0.59	0.00	(0.59)
Gross Distribution ARR	3494.19	3992.70	498.51
Less: Revenue from OA and Non-Tariff Income	395.46	426.33	30.87
Net Distribution ARR	3098.73	3566.37	467.64

Table 2.4: Summary of APR of FY 2019-20 of TGNPDCL

(In Rs Crores)

Particulars	Distribution ARR Approved on 27.03.2015	Approved (as per APR Order) on Dt: 23.03.2023	Deviation
Operation & Maintenance Expenses	1194.45	1583.74	389.29
Return on Capital Employed	404.02	266.02	(138.00)
Depreciation	427.63	374.39	(53.24)
Taxes on Income	10.58	0.00	(10.58)
Special appropriations	71.42	0.00	(71.42)

Other Expenses	1.52	0.00	(1.52)
Gross ARR	2109.62	2224.15	114.53
Less: Revenue from OA and Non-Tariff Income	189.15	162.72	(26.43)
Net ARR	1920.47	2061.43	140.96

Table 2.5: Summary of APR of FY 2020-21 of TGSPDCL

(In Rs Crores)

Particulars	Distribution ARR Approved in MYT Order 2018-19	FY 2020-21 APR Approved	True-up Amount
Operation & Maintenance Expenses	1901.31	2529.25	627.94
Return on Capital Employed	729.99	679.83	(50.16)
Depreciation	774.49	874.37	99.88
Taxes on Income	37.81	0.00	(37.81)
Special appropriations	50.00	0.00	(50.00)
Other Expenditure	0.59	0.00	(0.59)
Gross Distribution ARR	3494.19	4083.45	589.26
Less: Revenue from OA and Non-Tariff Income	395.46	453.58	58.12
Net Distribution ARR	3098.73	3629.87	531.14

Table 2.6: Summary of APR of FY 2020-21 of TGNPDCL

(In Rs Crores)

Particulars	Distribution ARR Approved on 27.03.2015	Approved (as per APR Order) on Dt: 23.03.2023	Deviation
Operation & Maintenance Expenses	1194.45	1982.65	788.20
Return on Capital Employed	404.02	263.28	(140.74)
Depreciation	427.63	297.24	(130.39)
Taxes on Income	10.58	0.00	(10.58)
Special appropriations	71.42	0.00	(71.42)
Other Expenses	1.52	0.00	(1.52)
Gross ARR	2109.62	2543.18	433.56
Less: Revenue from OA and Non-Tariff Income	189.15	156.81	(32.34)
Net ARR	1920.47	2386.37	465.90

Table 2.7: Summary of APR of FY 2021-22 of TGSPDCL

(In Rs Crores)

Particulars	Distribution ARR Approved in MYT Order 2018-19	FY 2021-22 APR Approved	True-up Amount
Operation & Maintenance Expenses	1901.31	2307.73	406.42
Return on Capital Employed	729.99	624.91	(105.08)
Depreciation	774.49	713.40	(61.09)
Taxes on Income	37.81	0.00	(37.81)
Special appropriations	50.00	0.00	(50.00)
Other Expenditure	0.59	0.00	(0.59)
Gross Distribution ARR	3494.19	3646.04	151.85
Less: Revenue from OA and Non-Tariff Income	395.46	535.81	140.35
Net Distribution ARR	3098.73	3110.23	11.50

Table 2.8: Summary of APR of FY 2021-22 of by TGNPDCL

(In Rs Crores)

Particulars	Distribution ARR Approved on 27.03.2015	Approved (as per APR Order) on Dt: 23.03.2023	Deviation
Operation & Maintenance Expenses	1194.45	1953.78	759.33
Return on Capital Employed	404.02	347.50	(56.52)
Depreciation	427.63	323.69	(103.94)
Taxes on Income	10.58	0.00	(10.58)
Special appropriations	71.42	0.00	(71.42)
Other Expenses	1.52	0.00	(1.52)
Gross ARR	2109.62	2624.97	515.35
Less: Revenue from OA and Non-Tariff Income	189.15	120.48	(68.67)
Net ARR	1920.47	2504.49	584.02

Table 2.9: Summary of APR of FY 2022-23 of TGSPDCL

(In Rs Crores)

Particulars	APR for FY 2022-23 Approved in O.P No. 37 of 2023 Dt: 07.06.2024	FY 2022-23 Actuals	True-up Amount
Operation & Maintenance Expenses	3429.81	3429.81	0.00
Return on Capital Employed	580.77	538.55	42.22
Depreciation	771.95	801.90	(29.95)
Taxes on Income	0.00	0.00	0.00
Special appropriations	0.00	5.82	(5.82)
Other Expenditure	0.00	57.03	(57.03)
Gross Distribution ARR	4782.53	4833.11	(50.58)
Less: Revenue from OA and Non-Tariff Income	500.96	500.96	0.00
Net Distribution ARR	4281.57	4332.15	(50.58)

Table 2.10: Summary of APR of FY 2022-23 of TGNPDCL

(In Rs Crores)

Particulars	Distribution ARR Approved on 29.04.2020	Approved (as per APR Order) on Dt: 07.06.2024	Deviation
Operation & Maintenance Expenses	2582.55	2303.84	(278.71)
Return on Capital Employed	566.93	261.19	(305.74)
Depreciation	568.64	334.86	(233.78)
Taxes on Income	38.58	0.00	(38.58)
Special appropriations	20.00	0.00	(20.00)
Other Expenses	0.00	0.00	0.00
Gross ARR	3776.71	2899.89	(876.81)
Less: Revenue from OA and Non-Tariff Income	175.46	153.27	(22.19)
Net ARR	3601.25	2746.62	(854.62)

Table 2.11: Summary of APR of FY 2023-24 as claimed by TGSPDCL

(In Rs Crores)

Particulars	DB Approved in MYT Order 2023-24	Actuals	Variations
Operation & Maintenance Expenses	3629.20	3560.16	(69.04)
Return on Capital Employed	538.02	555.75	17.73
Depreciation	1158.53	842.13	(316.40)
Taxes on Income	63.47	0.00	(63.47)
Special appropriations	20.00	5.25	(14.75)
Other Expenditure	0.00	22.78	22.78
Aggregate Revenue Requirement	5409.22	4986.07	(423.15)
Less: Non-Tariff Income	585.52	456.40	(129.12)
Less: Revenue from OA	49.84	19.08	(30.76)
Net Aggregate Revenue Requirement	4773.86	4510.59	(263.27)

Table 2.12: Summary of APR of FY 2023-24 as claimed by TGNPDCL

(In Rs Crores)

Particulars	Approved	Actuals	Deviation (Actual-Approved)
Operation & Maintenance Expenses	2867.66	2625.45	(242.21)
Return on Capital Employed	680.94	299.37	(381.57)
Depreciation	654.92	368.26	(286.66)
Taxes on Income	46.34	0.00	(46.34)
Special appropriations	20.00	21.01	1.01
Other Expenditure	0.00	0.00	0.00
Aggregate Revenue Requirement	4269.86	3314.09	(955.77)
Less: Non-Tariff Income	188.44	165.48	(22.96)
Less: Revenue from OA	0.00	2.47	2.47
Net Aggregate Revenue Requirement	4081.42	3146.13	(935.28)
ARR transferred to RSB	4081.42	4081.42	0.00
Net Regulatory Gap True-up/(true-down)	0.00	(935.28)	(935.28)

2.4 ARR FOR FY2025-26

2.4.1 The summary of total capital expenditure for FY 2025-26 as claimed by TGSPDCL is as shown in the Table below:

Table 2.13: Summary of Total Capital Expenditure of FY 2025-26 as claimed by TGSPDCL

(In Rs Crores)

Base Capex	1668
New Base Capex proposed for Smart Meters	50
Other Capex	750
Total Capex for DISCOM	2467

2.4.2 The summary of total capital expenditure for FY 2025-26 as claimed by TGNPDCL is as shown in the Table below:

Table 2.14: Summary of Total Capital Expenditure of FY 2025-26 as claimed by TGNPDCL

(In Rs Crores)

Base Capex	1047
Other Capex	366
Total Capex for DISCOM	1413

2.4.3 The summary of ARR for FY 2025-26 as claimed by TGSPDCL is as shown in the Table below:

Table 2.15: Summary of ARR of FY 2025-26 as claimed by TGSPDCL

(In Rs Crores)

Particulars	2025-26
Operation and Maintenance Charges Expenses	3823
Depreciation	831
Interest & Finance Charges on Loan	453
Interest on Working Capital	128
Return on Equity	307
Total Expenditure	5541
Less:	
Income from Open Access Charges	1.19
Non-Tariff Income	125
Income from Other Business	-
Net Distribution ARR	5414

2.4.4 The summary of ARR for FY 2025-26 as claimed by TGNPDCL is as shown in the Table below:

Table 2.16: Summary of ARR of FY 2025-26 as claimed by TGNPDCL
(In Rs Crores)

Particulars	2025-26
Operation and Maintenance Charges Expenses	3003
Depreciation	414
Interest & Finance Charges on Loan	382
Interest on Working Capital	98
Return on Equity	209
ARR	4106
Less:	
Income from Open Access Charges	3.19
Non-Tariff Income	175
Income from Other Business	0
Net ARR (Distribution Business)	3928

2.4.5 The summary of Wheeling Charges for FY 2025-26 as claimed by TGSPDCL is as shown in the Table below:

Table 2.17: Summary of Wheeling Charges of FY 2025-26 as claimed by TGSPDCL

Voltage	2025-26
Long-Term & Medium Term	
33 kV (Rs./kVA/Month)	53.20
11 kV (Rs./kVA/Month)	215.19
LT (Rs./kVA/Month)	705.06
Short-Term	
33 kV (Rs./kVA/hr)	0.0739
11 kV (Rs./kVA/hr)	0.2988
LT (Rs./kVA/hr)	0.9793

2.4.6 The summary of Wheeling Charges for FY: 2025-26 as claimed by TGNPDCL is as shown in the Table below:

Table 2.18: Summary of Wheeling Charges of FY 2025-26 as claimed by TGNPDCL

Voltage	2025-26
Long-Term & Medium Term	
33 kV (Rs./kVA/Month)	51.20
11 kV (Rs./kVA/Month)	372.00
LT (Rs./kVA/Month)	1107.86
Short-Term	
33 kV (Rs./kVA/hr)	0.0711
11 kV (Rs./kVA/hr)	0.5167
LT (Rs./kVA/hr)	1.5387

Chapter 3
ISSUES RAISED BY STAKEHOLDERS, RESPONSES OF PETITIONERS AND
COMMISSION'S ANALYSIS AND FINDINGS

TRUE-UP FOR FY 2023-24

3.1 CAPITAL EXPENDITURE FOR FY 2023-24

Petitioners' claim

The capitalization for 5th year (FY 2023-24) of the 4th control period approved by the Commission vis-à-vis actual incurred along with deviations is given in the table below:

Table 3.1: Capitalization claimed by TGDISCOMS for FY: 2023-24

(In Rs Crores)

Particulars	TGSPDCL		
	Approved	Actuals	Deviation
Capitalization	2629.58	1822.76	(806.82)
New investment	2299.33	1686.89	(612.44)
O&M expenses capitalized	215.11	120.52	(94.59)
IDC capitalized	115.14	15.35	(99.79)
Investments capitalized	2473.90	1763.52	(710.38)

(In Rs Crores)

Particulars	TGNPDCL		
	Approved	Actuals	Deviation
Capitalization	2104	723	(1381)
New investment	1794	626	(1168)
O&M expenses capitalized	179	60	(120)
IDC capitalized	131	37	(93)
Investments capitalized	1860	553	(1307)

Stakeholders' submission

- 3.1.1 For the FY 2023-24, regulated rate base has come down from Rs.6254.26 crore approved by the Commission to Rs.2851.55 crore, i.e., by Rs.3402.70 crore or 54.40%. TGNPDCL has significantly under-invested in capital works for FY 2023-24. Against the Commission approved capital investment of Rs. 2104 crore, only Rs. 723 crore was invested, reflecting a shortfall of Rs. 1381 crore (65.63%). No explanation has been provided regarding reasons for not making the approved capital investment, specific works that were not executed, impact of this shortfall on the distribution network's maintenance and strengthening.
- 3.1.2 As a consequence of the underinvestment, there has been a substantial reduction in O&M expenses, Return on Capital Employed, Depreciation,

leading to a net regulatory gap of Rs. 935.28 crore, which needs to be trueed down.

- 3.1.3 At the same time, consumer contributions increased from Rs.1572.16 crore approved by the Commission to Rs.2216.35 crore, i.e., by Rs.644.19 crore or 40.97%. However, requirement for working capital has come down from Rs.238.97 crore approved by the Commission to Rs.218.79 crore, i.e., by Rs.20.18 crore or 8.44% only.
- 3.1.4 Compared to substantial reduction in capital investment and regulated rate base, on one hand, and substantial increase in consumer contributions, on the other, the reduction in need for working capital seems meagre and disproportionate.
- 3.1.5 The TGDISCOMs' have to explain as to how collection of consumer contributions increased by 40.97% compared to what were approved by the Commission, when capital investment has come down by 65.63%. "Consumer/User Contributions" means any contributions made by those using or intending to use the Distribution network of a licensee for supply or wheeling of electricity. Any grant received by the licensees would also be treated as Consumer/User Contribution.
- 3.1.6 It has also shown that an income of Rs.2.47 crore from open access supply or wheeling of electricity and not shown receipt of any grants. Any grant received by the licensees would also be treated as Consumer/User Contribution which requires explanation by TGDISCOMs.
- 3.1.7 NPDCL has to give details of actual distribution capacity available during the FY 2023-24 vis a vis the capacity to be created as per approvals given by the Commission for capital investment and works and actual utilization of the capacity for wheeling.

Petitioners' Replies

- 3.1.8 TGNPDCL has submitted that the shortfall in capital investment during the 4th Control Period (FY 2019-20 to FY 2023-24) is attributed to constraints faced during the COVID-19 pandemic, including difficulties in material procurement and skilled labour shortages.
- 3.1.9 True down figures are based strictly on actual costs incurred by TGNPDCL. The increase in consumer contributions is a reflection of actual consumer-

driven projects and demand for new connections, which were higher than anticipated. These contributions are governed by regulations and align with Commission's directives. The growth in contributions demonstrates DISCOM's commitment in meeting consumer requirements efficiently and in a timely manner.

- 3.1.10 The reduction in capital investments was primarily due to unavoidable factors. This has also resulted in a proportional decrease in the regulated rate base and the need for working capital. However, the investments undertaken were optimized to ensure efficient utilization of available resources, thus maintaining service quality.
- 3.1.11 Further the working capital is arrived as per the methodology given by the Commission in the approved ARR & Wheeling Tariffs for Distribution business for 4th control period (FY 2019-20 to FY 2023-24) dated 29.04.2020 as one month of actual Operation and maintenance expenses of FY 2023-24.
- 3.1.12 Therefore, petitioner is requested to approve the true-up/ true-down figures as per filings.
- 3.1.13 TGSPDCL has submitted that for FY 2023-24, the Regulatory Rate Base has come down from Rs. 5355.75 crore approved by the Commission to Rs. 5036.58 crores i.e., by Rs. 319.17 crore i.e., 5.97% only. The consumer contributions decreased from Rs. 1291.43 crores approved by the Commission to Rs. 1157.80 crores i.e., by Rs. 134.60 crores i.e., by 10.42% and the requirement of working capital of Rs. 302.43 crores approved by the Commission has decreased to Rs. 296.68 crores i.e., by Rs. 5.75 crore i.e., 1.90% only. The TGSPDCL fulfilled the capital investment approved by the Commission.
- 3.1.14 For FY 2023-24, TGSPDCL made capital investments of Rs. 2,256.14 crore against the Commission approved Rs. 2,299.33 crore, reflecting a minor shortfall of 1.8%. The total capitalized assets amount to Rs. 1,686.89 crore, which includes spillover works from the previous financial year. Additionally, capital work-in-progress for FY 2023-24 stands at Rs. 1,747.75 crore.
- 3.1.15 Considering the capital work-in-progress, the capital investments align with the approved figures. Despite the minor 1.8% reduction in capital investment, the Distribution Business ARR was trued down by Rs. 263.27 crore due to

reduced depreciation of capitalized assets by Rs. 316.40 crore and reduced O&M expenses by Rs. 69.04 crore.

Commission's Analysis and Findings

3.1.16 The Commission has considered both the views in respect of under investment and accepts the submissions of the petitioners that on account of reasons explained by them include covid 19 pandemic. There is under investment in capital works. Similarly the Commission has also noted the explanation of the TGDIsCOMs that increase in the consumer contribution when the working capital investment was reduced cannot be seen as a negative factor.

3.1.17 The Commission has verified the consumer contributions received by TGDIsCOMs with their Annual Audited Reports to arrive at the Consumer contributions to be approved.

3.1.18 The Commission has considered the approved investment and arrived at the components of ARR in accordance with the Regulations.

3.2 OPERATION AND MAINTENANCE (O&M) EXPENSES

Petitioners' claim

3.2.1 The O&M expenses approved by the Commission in MYT Order dated 29.04.2020 vis-à-vis actuals as claimed by TGDIsCOMs for 4th control period is as shown in the Table below:

Table 3.2: Operation and Maintenance Expenses claimed for FY 2023-24

(Rs. Crore)

Particulars	Approved in MYT Order dated 29.04.2020	Claimed	Deviations
TGSPDCL			
Employee Expenses	3380.08	3268.60	(111.48)
A&G Expenses	244.18	172.70	(71.48)
R&M Expenses	220.05	239.38	19.33
Gross O&M Expenses	3844.31	3680.68	(163.63)
Expenses capitalised	215.11	120.52	(94.59)
Net O&M Expenses	3629.20	3560.16	(69.04)
TGNPDCL			
Employee Expenses	2757.50	2389.02	(368.49)
A&G Expenses	142.67	178.99	36.33
R&M Expenses	146.89	116.97	(29.92)
Gross O&M Expenses	3047.06	2684.98	(362.08)

Particulars	Approved in MYT Order dated 29.04.2020	Claimed	Deviations
Expenses capitalised	179.40	59.53	(119.87)
Net O&M Expenses	2867.66	2625.45	(242.21)

3.2.2 TGSPDCL submitted that the deviations in O&M expenses (actuals against approved) are due to following reasons:

- **Employee cost:** The decrease in the actual Employee cost compared with approved Employee cost is due to the pendency of Dearness Allowances during the financial year.
- **Admin and General expenses (A&G):** The decrease in the actual Administration & General Expenditure is mainly due to decrease in the travelling expenses, contract labour charges, telephone & communication charges and other administration expenses.
- **Repair and Maintenance expenses (R&M):** A marginal increase in Repairs & Maintenance Expenses recorded is due to maintenance of Transformers, strengthening and maintenance of Cable Networks and maintenance of Substations.
- **Capitalization of O&M expense:** The deviations in Capitalization of O&M expenses (actuals against approved) is due to less capitalization and increase in the capital work in progress (CWIP) compared to approved number.

3.2.3 TGNPDCL has submitted that O&M expenses are lower than approved by the Commission by Rs.242.21 crores for FY 2023-24.

Stakeholders' submissions

3.2.4 DISCOMs are incurring losses besides collecting unauthorized fixed charges, a contempt of the Tariff Order dated 23 Mar 2022, passed by the TSERC. The Commission disallowed TGDISCOMs proposal of collecting fixed charges based on RMD at Clause 6.10, present in page 149, of the Tariff Order.

3.2.5 Both TGDISCOMs can reduce Admin & General expenses further. Both TGDISCOMs are spending on unnecessary legal costs, TGDISCOMs are challenging consumer favor orders of tiny amounts too, e.g., CG.No.13/2024-25/suryapet circle.

3.2.6 Most of the time challenges are not voluntary filings. It is evident as TGDISCOMs 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 TGDISCOMs but in the interest of saving respective officers' pay checks or Sec 142 actions, a clear misuse of TGDISCOMs' money for legal expenses for officers' failures. Both TGDISCOMs' assurances of consumer service are turning false.

Petitioners' Replies

- 3.2.7 Fixed charges based on RMD (Recorded Maximum Demand) are designed to ensure equitable cost recovery for the services provided by TGDISCOMs. These charges account for the infrastructure and operational readiness maintained by the TGDISCOMs to meet consumer demands, even during peak load conditions.
- 3.2.8 While the Tariff Order may have disallowed a particular methodology, TGDISCOMs operate in compliance with the directives of the Telangana State Electricity Regulatory Commission (TGERC). Any deviation would be unintentional and subject to rectification following TGERC's guidance.
- 3.2.9 Administrative and general expenses are reviewed periodically to ensure efficient operations. While there may be room for further optimization, the current expenses are essential to maintain reliable service delivery.
- 3.2.10 Further with reference to legal costs, it is important to note that DISCOM has a duty to defend their actions and tariffs when challenged. These legal challenges often arise to protect the interests of the larger consumer base and ensure adherence to regulatory frameworks. However, the legal charges are decreased from 2.84 Crs of FY 2022-23 to 2.39 crs of FY 2023-24.
- 3.2.11 Further, TGNPDCL submitted that the challenges filed are not meant to burden consumers in any manner. Rather DISCOM is obligated to ensure compliance with regulatory norms and avoid setting precedents that could adversely impact the sector's financial viability. Therefore, challenges to consumer favour orders are not pursued out of choice but as a response to certain consumer complaints or legal actions.

Commission's Analysis and Findings

- 3.2.12 As regards O&M expenses, clause 14 of the Regulation No.4 of 2005 stipulates as under:

"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 the 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 for the Base Year, if required, will be used for projecting the expenses for each year of the Control Period.*

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

3.2.13 Clause 14.3 of the Regulation No.4 of 2005 stipulates that O&M expenses for each year of the control period shall be determined by using pre-determined norms or formulae based on the Distribution Licensee's submissions, previous years actual expenses and any other factors considered relevant by the Commission.

3.2.14 In the MYT Order dated 29.04.2020 for 4th control period, the Commission has specified the methodology of determining the norms of O&M expenses and fixed the norms for Employee expenses, A&G expenses and R&M expenses.

3.2.15 The Commission has recomputed the Employee Expenses and A&G Expenses based on the above approved norms using the actual number of substations, line lengths, number of DTRs and number of consumers furnished by TGDISCOMs.

3.2.16 The Commission has recomputed the k factor based on the opening GFA and R & M expenses approved in APR for FY 2022-23. The R & M expenses were recomputed based on the k factor and opening GFA approved for FY 2023-24.

3.2.17 The Commission has examined the actual O&M expenses for FY 2023-24 as per audited accounts and approved lower of recomputed O&M expenses and actuals claimed by the TGDISCOMs for FY 2023-24 as shown in table below:

Table 3.3: O&M expenses claimed and approved for FY 2023-24

Rs.in crore

Particulars	Approved in MYT Order dated 29.04.2020	Claimed in APR	Normative recomputed by Commission	Actuals as per Audited Account	Approved
TGSPDCL					
Employee Expenses	3380.05	3268.60	3442.19	3268.60	3268.60
A&G Expenses	244.32	172.70	248.81	211.77	211.77
R&M Expenses	219.94	239.38	206.38	200.31	200.31
O&M Expenses (Gross)	3844.31	3680.68	3897.39	3680.68	3680.68
Less: O&M Expenses Capitalized	215.11	120.52	127.81	120.52	120.52
O & M Expenses (Net)	3629.21	3560.16	3769.57	3560.16	3560.16
TGNPDCL					
Employee Expenses	2757.27	2389.02	2338.04	2389.02	2338.04
A&G Expenses	142.75	178.99	121.05	175.16	121.05
R&M Expenses	147.03	116.97	114.19	116.97	114.19
O&M Expenses (Gross)	3047.06	2684.98	2573.28	2681.15	2573.28
Less: O&M Expenses Capitalized	179.41	59.53	57.09	59.53	57.09
O & M Expenses (Net)	2867.65	2625.45	2516.19	2621.62	2516.19

3.3 Depreciation

Petitioners' claim

3.3.1 The depreciation expenses for FY 2023-24 approved by the Commission vis-à-vis actuals submitted by the petitioners along with the deviations is given in the table below:

Table 3.4: Depreciation Claimed for FY 2023-24

Rs. In Crore

Particulars	Approved in MYT Order dated:29.04.2020	Actuals as claimed in APR	Claimed Deviations
TGSPDCL			
Depreciation during the year	1158.53	842.13	(316.40)
TGNPDCL			
Depreciation during the year	654.92	368.26	(286.66)

3.3.2 TGNPDCL has submitted that the deviation in Depreciation (actuals against approved) is due to less capitalization in fixed assets compared to approved numbers for 4th Control Period (FY 2019-20 to FY 2023-24). i.e., Rs. 3,125 crores against approved amount of Rs.7,173 crores.

Stakeholders' submissions

3.3.3 TGDISCOMs, in their APR / True-up Petitions, have submitted Capital Investments and Capitalization for FY 2023-24. However, while computing the net Investment Capitalized, TGDISCOMs 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 deductions/adjustments). However, TGNPDCL has claimed Rs. 626 Cr of addition in Capitalization. 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.

3.3.4 TGNPDCL has not considered the impact of Decapitalization and Capital Subsidy/Grants or Consumer Contributions and hence, appropriate reduction should be made by the Commission while deriving the Capital Expenditure and Capitalization for FY 2023–24. 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. 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.

3.3.5 TGNPDCL has not provided the details of assets funded by consumer/user contributions or through any capital subsidy/grant in FY 2023-24. Accordingly, it is requested to approve Depreciation for FY 2023-24 for Distribution Business of TGDISCOMs 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.

3.3.6 TGDISCOMs 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. TGSPDCL has claimed Rs. 106 Cr. and TGNPDCL has claimed Rs. 15 Cr. of Depreciation through Consumer Contribution. The stakeholder has requested the Commission to reduce the Depreciation as claimed by TGDISCOMs for FY 2025-26 by Rs. 121 Cr., considering the impact of Depreciation on Assets funded by Consumer Contribution.

Petitioners' Replies

- 3.3.7 TGNPDCL submitted that they have claimed Rs. 626 Cr. as new investment for FY 2023-24 and investment capitalised (fixed assets addition) for FY 2023-24 Rs. 553 Crs (568.16 - 15.61 deductions/adjustments) only in APR FY 2023-24.
- 3.3.8 The Amortized depreciation on Consumer Contribution assets of Rs. 140.71 Crore as per books of account is included in the actual claimed depreciation of Rs. 368.26 Cr in APR for FY 2023-24.
- 3.3.9 The licensee has considered the depreciation on assets funded through consumer contributions (Deferred Revenue Income) of Rs. 140.71 Crore under non-tariff income (NTI). Since the Net ARR i.e., the Gross ARR minus the NTI is considered for the purpose of computation of wheeling charges.
- 3.3.10 Further, the DISCOM has considered the net depreciation of Rs. 356.14 Cr (368.26-12.02 deductions/adjustments) for RoCE computation.
- 3.3.11 The effect of consumer contribution has been netted off while calculating the regulated rate base and requested to consider as per filings.
- 3.3.12 TGSPDCL has submitted that they have 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 the Decapitalization of Rs. 15.46 crores from the Gross Capitalization of Rs. 1,778.98 crores and the same is placed on the website of TGSPDCL.

- 3.3.13 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 Commission.
- 3.3.14 The TGNPDCL has considered the depreciation on assets funded through consumer contributions as Deferred Revenue Income under non-tariff income (NTI). Since the Net ARR i.e., the Gross ARR minus the NTI is considered for the purpose of computation of wheeling charges, the licensee prays that the Commission may consider the depreciation figures as filed by the licensee.
- 3.3.15 The TGSPDCL has submitted 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.

Commission's Analysis and Findings

- 3.3.16 As regards depreciation, clause 17 of the Regulation No.4 of 2005 stipulates as under:
- 17. DEPRECIATION***
- 17.1 Depreciation shall be computed in the following manner:*
- 17.2 For each year of 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 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 Distribution Licensee.*
- 17.2 Depreciation allowance for each year of control period shall be determined, generally based on the methodology, rates and other terms as decided by CERC from time to time.*
- 17.3 Depreciation shall be charged from the 1st April of the following year from the date the asset is put to use."*
- 3.3.17 Clause 17 of Regulation No.4 of 2005 stipulates that depreciation shall be calculated on the amount of original cost of fixed assets included in RRB at the beginning of each year of the control period based on the methodology, rates and other terms and decided by CERC from time to time.
- 3.3.18 The Commission has considered the closing balance of GFA for FY 2022-23 approved by the Commission in the APR Order for FY 2022-23 dated 07.06.2024 as opening balance of GFA for FY 2023-24.
- 3.3.19 The Commission has verified the depreciation from the Audited Annual

Accounts for FY 2023-24 and computed depreciation after netting off the decapitalised assets from the capitalisation.

3.3.20 The amortisation of consumer contributed assets for both TGDISCOMs are considered in the NTI and gross depreciation is considered for computing the ARR.

3.3.21 The depreciation claimed by TGDISCOMs and approved by the Commission for FY 2023-24 is as given in table below:

Table 3.5: Depreciation claimed and approved for FY 2023-24

Rs.in crore

Particulars	Approved in MYT Order dated:29.04.2020	Actuals as claimed in APR	Approved
TGSPDCL			
Depreciation during the year	1158.53	842.13	828.44
TGNPDCL			
Depreciation during the year	654.92	368.26	355.65

3.4 Return On Capital Employed (RoCE)

Petitioners' claim

3.4.1 The Return on Capital Employed (RoCE) for FY 2023-24 approved by the Commission vis-a-vis actuals incurred by TGDISCOMs along with the deviations is given in the table below:

Table 3.6: Return on Capital Employed (ROCE) Claimed for FY 2023-24

Rs. In Crore

Particulars	Approved in MYT Order dated:29.04.2020	Actuals as claimed in APR	Deviation
TGSPDCL			
ROCE	538.02	555.75	17.73
TGNPDCL			
ROCE	680.94	299.37	(381.57)

Stakeholders' submissions

3.4.2 TGDISCOMs have not submitted actual equity of FY 2023-24 pertaining to Distribution Business. As per the Regulatory provisions, actual equity is to be considered while approving ROCE. TGDISCOMs have to furnish information pertaining to actual equity infused in FY 2023-24 for Distribution Business while doing the APR of FY 2023-24.

3.4.3 For FY 2023-24, SPDCL has shown the rate of cost of debt as 10.05% against

9.85% approved by the Commission. It may be noted that, for the same FY, in the case of NPDCL, rate of cost of debt has come down to 9.33% from 9.85% approved by the Commission. This variation between rates of cost of debt between the two TGDISCOMs shows need and scope for obtaining loans at lower rates of interest possible and exploring possibilities for swapping old loans with higher rates of interest with new loans with relatively lower rates of interest.

3.4.4 Another stakeholder has stated that while computing the RoCE for FY 2023-24, TGDISCOMs have not considered the Regulatory provisions stipulated in Terms and Conditions for determination of Tariff for Wheeling and Retail Supply of Electricity Regulations 2005 which states that:

- Opening Assets base for FY 2023-24 should equal to approved True-up closing asset base for FY 2022-23.
- Opening Accumulated Depreciation for FY 2023-24 should be equal to approved True-up Accumulated Depreciation till FY 2022-23.
- Opening Consumer Contribution for FY 2023-24 should be equal to True-up closing Consumer Contribution for FY 2022-23.

3.4.5 Accordingly, it is requested 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.

Petitioners' Replies

3.4.6 TGDISCOMs have claimed RoCE as per the provisions of the Regulation No. 4 of 2005 in the APR for FY 2023-24. The Return on Equity @ 14% and Additional Return on Equity @ 2% is applicable for Distribution and Retail Supply Businesses as per the MYT Regulation 2 of 2023 which is effective from 01.04.2024. Hence the TGDISCOMs have not claimed in the present APR filings.

3.4.7 For FY 2023-24, the TGSPDCL has claimed the Rate of Cost of Debt as 10.05% which is Weight Average. The TGSPDCL has strived and putting its best efforts to reduce the burden on Rate of Cost of Debt by exploring all the possibilities.

3.4.8 For FY 2023-24, the TGNPDCL has claimed the Rate of Cost of Debt as 9.33% which is Weight Average of Capex loans.

3.4.9 TGNPDCL has submitted that the calculation methodology considered in FY 2023-24 should not be linked to the approved True up order dated 07.06.2024

for FY 2022-23.

- 3.4.10 TGNPDCL has taken the approved value of RoCE for the year of 2023-24 of Distribution Business Order dated 29.04.2020 for 4th control Period and requested to consider the methodology as per the filings.
- 3.4.11 TGSPDCL has submitted that they have computed the RoCE by considering the Opening Assets base for FY 2023-24 same as the closing asset base approved by the 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).
- 3.4.12 Opening Accumulated Depreciation for FY 2023-24 as approved in the APR order for FY 2022-23 i.e., Rs. 5019.71 crores have been considered.
- 3.4.13 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 Commission in APR order for FY 2022-23 dated: 07.06.2024.
- 3.4.14 TGSPDCL has computed RoCE considering the Regulatory provisions stipulated in Terms and Conditions for determination of Tariff for Wheeling and Retail Supply of Electricity Regulations 2005.
- 3.4.15 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.

Commission's Analysis and Findings

- 3.4.16 As per earlier Regulatory practice, Distribution MYT order for 4th Control Period and Retail Supply Order for FY 2023-24, the rate of Return on Equity for Distribution Business is considered as 14%. Hence rate of Return on Equity of 14% is considered for true up of FY 2023-24 for Distribution Business.
- 3.4.17 The computation of RoCE and Weighted average capital cost is in accordance with clause 15 of Regulation No.4 of 2005 and the parameters were verified with the books of accounts.
- 3.4.18 The Commission observed that the deviations in Regulated Rate Base is due to following reasons:
- I. TGDISCOMs have considered the values as per audited accounts instead of True-up values in the APR Order for FY 2022-23;
 - II. The actual capitalisation of fixed assets is less than that approved in MYT Order.

3.4.19 The Commission in accordance with the provisions of Regulation No.4 of 2005, has recomputed the ROCE based on the following:

- I. Closing balance of Asset Base for FY 2022-23 is considered as Opening Asset base for FY 2023-24.
- II. Closing balance of Accumulated Depreciation for FY 2022-23 is considered as Opening Accumulated Depreciation for FY 2023-24.
- III. Closing balance of Consumer Contributions for FY 2022-23 is considered as Opening Consumer Contributions for FY 2023-24.
- IV. Grants under UDAY Scheme.
- V. Capitalisation for FY 2023-24 on actuals as per audited accounts and approved in this Order after netting off the decapitalised assets.
- VI. Depreciation for FY 2023-24 as approved in this Order.
- VII. Working capital equivalent to 1/12th of approved net O&M expenses for FY 2023-24.
- VIII. WACC computed based on the actual cost of Debt and cost of equity as per Regulation.

3.4.20 For FY 2023-24, the Commission has considered the weighted average rate of interest on loan after prudent check of loan portfolio and verifying with annual audited reports. The interest on loan considered for FY 2023-24 is 10.05% for TGSPDCL and 9.33% for TGNPDCL.

3.4.21 The RoCE for FY 2023-24 claimed and approved based on the above methodology is as shown in the Table below:

Table 3.7: ROCE claimed and approved for FY 2023-24 for TGSPDCL

Rs.in crore

Particulars	Approved in MYT Order dated:29.04.2020	Actuals as claimed in APR	Approved
Original Cost of Fixed Assets at the beginning of the year		20432.89	20407.97
Accumulated Depreciation at the beginning of the year		6621.11	5820.55
Consumer Contribution at the beginning of the year		8960.02	8956.40
Grants under UDAY Scheme			656.48
Regulated Rate Base		4851.76	4974.53
Investments capitalised during the year		1763.52	1763.52
Depreciation during the year		829.45	828.44
Consumer Contribution addition during the year		1157.80	1157.80
Change in Rate Base		-111.87	-111.36
O&M expenses		296.68	296.68
Working Capital		296.68	296.68
Regulated Rate Base for RoCE		5036.58	5159.86

Particulars	Approved in MYT Order dated:29.04.2020	Actuals as claimed in APR	Approved
Weighted Average Cost of Capital		11.03%	11.03%
Return on Capital Employed	932.52*	555.75	569.35

(* TGSPDCL has filed incorrect amount in approved MYT order but the Commission has considered the actual amount approved in Amendment Order dated : 01-03-2021)

Table 3.8: ROCE claimed and approved for FY 2023-24 for TGNPDCL

Rs.in crore			
Particulars	Approved in MYT Order dated: 29.04.2020	Actuals as claimed in APR	Approved
Original Cost of Fixed Assets at the beginning of the year		9602.59	9586.83
Accumulated Depreciation at the beginning of the year		4941.35	4204.53
Consumer Contribution at the beginning of the year		2036.94	2619.26
Grants under UDAY Scheme			332.53
Regulated Rate Base		2624.31	2430.52
Investments capitalised during the year		552.57	552.57
Depreciation during the year		356.24	355.65
Consumer Contribution addition during the year		179.41	179.42
Change in Rate Base		8.46	8.75
O&M expenses		218.79	209.68
Working Capital		218.79	209.68
Regulated Rate Base for RoCE		2851.55	2648.95
Weighted Average Cost of Capital		10.50%	10.50%
Return on Capital Employed	680.94	299.37	278.10

3.5 TAXES ON INCOME

Petitioners' claim

3.5.1 TGDISCOMs have submitted Tax on Income as 'Nil' for FY 2023-24. They further added that TGSPDCL and TGNPDCL have incurred a loss of Rs.4,909.53 crores and Rs.1,441.18 crore respectively due to which TGDISCOMs have not paid any tax for FY 2023-24.

3.5.2 The Tax on Income for FY 2023-24 approved by the Commission vis-a-vis

actuals incurred along with the variations is given in the table below:

Table 3.9: Taxes on Income claimed for FY 2023-24

Rs.in crore			
Particulars	Approved in MYT Order dated: 29.04.2020	Claimed	Deviations
TGSPDCL			
Tax on Income	63.47	0	(63.47)
TGNPDCL			
Tax on Income	46.34	0	(46.34)

Commission's Analysis and Findings

3.5.3 As regards Tax on Income, clause 18 of the Regulation No.4 of 2005 stipulates as under:

“18. TAXES ON INCOME

18.1 *Taxes on Income, if any, on the income stream of the licensed business of the Distribution Licensee shall be treated as an expense and shall be recoverable through ARR.*

18.2 *Taxes on Income actually payable and paid shall be included in the ARR, limited, however, to tax on Return on Equity component of the Return on Capital Employed, and excluding tax on profit, if any, in excess of such return (arising out of any reason, including efficiency of the Distribution Licensee or any explicit incentive provided in the ARR), penalties, interest on delayed payment of tax, etc., and duly adjusted for any refunds, etc. received for the previous periods.”*

3.5.4 The Commission verified from the Annual Accounts that the TGDISCOMs have not paid Tax for FY 2023-24. Hence the Commission has accepted the claim of the TGDiscoms.

Table 3.10: Taxes on Income approved for FY 2023-24

(Rs. Crore)

Particulars	Approved in MYT Order dated: 29.04.2020	Actuals as claimed in APR	Approved
TGSPDCL			
Tax on Income	63.47	0	0
TGNPDCL			
Tax on Income	46.34	0	0

3.6 Special Appropriations for FY 2023-24

Petitioners' claim

3.6.1 TGSPDCL has submitted expenses incurred for safety measures for FY 2023-24 as Rs.5.25 crore against Rs.20 crore approved in the MYT Order dated 29.04.2020. The expenses claimed under special appropriations have been

incurred towards activities related to safety of consumers and employees. The key measures undertaken are as follows:

- (i) Providing of safety materials viz., Gum boots, Helmets, Safety belts, Earth rods, Gloves etc.
- (ii) Providing awareness programs to the Consumers and O & M staff to minimize/avoid the fatal accidents.

In addition to the above, TGSPDCL has submitted that the Licensee has also undertaken the following safety-related activities, which are accounted for under Repairs & Maintenance (R&M) expenses:

- i. Erection of intermediate poles for proper clearance
- ii. Providing of Earthing
- iii. Providing of fencing
- iv. Reconstruction of damaged DTR plinth
- v. Plinth Raisings
- vi. Providing of SMC Distribution boxes
- vii. Providing of foot Cross arms
- viii. Rectification of DTR structures
- ix. Replacement of damaged AB cable
- x. Providing of safety materials viz. Gum boots, Helmets, Safety belts, Earth rods, Gloves etc.
- xi. Running of Neutral wire from SS.

3.6.2 TGNPDCL has submitted that an amount of Rs. 8.07 Crores has been utilized for executing capital works related to safety measures during FY2023-24. As this expenditure is accounted for under capital expenditure, the same has not been claimed under the Special Appropriations head.

TGNPDCL has also submitted that the capital works are executed towards safety measures in the FY 2023-24 as follows:

- i. Erection of intermediate poles for proper clearance
- ii. Providing of Earthing
- iii. Providing of fencing
- iv. Reconstruction of damaged DTR plinth
- v. Plinth Raisings
- vi. Rectification of DTR structures

In line with these guidelines issued by the Hon'ble Commission in Proceedings No. TSERC/Secy/86 of 2015, Dt: 28-12-2015, Para No.3, TGNPDCL provided ex-gratia compensation for every electrical accident involving a non-departmental person and/or an animal, regardless of whether the accident is due to departmental fault or non-departmental fault (with most cases occurring due to consumer-side faults).

The Licensee submitted that this compensation expenditure is recorded under the "Compensations Account" within A&G (Administration & General) Expenses in its books of accounts.

3.6.3 The special appropriations claimed and approved by the Commission in MYT Order dated 29.04.2020 is as shown in the table below:

Table 3.11: Special Appropriations claimed for FY 2023-24

Rs.in crore

Particulars	Approved in MYT Order dated: 29.04.2020	Claimed	Deviations
TGSPDCL			
Special appropriations	20.00	5.25	(14.75)
TGNPDCL			
Special appropriations	20.00	21.01	1.01

Commission's Analysis and Findings

3.6.4 The Commission observed that TGSPDCL has claimed expenditure of Rs.5.25 crore for safety measure under special appropriations expenses. Whereas, the claim is not shown under separate head of accounts in the audited accounts. Therefore, the Commission has not allowed the claim of Rs.5.25 crore towards special appropriations for FY 2023-24.

3.6.5 TGNPDCL has claimed an amount of Rs.21.01 crore towards ex-gratia/compensation under special appropriations. Special appropriations are meant for the expenditure incurred towards providing safety equipment, safety appliances, awareness programmes, etc to reduce the electrical accidents.

3.6.6 Hence, the Commission has disallowed the claim of Rs. 21.01 crore, as it pertains to ex-gratia payments.

Table 3.12: Special appropriations claimed and approved for FY 2023-24

Rs.in crore

Particulars	Approved in MYT Order dated:29.04.2020	Actuals as claimed in APR	Approved
TGSPDCL			
Special appropriations	20	5.25	0
TGNPDCL			
Special appropriations	20	21.01	0

3.7 Other Expenditure**Petitioners' claim**

3.7.1 The Other Expenditure for FY 2023-24 approved by the Commission in the MYT order and claimed by the TGDISCOMs along with deviations is given in the table below:

Table 3.13: Other Expenditure claimed for FY 2023-24

Rs.in crore

Particulars	Approved in MYT Order dated: 29.04.2020	Claimed	Deviations
TGSPDCL			
Other expenditure	0	22.78	22.78
TGNPDCL			
Other expenditure	0	0	0

Table 3.14: Break-up of other expenditure submitted by TGSPDCL for FY 23-24

Particulars	Approved in MYT Order dated: 29.04.2020	Claimed	Deviations
Asset Scrap	0	2.58	2.58
Compensation	0	20.2	20.2
Total	0	22.78	22.78

Commission's Analysis and Findings

- 3.7.2 In view of the Proceedings No. TSERC/Secy/86 of 2015 dated 28-12-2015 and directions of the Commission, the claim of TGDISCOMs towards expenditure incurred towards compensation/exgratia for the control period FY 2023-24 is verified from Annual Accounts of TGDISCOMs and has been considered for approval.
- 3.7.3 The Commission has approved the ex-gratia claims of Rs. 20.2 crores for TGSPDCL and Rs. 21.01 crores for TGNPDCL under other expenses, as per the proceedings dated 28-12-2015. However, TGSPDCL's claim of Rs. 2.58 crores towards asset scrap value has been disallowed.

Table 3.15: Other Expenditure claimed and approved for FY 2023-24

Rs.in crore

Particulars	Approved in MYT Order dated: 29.04.2020	Actuals as claimed in APR	Approved
TGSPDCL			
Other expenditure	0	22.78	20.20
TGNPDCL			
Other expenditure	0	0	21.01

3.8 Revenue From Open Access (OA)
Petitioners' claim

3.8.1 The Revenue from Open Access for FY 2023-24 approved by the Commission in MYT order and claimed along with the deviations is as shown below:

Table 3.16: Revenue from Open Access claimed for FY 2023-24

Rs.in crore

Particulars	Approved in MYT Order dated: 29.04.2020	Claimed	Deviations
TGSPDCL			
Revenue from Open Access	49.84	19.08	(30.76)
TGNPDCL			
Revenue from Open Access	0	2.47	2.47

Commission's Analysis and Findings

3.8.2 The Commission has scrutinized the details submitted by TGDISCOMs and approved the revenue from Open Access (OA). The Revenue from Open Access claimed by the petitioner and approved by the Commission for FY 2023-24 is as shown in the Table below:

Table 3.17: Revenue from Open Access Consumers claimed and approved for FY 2023-24

Rs.in crore

Particulars	Approved in MYT Order dated: 29.04.2020	Claimed	Approved
TGSPDCL			
Revenue from Open Access	49.84	19.08	19.08
TGNPDCL			
Revenue from Open Access	0	2.47	2.47

3.9 Non-Tariff Income

Petitioners' claim

3.9.1 The Non-Tariff Income for FY 2023-24 approved by the Commission in the MYT order and claimed along with the deviations is as shown below:

Table 3.18: Non-Tariff Income as claimed for FY 2023-24

Rs.in crore

Particulars	Approved in MYT Order dated: 29.04.2020	Actuals as claimed in APR	Claimed Deviations
TGSPDCL			
Non-Tariff Income	585.52	456.40	(129.12)
TGNPDCL			
Non-Tariff Income	188.44	165.48	(22.96)

Commission's Analysis and Findings

3.9.2 Non-Tariff Income comprises of incidental charges work, Sale of Scrap, Penalties from Suppliers, SDs & BGs forfeited, Miscellaneous Income, Sale of Tender Schedule, Rent from Fixed Assets, Meter Testing Charges, Interest on staff loans & advances, Penalties from Employees etc.

3.9.3 Further it is observed that TGSPDCL has claimed amortization of consumer contributed assets for an amount of Rs. Rs. 328.16 and TGNPDCL has claimed an amount of Rs.140.71 crore and the TGDISCOMs have claimed gross depreciation in the ARR. Hence the Commission has considered the amortization of consumer contributed assets under NTI.

3.9.4 On verification of annual accounts of TGSPDCL, it is observed that the amortization of consumer contributed assets is Rs.378.52 crore and the same is considered for approval. The NTI claimed and approved is as given below:

Table 3.19: Non-Tariff Income claimed and approved for FY 2023-24

Rs.in crore

Particulars	Approved in MYT Order dated: 29.04.2020	Claimed	Approved
TGSPDCL			
Non-Tariff Income	585.52	456.40	506.76
TGNPDCL			
Non-Tariff Income	188.44	165.48	165.48

3.10 ARR For FY 2023-24

3.10.1 The Aggregate Revenue Requirement (ARR) for FY 2023-24 approved by the Commission in MYT Order dated 29.04.2020, claimed and approved based on above analysis is as shown in the table below:

Table 3.20: ARR claimed and approved for TGSPDCL for FY 2023-24

Rs.in crore

Particulars	4 th CP order	Claimed	Approved	True up/Down (-)
	(i)	(ii)	(iii)	(iv)= (iii)-(i)
Operation & Maintenance expenses	3629.21	3560.16	3560.16	(69.05)
Return on Capital Employed	932.52	555.75	569.35	(363.17)
Depreciation	1158.53	842.13	828.44	(330.09)
Taxes on	63.47	0.00	0.00	(63.47)

Particulars	4 th CP order	Claimed	Approved	True up/Down (-)
	(i)	(ii)	(iii)	(iv)= (iii)-(i)
Income				
Special appropriations	20.00	5.25	0.00	(20.00)
Other Expenditure	0.00	22.78	20.20	20.20
Aggregate Revenue Requirement	5803.72	4986.07	4978.15	(825.57)
Less: Non-Tariff Income	585.52	456.40	506.76	(78.76)
Less: Revenue from Captive OA (Wheeling Charges)	49.84	19.08	19.08	(30.76)
Net Aggregate Revenue Requirement	5168.36	4510.59	4452.31	(716.05)

Table 3.21: ARR claimed and approved for TGNPDCL for FY 23-24

Rs.in crore

Particulars	4 th CP order	Claimed	Approved	True up/Down (-)
	(i)	(ii)	(iii)	(iv)= (iii)-(i)
Operation & Maintenance expenses	2867.65	2625.45	2516.19	(351.46)
Return on Capital Employed	680.94	299.37	278.10	(402.84)
Depreciation	654.92	368.26	355.65	(299.27)
Taxes on Income	46.34	0.00	0.00	(46.34)
Special appropriations	20.00	21.01	0.00	(20.00)
Other Expenditure	0.00	0.00	21.01	21.01
Aggregate Revenue Requirement	4269.86	3314.09	3170.95	(1098.90)
Less: Non-Tariff Income	188.44	165.48	165.48	(22.96)
Less: Revenue from Captive OA (Wheeling Charges)	0.00	2.47	2.47	2.47
Net Aggregate Revenue Requirement	4081.42	3146.13	3003.00	(1078.41)

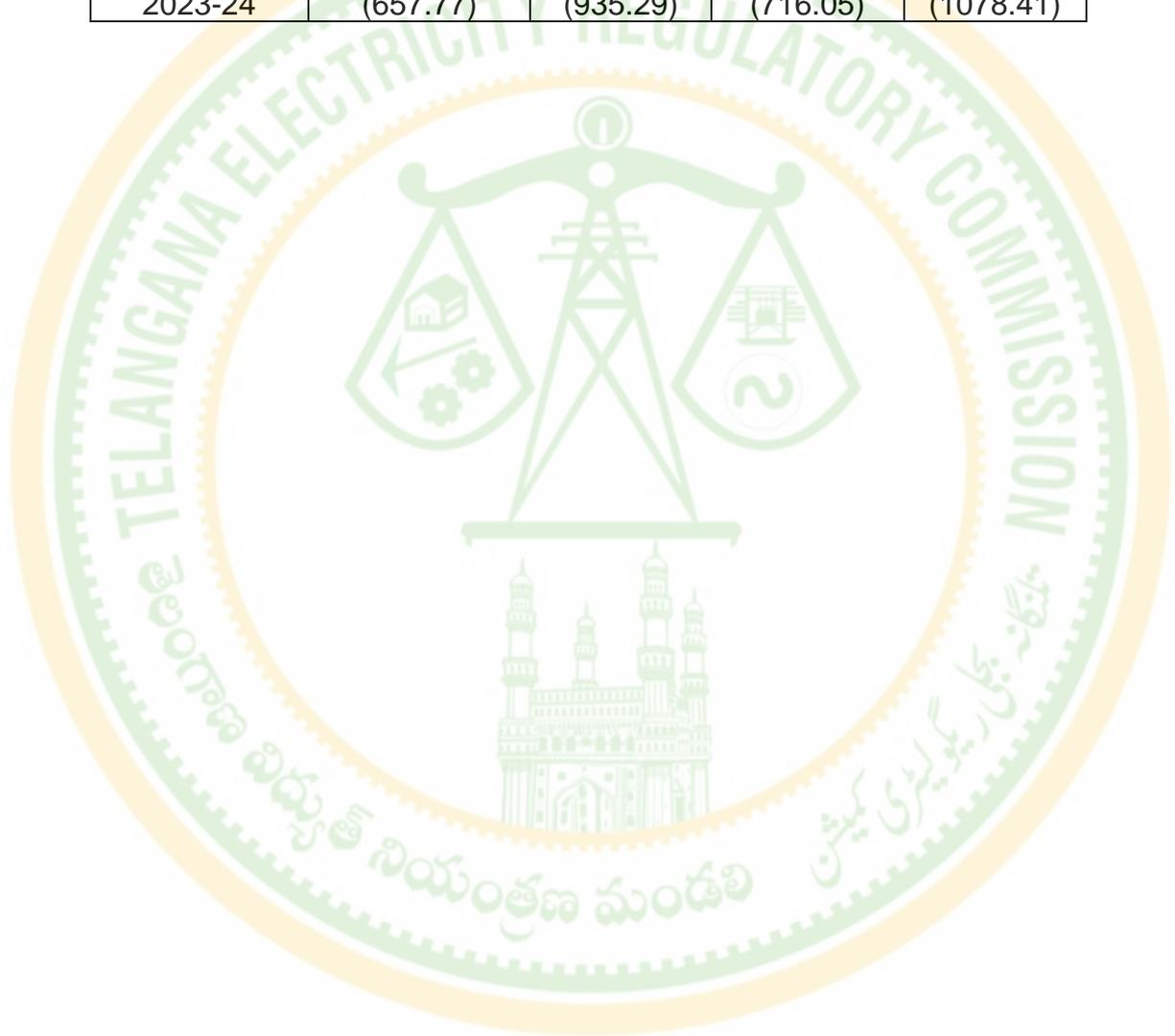
3.11 Aggregate Gains or Losses of APR Claimed and Approved

3.11.1 The aggregate gains or losses of APR for FY 2023-24 of 4th control period claimed by TGDISCOMs and approved by the Commission is as shown in the Table below:

Table 3.22: Aggregate gains or losses of APR for FY 2023-24

Rs. In Crore

Financial Year	Claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
2023-24	(657.77)	(935.29)	(716.05)	(1078.41)



END OF CONTROL PERIOD REVIEW (4TH CONTROL PERIOD)

3.12 True up/(down) for FY 2019-2020, FY 2020-21 & FY 2021-22

Petitioners' claim

3.12.1 The ARR approved for Distribution Business for FY 2019-20, FY2020-21 & FY2021-22 in the APR order dated 23-03-2023 is compared with ARR approved for Distribution Business for FY 2018-19 in Distribution Business for 3rd Control Period Order dated 27-03-2015 and the true up/(down) arrived at is shown in the following Table:

Table 3.23: True up/(down) claimed for FY 2019-20 (Rs in Crore)

Particulars	ARR approved for 2018-19 (1)	ARR approved for 2019-20 (2)	True up/(down) (3=2-1)
TGSPDCL			
Net Operation & Maintenance expenses	1901.31	2576.12	674.81
Return on Capital Employed	729.99	659.57	(70.42)
Depreciation	774.49	757.01	(17.48)
Taxes on Income	37.81	0.00	(37.81)
Special appropriations	50.00	0.00	(50.00)
Other Expenditure	0.59	0.00	(0.59)
Aggregate Revenue Requirement	3494.19	3992.70	498.51
Less: Revenue from OA and Non-Tariff Income	395.46	426.33	30.87
Net Aggregate Revenue Requirement	3098.73	3566.37	467.64
TGNPDCL			
Net Operation & Maintenance expenses	1194.45	1583.74	389.29
Return on Capital Employed	404.02	266.02	(138)
Depreciation	427.63	374.39	(53.24)
Taxes on Income	10.58	0	(10.58)
Special appropriations	71.42	0	(71.42)
Other Expenditure	1.52	0	(1.52)
Aggregate Revenue Requirement	2109.62	2224.15	114.53
Less: Revenue from OA and Non-Tariff Income	189.15	162.72	(26.43)
Net Aggregate Revenue Requirement	1920.47	2061.43	140.96

Table 3.24: True up/(down) claimed for FY: 2020-21

(Rs in crore)

Particulars	ARR approved for 2018-19 in order Dt: 27-03-2015	ARR approved for 2020-21 in APR Order Dt: 23-03-2023	True up/(down)
	1	2	3=2-1
TGSPDCL			
Net Operation & Maintenance expenses	1901.31	2529.25	627.94
Return on Capital Employed	729.99	679.83	(50.16)
Depreciation	774.49	874.37	99.88
Taxes on Income	37.81	0.00	(37.81)
Special appropriations	50.00	0.00	(50.00)
Other Expenditure	0.59	0.00	(0.59)
Aggregate Revenue Requirement	3494.19	4083.45	589.26
Less: Revenue from OA and Non-Tariff Income	395.46	453.58	58.12
Net Aggregate Revenue Requirement	3098.73	3629.87	531.14
TGNPDCL			
Net Operation & Maintenance expenses	1194.45	1982.65	788.20
Return on Capital Employed	404.02	263.28	(140.74)
Depreciation	427.63	297.24	(130.39)
Taxes on Income	10.58	0.00	(10.58)
Special appropriations	71.42	0.00	(71.42)
Other Expenditure	1.52	0.00	(1.52)
Aggregate Revenue Requirement	2109.62	2543.18	433.56
Less: Revenue from OA and Non-Tariff Income	189.15	156.81	(32.34)
Net Aggregate Revenue Requirement	1920.47	2386.37	465.90

Table 3.25: True up/(down) claimed for FY: 2021-22

(Rs in crore)

Particulars	ARR approved for 2018-19 in order Dt: 27-03-2015	ARR approved for 2021-22 in APR Order Dt: 23-03-2023	True up/(down)
	1	2	3=2-1
TGSPDCL			
Net Operation & Maintenance expenses	1901.31	2307.73	406.42
Return on Capital Employed	729.99	624.91	(105.08)
Depreciation	774.49	713.4	(61.09)
Taxes on Income	37.81	0.00	(37.81)
Special appropriations	50.00	0.00	(50.00)
Other Expenditure	0.59	0.00	(0.59)
Aggregate Revenue Requirement	3494.19	3646.04	151.85
Less: Revenue from OA and Non-Tariff Income	395.46	535.81	140.35
Net Aggregate Revenue Requirement	3098.73	3110.23	11.50
TGNPDCL			
Net Operation & Maintenance expenses	1194.45	1953.78	759.33
Return on Capital Employed	404.02	347.50	(56.52)
Depreciation	427.63	323.69	(103.94)
Taxes on Income	10.58	0.00	(10.58)
Special appropriations	71.42	0.00	(71.42)
Other Expenditure	1.52	0.00	(1.52)
Aggregate Revenue Requirement	2109.62	2624.97	515.35
Less: Revenue from OA and Non-Tariff Income	189.15	120.48	(68.67)
Net Aggregate Revenue Requirement	1920.47	2504.49	584.02

3.12.2 TGDISCOMs have submitted that the Annual Performance Review (APR) for FY 2019-20, FY2020-21 & FY2021-22 was filed using the approved Distribution ARR for FY 2019-20 as per the Commission's MYT order for the 4th control period. However, the APR should have been filed based on the approved Distribution ARR components for FY 2018-19. This led to the Distribution Cost not being passed on to the Retail Supply Consumers.

Commission's Analysis and Findings

3.12.3 The Commission has verified the approved ARR and its components of FY 2018-19 in the MYT order for 3rd control period dated 27-03-2015 and compared with approved values of FY 2019-20, FY2020-21 & FY 2021-22 in APR order dated 23-03-2023.

3.12.4 Accordingly, the True-up/(down) for FY 2019-20, FY2020-21 & FY 2021-22 has been recomputed and approved as shown in the tables below:

Table 3.26: True up/(down) approved for FY: 2019-20

(Rs in crore)

Particulars	ARR approved for 2018-19	APR approved for 2019-20	True up/(down)
	1	2	3=2-1
TGSPDCL			
Net Operation & Maintenance expenses	1901.31	2576.12	674.81
Return on Capital Employed	729.99	659.57	(70.42)
Depreciation	774.49	757.01	(17.48)
Taxes on Income	37.81	0.00	(37.81)
Special appropriations	50.00	0.00	(50.00)
Other Expenditure	0.59	0.00	(0.59)
Aggregate Revenue Requirement	3494.18	3992.69	498.51
Less: Open Access and Non-Tariff Income	395.46	426.33	30.87
Net Aggregate Revenue Requirement	3098.72	3566.36	467.64
TGNPDCL			
Net Operation & Maintenance expenses	1194.45	1583.74	389.29
Return on Capital Employed	404.02	266.02	(138.00)
Depreciation	427.63	374.39	(53.24)
Taxes on Income	10.58	0.00	(10.58)

Particulars	ARR approved for 2018-19	APR approved for 2019-20	True up/(down)
	1	2	3=2-1
Special appropriations	71.42	0.00	(71.42)
Other Expenditure	1.52	0.00	(1.52)
Aggregate Revenue Requirement	2109.62	2224.15	114.53
Less: Open Access and Non-Tariff Income	189.15	162.72	(26.43)
Net Aggregate Revenue Requirement	1920.47	2061.43	140.96

Table 3.27: True-up/(down) approved for FY: 2020-21

(Rs in crore)

Particulars	ARR approved for 2018-19	APR approved for 2020-21	True up/(down)
	1	2	3=2-1
TGSPDCL			
Net Operation & Maintenance expenses	1901.31	2529.25	627.94
Return on Capital Employed	729.99	679.83	(50.16)
Depreciation	774.49	874.37	99.88
Taxes on Income	37.81	0.00	(37.81)
Special appropriations	50	0.00	(50.00)
Other Expenditure	0.59	0.00	(0.59)
Aggregate Revenue Requirement	3494.18	4083.45	589.27
Less: Open Access and Non-Tariff Income	395.46	453.58	58.12
Net Aggregate Revenue Requirement	3098.72	3629.87	531.15
TGNPDCL			
Net Operation & Maintenance expenses	1194.45	1982.65	788.2
Return on Capital Employed	404.02	263.28	(140.74)

Particulars	ARR approved for 2018-19	APR approved for 2020-21	True up/(down)
	1	2	3=2-1
Depreciation	427.63	297.24	(130.39)
Taxes on Income	10.58	0.00	(10.58)
Special appropriations	71.42	0.00	(71.42)
Other Expenditure	1.52	0.00	(1.52)
Aggregate Revenue Requirement	2109.62	2543.18	433.55
Less: Open Access and Non-Tariff Income	189.15	156.81	(32.34)
Net Aggregate Revenue Requirement	1920.47	2386.37	465.89

Table 3.28: True up/(down) approved for FY: 2021-22

(Rs in crore)

Particulars	ARR approved for 2018-19	APR approved for 2021-22	True up/(down)
	1	2	3=2-1
TGSPDCL			
Net Operation & Maintenance expenses	1901.31	2307.73	406.42
Return on Capital Employed	729.99	624.91	(105.08)
Depreciation	774.49	713.4	(61.09)
Taxes on Income	37.81	0.00	(37.81)
Special appropriations	50	0.00	(50.00)
Other Expenditure	0.59	0.00	(0.59)
Aggregate Revenue Requirement	3494.18	3646.04	151.86
Less: Open Access and Non-Tariff Income	395.46	535.81	140.35
Net Aggregate Revenue Requirement	3098.72	3110.23	11.51
TGNPDCL			
Net Operation & Maintenance expenses	1194.45	1953.78	759.33
Return on Capital Employed	404.02	347.50	(56.52)

Particulars	ARR approved for 2018-19	APR approved for 2021-22	True up/(down)
	1	2	3=2-1
Depreciation	427.63	323.69	(103.94)
Taxes on Income	10.58	0.00	(10.58)
Special appropriations	71.42	0.00	(71.42)
Other Expenditure	1.52	0.00	(1.52)
Aggregate Revenue Requirement	2109.62	2624.97	515.35
Less: Open Access and Non-Tariff Income	189.15	120.48	(68.67)
Net Aggregate Revenue Requirement	1920.47	2504.49	584.02

3.13 True up/(down) for FY 2022-2023

Petitioners' claim

3.13.1 The component wise variation of Distribution ARR approved for FY 2022-23 in Distribution Tariff Order for 4th control period (FY 2019-20-FY 2023-24) is compared with the ARR approved for FY 2022-23 in APR order dated 07-06-2024 and True up/(down) submitted by TGDISCOMs is shown in the table below:

Table 3.29: True up/(down) claimed for FY: 2022-23 (Rs in crore)

Particulars	ARR approved for 2022-23 in MYT order Dt: 29-04-2020	ARR approved in APR Order Dt: 23-03-2023	True up/(down)
	1	2	3=2-1
TGSPDCL			
Net Operation & Maintenance expenses	3429.81	3429.81	0
Return on Capital Employed	580.77	538.55	42.22
Depreciation	771.95	801.9	(29.95)
Taxes on Income	0.00	0.00	0.00
Special appropriations	0.00	5.82	(5.82)

Particulars	ARR approved for 2022-23 in MYT order Dt: 29-04-2020	ARR approved in APR Order Dt: 23-03-2023	True up/(down)
	1	2	3=2-1
Other Expenditure	0.00	57.03	(57.03)
Aggregate Revenue Requirement	4782.53	4833.11	(50.58)
Less: Revenue from OA and Non-Tariff Income	500.96	500.96	0
Net Aggregate Revenue Requirement	4281.57	4332.15	(50.58)
TGNPDCL			
Net Operation & Maintenance expenses	2582.55	2303.84	(278.71)
Return on Capital Employed	566.93	261.19	(305.74)
Depreciation	568.64	334.86	(233.78)
Taxes on Income	38.58	0.00	(38.58)
Special appropriations	20.00	0.00	(20.00)
Other Expenditure	0.00	0.00	0.00
Aggregate Revenue Requirement	3776.71	2899.89	(876.81)
Less: Revenue from OA and Non-Tariff Income	175.46	153.27	(22.19)
Net Aggregate Revenue Requirement	3601.25	2746.62	(854.62)

Commission's Analysis and Findings

3.13.2 The Commission has considered the approved ARR for FY 2022-23 in APR order dated 07-06-2024 and compared with ARR approved for FY 2022-23 in Distribution Tariff Order for 4th control period (FY 2019-20 to FY 2023-24) vide amendment order dated 01-03-2021 for arriving at the True up/(down) and approved True up/(down) is shown in the table below:

Table 3.30: True up/(down) approved for FY: 2022-23

(Rs in crore)

Particulars	ARR approved for 2022-23 in MYT order Dt: 29-04-2020	ARR approved in APR Order Dt: 07-06-2024	True up/(down)
	1	2	3=2-1
TGSPDCL			
Net Operation & Maintenance expenses	3317.58	3429.81	112.23
Return on Capital Employed	819.74	580.77	(238.97)
Depreciation	1039.90	771.95	(267.95)
Taxes on Income	55.79	0.00	(55.79)
Special appropriations	20.00	0.00	(20.00)
Other Expenditure	0.00	0.00	0.00
Aggregate Revenue Requirement	5253.00	4782.52	(470.49)
Less: Open Access	536.47	481.70	(54.77)
Less: Non-Tariff Income	45.81	19.26	(26.55)
Net Aggregate Revenue Requirement	4670.72	4281.56	(389.17)
TGNPDCL			
Net Operation & Maintenance expenses	2582.55	2303.84	(278.71)
Return on Capital Employed	566.93	261.19	(305.74)
Depreciation	568.64	334.86	(233.78)
Taxes on Income	38.58	0.00	(38.58)
Special appropriations	20.00	0.00	(20.00)
Other Expenditure	0.00	0.00	0.00
Aggregate Revenue Requirement	3776.71	2899.89	(876.81)
Less: Open Access	175.46	150.50	(24.96)
Less: Non-Tariff Income	0.00	2.77	2.77
Net Aggregate Revenue Requirement	3601.25	2746.62	(854.62)

3.14 True up/(down) for FY 2023-2024**Petitioners' claim**

3.14.1 The component wise variation of Distribution ARR approved for FY 2023-24

in Distribution Tariff Order for 4th control period (FY 2019-20-FY 2023-24) is compared with the actuals claimed in APR for FY 2023-24 and True up/(down) submitted by TGDISCOMs is shown in the table below:

Table 3.31: True up/(down) claimed for FY: 2023-24

(Rs in crore)

Particulars	ARR approved in MYT order Dt: 29-04-2020	Claimed	Variation
	1		
TGSPDCL			
Net Operation & Maintenance expenses	3629.20	3560.16	(69.04)
Return on Capital Employed	538.02	555.75	17.73
Depreciation	1158.53	842.13	(316.40)
Taxes on Income	63.47	0	(63.47)
Special appropriations	20.00	5.25	(14.75)
Other Expenditure	0.00	22.78	22.78
Aggregate Revenue Requirement	5409.22	4986.07	(423.15)
Less: Revenue from Non-Tariff Income	585.52	456.4	(129.12)
Less: Revenue from OA	49.84	19.08	(30.76)
Net Aggregate Revenue Requirement	4773.86	4510.59	(263.27)
TGNPDCL			
Net Operation & Maintenance expenses	2867.66	2625.45	(242.21)
Return on Capital Employed	680.94	299.37	(381.57)
Depreciation	654.92	368.26	(286.66)
Taxes on Income	46.34	0.00	(46.34)
Special appropriations	20.00	21.01	1.01
Other Expenditure	0.00	0.00	0.00
Aggregate Revenue Requirement	4269.86	3314.09	(955.77)
Less: Revenue from Non-Tariff Income	188.44	165.48	(22.96)
Less: Revenue from OA	0.00	2.47	2.47
Net Aggregate Revenue Requirement	4081.42	3146.13	(935.28)

Commission's Analysis and Findings

3.14.2 The Commission has determined the true up/(down) for FY 2023-24 which is detailed at para 3.10 of this order. The True up/(down) and approved True up/(down) is shown in the table below:

Table 3.32: True up/(down) approved for FY: 2023-24

(Rs in crore)

Particulars	Claimed	Approved
	1	2
TGSPDCL		
Net Operation & Maintenance expenses	(69.04)	(69.05)
Return on Capital Employed	17.73	(363.17)
Depreciation	(316.4)	(330.09)
Taxes on Income	(63.47)	(63.47)
Special appropriations	(14.75)	(20.00)
Other Expenditure	22.78	20.20
Aggregate Revenue Requirement	(423.15)	(825.57)
Less: Non-Tariff Income	(129.12)	(78.76)
Less: Revenue from Captive OA (Wheeling Charges)	(30.76)	(30.76)
Net Aggregate Revenue Requirement	(263.27)	(716.05)
TGNPDCL		
Net Operation & Maintenance expenses	(242.21)	(351.46)
Return on Capital Employed	(381.57)	(402.84)
Depreciation	(286.66)	(299.27)
Taxes on Income	(46.34)	(46.34)
Special appropriations	1.01	(20.00)
Other Expenditure	0.00	21.01
Aggregate Revenue Requirement	(955.77)	(1098.91)
Less: Non-Tariff Income	(22.96)	(22.96)
Less: Revenue from Captive OA (Wheeling Charges)	2.47	2.47
Net Aggregate Revenue Requirement	(935.28)	(1078.42)

3.15 End of control period review

Petitioners' claim

- 3.15.1 In accordance with the Commission's orders on 07.06.2024 regarding the APR for FY 2022-23 of the 4th control period, TGDISCOMs have filed petitions for end of control period review of 4th control period (FY 2019-20 to FY 2023-24).
- 3.15.2 The petitioner requested the Commission to allow the pass-through and sharing of gains or losses on variations in uncontrollable and controllable items of the Annual Revenue Requirement (ARR), as per Clause 10 of Regulation No. 4 of 2005.
- 3.15.3 The Licensees had filed petitions for Retail Tariff for FYs: 2019-20, 2020-21, and 2021-22 on 31.03.2021, but due to delays, these filings were returned by the Commission, and no tariff orders were issued. However, the Commission approved the continuation of the Tariff Orders for FY 2019-20, 2020-21 & 2021-22 through IA.No. 3 of 2019 in O.P.Nos. 21 & 22 of 2017, IA.No, 8 of 2020 in O.P.No. 21 & 22 of 2017 & IA.No. 4 of 2021 in O.P.No. 21 & 22 of 2017 dated 27.03.2021 respectively
- 3.15.4 While the Commission determined the Distribution ARR and approved Wheeling Tariffs for FY 2019-20 to FY 2023-24, the Licensee could not pass on the Distribution Costs for FY 2019-20, 2020-21, and 2021-22 to Retail Supply Consumers, as the Retail Supply Business Petitions were not approved. Therefore, the TGDISCOMs propose to compare the variation in True Up calculations for FYs 2019-20, 2020-21, and 2021-22 with the approved Distribution ARR components from the FY 2018-19 Tariff Order.

Stakeholders' submission

- 3.15.5 TGSPDCL has shown a net revenue surplus of ₹243.07 crore for FY 2023-24 but a net revenue gap of ₹442.81 crore for the 4th control period (FY 2019-20 to 2023-24). TGNPDCL has shown a net revenue surplus of ₹935.28 crore for FY 2023-24 but a net revenue gap of ₹512.46 crore for the control period.
- 3.15.6 TGSPDCL showed a loss of ₹4909.53 crore, while TGNPDCL showed a loss of ₹1441.18 crore for FY 2023-24. The TGDISCOMs have not disclosed cumulative loss/profit positions at the end of the 4th control period and have not explained the reasons for these huge losses and how they plan to address

them.

- 3.15.7 TGDISCOMs receive ARR (Annual Revenue Requirement) approvals, wheeling charges, State Government subsidies, true-ups, and fuel surcharge adjustments (up to ₹0.30 per unit without prior approval). Given these revenue sources, there should be no scope for TGDISCOMs to incur huge losses in their distribution business. The Commission determines the required revenue and tariffs, factoring in all these elements and the huge losses projected by TGDISCOMs for their Distribution business is questionable.
- 3.15.8 The TGDISCOMs have based their claims for true-up/true-down on expenditures it claimed to have incurred as per its accounts. It has not given details of its expenditure item-wise and variations, if any, compared to the amounts determined by the Commission in the MYT. Nor has it submitted its annual accounts audited for the FY 2023-24. It is not entitled to pass through of the entire expenditure it has claimed to have incurred as per its accounts, if that expenditure exceeds the amounts determined item-wise in the MYT order by the Commission. Here, expenditure item-wise needs to be subjected to prudence check and permissible expenditure only needs to be allowed, examining physical completion certificates and financial completion certificates.
- 3.15.9 When true up is being allowed for the permissible claims of the licensees annually, true down claims also should be affected annually, not after the end of the control period concerned. When TGDISCOMs are being permitted to collect wheeling charges based on unrealistic and inflated projections and determination, that is, allowing them to collect more than what is legitimately due to them, allowing the licensees to retain the true-down amounts till review is undertaken for the entire control period, is nothing but penalising the consumers doubly for their no fault.
- 3.15.10 TGDISCOMs have not factored in the impact of True-down with carrying cost. ARR for FY 2023-24 approved by the Commission 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.

3.15.11 The stakeholder further submitted that the reference is drawn from 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:

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

3.15.12 The stakeholder has requested to determine the Revenue surplus for TGDISCOMs along with the Carrying Cost, which is to be considered at WACC rate (10.55% as considered by TGDISCOMs). The Revenue Surplus after / True-up APR of FY 2023-24 as worked out 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

3.15.13 In view of above, the stakeholder 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 along-with impact based on the Audited Accounts for TGSPDCL may be considered by the Commission while approving the APR of FY 2023-24.

Petitioners' Replies

3.15.14 Revenue surplus has resulted from reduction in depreciation, RoCE, and O&M expenses. Losses were due to an increase in power purchase costs and ISTS charges, which are not related to the distribution business. The cumulative loss at the end of the 4th control period was ₹20,036.92 crore for TGNPDCL and ₹47,239.62 crore for TGSPDCL. Losses will be covered through government grants and additional support.

3.15.15 The wheeling charges approved for FY 2019-20 to FY 2021-22 were not recovered, leading to losses in the distribution business. For FYs 2022-23 and 2023-24, wheeling charges were recovered in retail tariffs, but previous years' losses are still pending.

3.15.16 The true-up petitions include expenditures necessary to maintain and improve the distribution network, which often may vary due to uncontrollable factors such as inflation, demand growth, unforeseen maintenance repairs, and compliance with safety mandates etc. These deviations from the MYT approved amounts are justified and incurred in the interest of providing quality and reliable power to consumers.

3.15.17 Further TGDISCOMs have already submitted the annual audited accounts for FY 2023-24 to the Commission for its prudence check which are also available on the website of TGDISCOMs. Moreover, TGDISCOMs would want to highlight the fact that they operate in a challenging environment where cost recovery through true up filings is critical for ensuring financial sustainability of the TGDISCOMs. Delays or disallowance of legitimate expenditures may impact the ability of TGDISCOMs to undertake necessary capital and operational investments/ expenditure. Therefore, requested to consider and approve the true-up claims as per TGDISCOMs filings.

3.15.18 As per the provisions of the MYT Regulation 2 of 2023 the Licensees are

required to file the ARR for control period and there after revised ARR annually. Hence the true up/true down claims will be affected after approval of the Commission in the subsequent years.

3.15.19 TGNPDCL has submitted that since the True down for FY 2023-24 is being filed in FY 2024-25, the impact of carrying cost should not be considered and requested that the filings of TGNPDCL be approved.

3.15.20 TGSPDCL submitted that, 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 Commission for each year of the Control Period. The net impact of True-up/True own 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.

Commission's Analysis and Findings

3.15.21 Discoms have requested to consider arrive at true up/down with reference to approved distribution cost of FY 2018-19 instead of the true up/down decided in the APRs for the period FY 2019-20 to FY 2021-22 vide orders dated 23.03.2023 and true up/down decided in the APR for FY 2022-23 vide order dated 07.06.2024.

3.15.22 The true up/down for FY 2019-20 to FY 2022-23 was decided in the APR orders by the Commission. There were no retail supply tariff orders for FY 2019-20 to FY 2021-22 and the retail supply tariffs for FY 2018-19 were continued.

3.15.23 The Commission could not issue retail supply tariff orders for FY 2019-20 to FY 2021-22 as the Discoms have not filed the tariff petitions due to which the Commission deems it fit to consider distribution cost of FY 2018-19 for arriving at the true up/down for the period FY 2019-20 to FY 2021-22. For FY 2022-23, the distribution cost approved in the APR for FY 2022-23 is considered for true/up down. The true up/(down) for FY 2023-24 approved in this order is considered for arriving at end control period true-up/down of 4th control period.

3.15.24 The TGDISCOMs have submitted the annual accounts and placed the same in their websites. The analysis of the Commission for approval of True

up/Down and revised ARR is based on the annual accounts submitted by the TGDISCOMs which were placed in the website of the Commission.

3.15.25 As per Clause 10.7 of Regulation 4 of 2005 sharing of gains/losses shall be for the Control Period as a whole after the end of control period.

3.15.26 Hence the stakeholder's statement that true up is being allowed for the permissible claims of the licensees annually, true down claims also should be affected annually, not after the end of the control period concerned is not in accordance with the Regulation.

3.15.27 The TGDISCOMs in their End of Control Period petition have requested to approve the end control period true up/down without proposing the manner of passing on the gains/losses to the consumers. However, during the course of public hearing on 17.02.2025, the TGDISCOMs have responded to the direction of the Commission and submitted that the true down be passed on to the beneficiaries in FY 2025-26. Based on the response of TGDISCOMs, the Commission deems it fit to pass on the gains of Rs.94.91 crore for TGSPDCL and Rs.742.18 crore for TGNPDCL in FY 2025-26.

3.15.28 The Fuel Cost Adjustment charges were to be levied by the TGDISCOMs from the date of amendment of regulation (1 of 2023) i.e., 01.04.2023 and MYT regulation 2 of 2023 i.e., 01.04.2024. However, they have not levied the same and approached the Commission for post facto approval for the four quarters of FY 2023-24. The same were not allowed by the Commission as the TGDISCOMs have not complied with the regulations.

Summary of Aggregate Gains or Losses Claimed and Approved for 4th control period

3.15.29 The aggregate gains or losses for the 4th Control Period from FY 2019-20 to FY 2023-24 claimed and approved is as shown in the Table below:

Table 3.33: Aggregate gains or losses for 4th Control Period

Financial Year	Claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
2019-20	467.64	140.96	467.64	140.96
2020-21	531.15	465.90	531.15	465.89
2021-22	11.51	584.02	11.51	584.02
2022-23	(389.16)	(854.63)	(389.16)	(854.63)
2023-24	(263.27)	(935.28)	(716.05)	(1078.42)
TOTAL	357.87	(599.03)	(94.91)	(742.18)

3.16 COMPENSATION/EX-GRATIA

Petitioners' Submissions

- 3.16.1 TGDISCOMS have submitted that as per the Commission's guidelines (Proceedings No. TSERC/Secy/86 of 2015, dated 28-12-2015) TGDISCOMs were directed to pay ex-gratia compensation for electrical accidents involving non-departmental persons and animals regardless of departmental fault or non-departmental fault. In most cases, the faults occur on the consumer's side.
- 3.16.2 TGNPDCL has stated that this expenditure is recorded under A&G expenses in the licensee's books and reported under the special appropriation head in APR filings. However, the Commission has not considered this for true-up filings under any category.
- 3.16.3 TGDISCOMs have requested the Commission to consider the ex-gratia compensation paid for electrical accidents as a safety measure in true up/(down). The compensation/ex-gratia amounts paid by the TGDISCOMs from FY 2019-20 to FY 2023-24 are detailed below:

Table 3.34: Compensation/Ex-Gratia claimed

Financial Year	Claimed	
	TGSPDCL	TGNPDCL
2019-20	13.50	20.34
2020-21	11.53	19.85
2021-22	19.95	21.66
2022-23	19.76	24.72
2023-24	20.20	21.01
TOTAL	84.94	107.58

Stakeholders' submissions

- 3.16.4 NPDCL has reported paying Rs.21.01 crore towards compensation/ex-gratia for electrical accident victims in FY 2023-24, exceeding the Rs.20 crore approved by the Commission, and categorized it under A&G expenses. Additionally, Rs.8.07 crore was spent on safety-related capital works. While compensation should be borne by TGDISCOMs, the practice of passing it on to consumers via ARR or true-up is unjustified, as it shifts the liability from TGDISCOMs to consumers.
- 3.16.5 Despite the Commission allowing significant ARR, FSA, and true-up charges, TGDISCOMs should bear compensation costs internally, as APDISCOMs

previously did before regulatory amendments allowed recovery through tariffs. The claim that compensation is a safety measure is illogical since it arises from safety failures. During the 4th control period, TGNPDCL has paid Rs.107.58 crore and TGSPDCL has paid Rs.84.94 crore as ex-gratia, with no noticeable reduction in accidents. The actual number of electrical accidents, both compensated and uncompensated, must be reviewed to assess the issue's magnitude. The Commission is urged to reconsider this matter to prevent an undue burden on consumers.

Petitioners' Replies

- 3.16.6 The payment of ex gratia is a statutory and regulatory requirement mandated by the 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 accidents, are legitimate operational costs and have been approved for inclusion in the Aggregate Revenue Requirement by the Commission in the form of special appropriations. Capitalizing these expenses, as permitted by the Commission, ensures that the cost is distributed over time, minimizing the immediate impact on consumers while maintaining the financial viability of TGDISCOMs.
- 3.16.7 TGDISCOMs are committed to ensure that fatality/ injuries due to electrical accidents are brought down to 0 and are working round the clock towards this goal. TGSPDCL is taking measures for creating awareness for precautions and safety measures during campaigns held in each district.
- 3.16.8 Further as per the directions of TGERC in 09/2016 the TGDISCOMs are paying the ex-gratia to the deceased person on account of electrocution irrespective of whether department fault or not. This is in line with the directions of TGERC. Therefore, TGDISCOMs respectfully requests the Commission to retain the inclusion and pass through.

Commission's Analysis and Findings

- 3.16.9 Special appropriations are meant for the expenditure incurred towards providing safety equipment, safety appliances, awareness programmes, etc to reduce the electrical accidents.

3.16.10 However, in view of the Proceedings No. TSERC/Secy/86 of 2015 dated 28-12-2015 and directions of the Commission, the claim of TGDISCOMS towards expenditure incurred towards compensation/ exgratia for the control period FY 2019-20 to FY 2023-24 is verified from Annual Accounts of TGDISCOMS.

3.16.11 The Commission has examined the TGDISCOMS' proposals to consider the ex-gratia amount paid, taking into account the replies for additional information submitted along with cheque numbers. Accordingly, on considering the entire material the Commission has approved the compensation/ex-gratia as tabulated below:

Table 3.35: Compensation/Ex-gratia approved

Financial Year	Claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
2019-20	13.50	20.34	13.50	20.34
2020-21	11.53	19.85	11.53	19.85
2021-22	19.95	21.66	19.95	21.66
2022-23	19.76	24.72	19.76	24.72
2023-24	20.20	21.01	0.00	0.00
TOTAL	84.94	107.58	64.74	86.57

NET AGGREGATE GAINS OR LOSSES FOR 4TH CONTROL PERIOD

3.16.12 The Commission having considered to allow the ex-gratia paid and claimed by TGDISCOMs for FY 2019-20 to FY 2023-24, the net aggregate gains or losses for 4th Control Period from FY 2019-20 to FY 2023-24 claimed and approved by the Commission is as shown in the Table below:

Table 3.36: Net Aggregate gains or losses of End of 4th Control Period

Financial Year	Claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
2019-20	481.14	161.30	481.14	161.30
2020-21	542.68	485.75	542.68	485.74
2021-22	31.46	605.68	31.46	605.68
2022-23	(369.40)	(829.91)	(369.40)	(829.91)
2023-24	(243.07)	(935.28)	(716.05)	(1078.42)
TOTAL	442.81	(512.46)	(30.17)	(655.61)

REVISED ARR AND WHEELING CHARGES FOR FY 2025-26

3.17 Capital Expenditure Plan

Petitioners' Claim

3.17.1 The Distribution Plan is prepared considering all the network elements required for system expansion to cater to load growth and network strengthening.

3.17.2 TGSPDCL has re-estimated the Base capex with additional Rs.50 crore towards smart meter capital expenditure compared to MYT Tariff order dated 28.10.2024. TGNPDCL has projected the Base capex same as approved by the Commission in MYT Tariff order dated 28.10.2024.

Table 3.37: Base Capital expenditure claimed for FY2025-26
(Rs.in crore)

Particulars	TGSPDCL	TGNPDCL
Substation addition	565	290
Smart meters	50	-
PTR Addition & Upgradation	62	34
Feeder Addition	5	2
DTR unit addition	1,036	721
Total Base Capex	1,718	1,047

3.17.3 The other capex expenditure addition proposed by TGDISCOMs is in line with that approved in MYT Tariff order dated 28.10.2024 and is shown in table below.

Table 3.38: Other Capital expenditure claimed for FY2025-26
(Rs.in crore)

Particulars	TGSPDCL	TGNPDCL
AT&C loss reduction	25	7
Reliability improvement & Contingency charges	306	57
Renovation & Modernization	11	62
Technology Upgradation	20	45
New consumer Capex	150	88
Civil Infrastructure development	2	16
Misc. Project cost & capacitor bank	58	12
AGL feeder segregation	178	79
Total Other Capex	750	366

3.17.4 The capital expenditure proposed by TGDISCOMs is shown in table below:

Table 3.39: Capital expenditure claimed for FY2025-26
(Rs.in crore)

Particulars	TGSPDCL	TGNPDCL
Base Capex	1,718	1,047
Other Capex	750	366
Total Capex	2,467	1,413

Stakeholders' submissions

- 3.17.5 TGDISCOMs 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 the Commission 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.
- 3.17.6 However, it is noted that the CAPEX approved by the Commission in MYT Order dtd. 28/10/2024 was Rs. 2,417 Cr. for TGSPDCL and Rs. 1,413 Cr. for TGNPDCL.
- 3.17.7 TGSPDCL has erroneously claimed Rs. 50 Cr. additionally. The Commission is requested to allow only Rs. 2,417 Cr. capex for TGSPDCL for FY 2025-26.
- 3.17.8 Further, it is pertinent to note that 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.
- 3.17.9 Some key parameters highlighting the negative performance of TGDISCOMs are as follows:
- AT&C Loss has increased from 18.65% in FY 2022-23 to 20.02% in FY 2023-24.
 - ACS-ARR Gap (on Cash basis) has increased from Rs. 1.11/kWh (FY 23) to Rs. 1.46/kWh (FY 24).
 - Both TGDISCOMs - TGSPDCL and TGNPDCL are loss-making utilities and were rated as 'C' as per 12th Integrated Rating for FY 2022-23.
- 3.17.10 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 TGDISCOMs must fulfil before being evaluated under the

scheme. This requirement has not been fulfilled by the State. So, despite the poor financial performance, TGDISCOMs have continued to project huge Capex and recover the same from the end consumers through Retail Supply Tariff.

3.17.11 It is submitted that, TGDISCOMs 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.

Petitioners' Replies

3.17.12 TGNPDCL has claimed the capex numbers as per resource plan projections which were approved by the Commission.

3.17.13 TGSPDCL has submitted 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.

3.17.14 TGSPDCL is regularly perusing with GoTG for clearing the Electricity dues. Further, the TGSPDCL addressed letters to MoP, Gol to approve the proposals of TGSPDCL under RDSS Scheme after approval from Government of India the DISCOM will participate in RDSS scheme.

Commission's View

3.17.15 Clause 7.1 of Regulation No. 2 of 2023 details the general provisions related to Capital Investment Plan. The relevant para of clause 7.1 is stipulated below:

"7 Capital Investment Plan

7.1 The generating entity, transmission licensee, distribution licensee and SLDC shall file for approval of the Commission a Capital Investment Plan along with its Multi Year Tariff Petition, covering the entire Control Period with separate details for each year of the Control Period. Provided that the capital investment plan filed by the generating entity/transmission licensee/distribution licensee for the Control Period commencing from 01.04.2024, as on date of notification of this Regulations, shall be deemed to have been filed under this Regulation.....

For each capital investment scheme, the licensee shall submit the following details:

- *Brief outline of the different components that constitute it and the salient features of the scheme;*

- *The objectives of the scheme and justification for taking it up along with quantification of the objectives;*
- *A comprehensive sketch / single line diagrams of the proposed work, grid maps of relevant areas where the scheme is proposed to be executed;*
- *Detailed cost estimates for each item of work covered by the scheme;*
- *The scheme shall be supported by the results of the load flow study, or any other appropriate tools/techniques employed by the Licensee to simulate the impact of the scheme on network performance. The results of the load flow shall be provided for each year up to a period of five years from the date of commissioning of the scheme;*
- *Financing plan supported by documents related to administrative approval, financial tie-up etc;*
- *Phasing of expenditure quarter wise for each work/module, supported with details of corresponding sources of funding;*
- *PERT/CPM chart detailing the activities involved in project execution highlighting the anticipated constraints, if any;*
- *Methodology of evaluation and measurement of the benefits accruing out of the investment; Cost benefit analysis;*
- *Physical benefits of the scheme;*
- *Financial benefits of the scheme supported by detailed calculations to demonstrate the payback period of the investment;”*

3.17.16 The Commission vide its Order dated 28.10.2024, approved the Distribution MYT tariff for the Control Period i.e. from FY2024-25 to FY2028-29.

3.17.17 It is observed that TGSPDCL has not submitted any details regarding the additional smart meter capital investment proposed for the period FY2025-26. The Commission has sought information from TGSPDCL to provide the scheme details of the additional smart meter capital investment proposed for the period FY2025-26, its preparedness along with proposed source of financing for each scheme.

3.17.18 TGSPDCL in its reply submitted that the proposal for smart meter capex is put forward before the State Government for approval.

3.17.19 In view of uncertainty in the capex investment towards the smart meters, the Commission defers the investment proposed towards smart meters. The Petitioner may approach the Commission for approval of capex investment towards smart meters, after the approval of proposal submitted to the GoTG.

3.17.20 The Commission has considered the base capex and other capex for both the TGDISCOMs for FY2025-26 as approved by the Commission in Distribution MYT Order dated 28.10.2024.

3.17.21 The capex investment claimed and approved for FY2025-26 is shown in table below:

Table 3.40: Capital Investment claimed and approved by Commission for FY2025-26

Particulars	(Rs.in crore)					
	MYT Order dated 28.10.2024		Claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
Substation addition	565.14	290.00	565	290	565.14	290.00
Smart meters	0	0	50	0	0	0
PTR Addition & Upgradation	62.22	33.88	62	34	62.22	33.88
Feeder Addition	4.53	1.69	5	2	4.53	1.69
DTR unit addition	1,035.63	721.47	1,036	721	1,035.63	721.47
Total Base Capex	1,667.52	1,047.04	1,718	1,047	1,667.52	1,047.04
AT&C loss reduction	24.82	7.35	25	7	24.82	7.35
Reliability improvement & Contingency charges	305.89	57.40	306	57	305.89	57.40
Renovation & Modernization	11.40	61.87	11	62	11.4	61.87
Technology Upgradation	19.61	44.63	20	45	19.61	44.63
New consumer Capex	149.86	87.56	150	88	149.86	87.56
Civil Infrastructure development	2.28	16.38	2	16	2.28	16.38
Land Cost for SS	58.35	11.9	58	12	58.35	11.9
AGL feeder segregation	178	78.75	178	79	178	78.75
Total Other Capex	749.88	365.83	750	366	749.88	365.83
Total Capex	2,417.40	1,412.87	2,467	1413	2,417.4	1,412.87

3.18 Capitalisation

Petitioners' Claim

3.18.1 The licensee has considered the capital investment plan in accordance with the Resource plan order for 5th control period as approved by the Commission to compute the fixed asset additions during the 5th control period. The licensee continues to lay utmost importance on timely completion of projects undertaken and has been following the practice of capitalising (addition to fixed assets) only those works which have been completed. The capitalisation for FY2025-26 is considered as approved in the Resource plan order for 5th control period.

Table 3.41: Capitalisation claimed for FY2025-26
(Rs.in crore)

Particulars	TGSPDCL	TGNPDCL
Opening Balance of Capital Working in Progress	1,650	1,793
Total Capital Expenditure	2,467	1,413
Expenses Capitalized	186	118
IDC	28	102
Transfer to fixed assets	2,570	1,643
Closing Capital Working in Progress	1,762	1,783

Commission's View

3.18.2 The Commission has considered the approved Closing Balance of Capital Work in Progress (CWIP) for FY2023-24 as opening balance for FY2024-25.

3.18.3 The expenses capitalized and interest during construction (IDC) for FY2024-25 and FY2025-26 is considered as per the Distribution MYT Tariff order dated 28.10.2024. The closing balance of CWIP for FY 2024-25 is considered as opening balance for FY 2025-26 and arrived at the capitalisation.

3.18.4 The capitalisation claimed and approved for FY2025-26 is as follows:

Table 3.42: Capitalisation claimed and approved for FY2025-26
(Rs.in crore)

Particulars	Claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
Opening Balance of Capital Working in Progress	1650	1793	1151.09	668.22
Total Capital Expenditure	2467	1413	2417.40	1412.87
Expenses Capitalized	186	118	394.45	117.62
IDC	28	102	27.58	102.33
Transfer to fixed assets	2570	1643	2704.00	1642.85
Closing Capital Working in Progress	1762	1783	1286.52	658.18

3.19 Operation and Maintenance (O&M) Expenses

Petitioners' Claim

- 3.19.1 TGDISCOMs have considered the actual employee expenses as per audited accounts for FY2023-24 and included additional manpower cost and escalated the total sum twice with CPI inflation factor 5.79% to arrive at projected value for 2024-25. The petitioners have again escalated with CPI inflation factor 5.79% to arrive at the figure of 2025-26.
- 3.19.2 TGSPDCL has projected the A&G expenses in line with MYT order, TGNPDCL has considered the actual A&G expenses as per audited accounts for FY2023-24 and escalated it with WPI inflation factor 4.93% twice to arrive at projected value for 2024-25. TGNPDCL has again escalated with WPI inflation factor 4.93% to arrive at the figure of 2025-26.
- 3.19.3 TGDISCOMs have projected the R&M expenses for FY 2025-26 based on the opening GFA for 2025-26 multiplied with the K factor and WPI inflation factor as approved in the MYT order.

Table 3.43: O&M Expenses claimed for FY 25-26
(Rs. in crore)

Particulars	TGSPDCL	TGNPDCL
Employee Cost	3,779	2,869
A&G cost	228	319
R&M Cost	240	149
O&M Expenses	4,247	3,336

Stakeholders' submissions

- 3.19.4 Despite the significant reduction in capital investment, Administrative and General (A&G) expenses of TGDISCOMs have increased by Rs. 36.33 crore (25.46%), indicating inefficiency and possible profligacy. The TGDISCOMs have not paid the approved income tax of Rs. 46.34 crore due to incurring a substantial loss of Rs. 1441.18 crore, indicating poor financial performance.
- 3.19.5 Employee costs are lower by Rs. 368.49 crore (13.36%) compared to the Commission approved Rs. 2757.50 crore, raising concerns about inflated projections and potential links between lower capital investment and reduced employee costs.
- 3.19.6 The Employee expenses for FY 2024-25 have 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 by the

TGDISCOMS. Employee cost projections for FY 2025-26 have been 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.

3.19.7 The Commission 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. 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 the Commission has considered recent actuals of TGDISCOMS.

3.19.8 TGDISCOMS 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:

Particulars	TGNPDCL			TGSPDCL		
	Claimed	MYT Order	Diff.	Claimed	MYT Order	Diff.
Employee expenses	2869	2498	(371)	3779	3345	(434)
A&G expenses	319	142	(177)	228	228	0
R&M expenses	149	155	6	240	240	0
O&M expenses	3337	2795	(542)	4247	3813	(434)
O&M expenses pertaining to Distribution Business (90%)	3003	2516	(488)	3822	3432	(391)

3.19.9 It is noted from the above table that TGDISCOMS have claimed Rs. 878 Cr. additional O&M expenses for Distribution expenses in FY 2025-26 despite the fact the Commission has very recently 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%. Therefore, it is requested 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.

Petitioners' Replies

3.19.10 Regarding employee costs, TGNPDCL refers to the Commission's MYT order dated 27.03.2015 for the 3rd Control Period, which outlined the methodology

for determining O&M expenses.

3.19.11 As per Clause 5.5.5, sub-clause ii of the Aggregate Revenue Requirement (ARR) and Wheeling Tariffs for Distribution Business for the 4th Control Period, the Commission approved normative O&M expenses based on: 49% allocation to substations, 21% to line length, 10% to Distribution Transformers (DTRs), and, 20% to the number of consumers.

3.19.12 Since network elements drive employee costs, reductions in capital investment impact employee expenses. TGNPDCL requests the Commission to approve the APR figures as filed.

3.19.13 It is also submitted that even though TGDISCOMs had filed the MYT Tariff Filings for 5th Control Period, as per regulations it is still required to file ARR every year to accommodate for such kind of interventions such as additional manpower requirement, as is being done in this case. Therefore, factoring such cost inputs should be considered to because O&M is a recurring expense and it is subjected to yearly changes due to escalation basis WPI and CPI inflation along with recruitment drives.

3.19.14 TGSPDCL submitted that 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 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).

3.19.15 TGDISCOMs request the Commission that input costs of additional manpower requirement be approved for FY 2025-26 by the Commission.

Commission's Analysis and Findings

3.19.16 Clause 81 of Regulation No. 2 of 2023 details the provisions related to O&M Expenses. The relevant para is reproduced below:

"81 Operation and Maintenance (O&M) expenses

"81. OPERATION AND MAINTENANCE COSTS

81.1 The Operation and Maintenance Expense for Distribution Business shall comprise of the following:

Employee Cost including unfunded past liabilities of pension and gratuity; Repairs and Maintenance (R&M) expenses; and Administrative and General (A&G) expenses.

81.2 The O&M expenses for distribution licensee for each year of the Control Period shall be approved based on the formula shown below:

$$O\&M_n = EMP_n + R\&M_n + A\&G_n$$

Where,

O&M_n – Operation and Maintenance expense for the nth year;

EMP_n – Employee Cost for the nth year;

R&M_n – Repair and Maintenance Costs for the nth year;

A&G_n – Administrative and General Costs for nth year;

81.3 The above components shall be computed in the manner specified below:

$$EMP_n = (EMP_{n-1}) \times (\text{CPI Inflation});$$

$$R\&M_n = k (GFA_n) \times (\text{WPI Inflation});$$

$$A\&G_n = (A\&G_{n-1}) \times (\text{WPI Inflation});$$

Where,

EMP_{n-1} – Employee Costs for (n-1)th year;

'k' is constant specified by the Commission in %. Value of k each year of control period shall be determined by the Commission in MYT Order based on the distribution licensee's filing, benchmarking of repair and maintenance expenses, approved repair and maintenance expenses vis-à-vis GFA approved by the Commission in past and any other factor considered appropriate by the Commission;

GFA_n – Opening Gross Fixed Asset of the distribution system for nth year;

A&G_{n-1} – Administrative and General Cost for (n-1)th year;

CPI – is point to point change in Consumer Price Index for Industrial Workers (all India) as per Labour Bureau, Government of India; in case CPI Inflation is negative, the escalation /change shall be 0%;

WPI -is the point change in the Wholesale Price Index (WI) as per the Office of Economic Advisor of Government of India;

Provided that the employee cost and A&G expenses for the first year of the Control Period shall be worked out considering the average of the trued-up expenses after adding/deducting the share of efficiency gains/losses, for the immediately preceding Control Period, excluding abnormal expenses, if any, subject to prudence check by the Commission, and duly escalating the same for 3 years with CPI Inflation for employee costs and WPI Inflation for A&G expenses.

3.19.17 The Commission sought information from TGDISCOMs to provide the basis and justification of considering the following while computation of Employee Expenses and A&G expenses:

- Amount claimed for additional manpower during the year 2023-24. In this regard, reconciliation of employee expenses mentioned with necessary board approval. And also justify with reasons for considering 50% rationalization factor.
- The employee expenses are not computed as per Regulation 2 of 2023. Revised employee expenses computed as per regulation to be submitted

3.19.18 TGDISCOMs submitted that

- The file for approval of additional manpower i.e., AEs, Sub-engineers and JLMs is under circulation for Board Resolutions, Budgetary allocation for the Job Calendar year for FY 2025-26.
- The employee cost approved by the Commission for FY 2024-25 is less than the actual employee cost incurred during FY2023-24. Hence, the TGDISCOMs has considered two CPI escalations while computing the employee cost for FY 2024-25 and one escalation as per MYT Regulation No. 2 of 2023 for projecting the employee cost for FY 2025-26.

3.19.19 The Commission has not considered the additional manpower expenses for FY2025-26 as the recruitment has not been done.

3.19.20 In accordance with proviso of Clause 81.3 of Regulation No. 2 of 2023, the Commission has recomputed the Employee Expenses for FY2024-25 by escalating the trued up expenses for FY 2023-24 with the CPI inflation factor 5.79% as approved in the MYT order dated 28.10.2024 to arrive at the projections for FY 2024-25 and escalated it again with CPI inflation factor of 5.79% to arrive at the Employee Expenses for FY 2025-26.

Table 3.44: Employee expenses claimed and approved for FY2025-26

(Rs.in crore)

Particulars		TGSPDCL		TGNPDCL	
		Claimed	Approved	Claimed	Approved
Employee Cost (n-1)	(a)	3573	3457.87	2712	2473.43
CPI Inflation Factor	(b)	1.0579	1.0579	1.0579	1.0579
EmployeeCost (n)	c=(a*b)	3779	3658.10	2869	2616.65

3.19.21 The Commission has observed that TGSPDCL has projected the A&G expenses in line with MYT order, TGNPDCL has considered the actual A&G expenses as per audited accounts for FY2023-24 and escalated it with WPI

inflation factor 4.93% twice to arrive at projected value for 2024-25. TGNPDCL has again escalated with WPI inflation factor 4.93% to arrive at the figure of 2025-26.

3.19.22 In accordance with proviso of Clause 81.3 of Regulation No. 2 of 2023, the Commission has recomputed the A&G Expenses for FY2024-25 by escalating the trued up expenses for FY 2023-24 with the WPI inflation factor of 4.93% as approved in the MYT order to arrive at the projections for FY 2024-25 and escalated it again with WPI inflation factor of 4.93% to arrive at the A&G Expenses for FY 2025-26.

Table 3.45: A&G expenses claimed and approved for FY2025-26 (Rs.in crore)

Particulars		TGSPDCL		TGNPDCL	
		Claimed	Approved	Claimed	Approved
A&G Expenses Cost (n-1)	(a)	218	222.22	304	127.02
WPI Inflation Factor	(b)	1.0493	1.0493	1.0493	1.0493
A&G expenses Cost (n)	c=(a*b)	228	233.18	319	133.29

3.19.23 The Commission has recomputed the K factor for FY: 2025-26 and considered the WPI inflation factor as approved in the MYT order, and recomputed the R&M expenses for FY 2025-26 by multiplying the opening GFA for FY 2025-26, with the K factor and WPI inflation factor.

Table 3.46: R&M expenses claimed and approved for FY2025-26

(Rs.in crore)

Particulars		TGSPDCL		TGNPDCL	
		Claimed	Approved	Claimed	Approved
GFA (n)	(a)	25,364	24,677.93	11,851	11,791.5
WPI Inflation Factor	(b)	1.0493	1.0493	1.0493	1.0493
K-Factor	(c)	0.90%	0.92%	1.20%	1.19%
R&M Cost (n)	d=(a*b*c)	240	239.23	149	147.45

3.19.24 The Gross O&M Expenses claimed and approved by the Commission for FY2025-26 is as shown in table below:

Table 3.47: Gross O&M expenses claimed and approved for FY2025-26

(Rs.in crore)

Particulars	claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
Employee Cost	3779	2,869	3658.10	2616.65
A&G cost	228	319	233.18	133.29
R&M Cost	240	149	239.23	147.45
O&M Expenses	4247.37	3336	4130.51	2897.39

3.20 Depreciation

Petitioners' claim

- 3.20.1 TGDISCOMs have submitted that the depreciation has been calculated as per Regulation No. 2 of 2023 for each class of asset and Fully Depreciated Assets during the control period.
- 3.20.2 The Depreciation is computed considering the opening balance of the gross fixed assets during the year. Besides, the Fully Depreciated Assets in the gross block at the end of the previous year are deducted from the opening balance of the Gross assets in the succeeding year before computation of depreciation costs.

**Table 3.48: Depreciation Claimed for FY2025-26
(Rs. in crore)**

TGSPDCL	1028.67*
TGNPDCL	460

(* In the additional information sought, TGSPDCL submitted that amortisation on consumer contribution on new assets is Rs. 105.67 crores for FY: 2025-26 additional to the existing claim of Rs. 923 crores. Thus the claim of TGSPDCL is Rs. 1028.67 crores.)

Commission's Analysis and Findings

- 3.20.3 Clause 28 of Regulation No. 2 of 2023 specifies the provisions related to Depreciation. The relevant extract of the Regulation is as follows:

"28 Depreciation

28.1 The generating entity, licensee, and SLDC shall be permitted to recover depreciation on the value of fixed assets used in their respective regulated businesses, computed in the following manner:

(a) The approved original cost of the fixed assets shall be the value base for calculation of depreciation:

Provided that the depreciation shall be allowed on the entire capitalised

amount of the new assets after reducing the approved original cost of the retired or replaced or decapitalised assets.

(b) Depreciation shall be computed annually based on the straight-line method on the basis of the expected useful life specified in the Annexure I to this Regulation. (c) The salvage value of the asset shall be considered at ten per cent of the allowable capital cost and depreciation shall be allowed up to a maximum of ninety per cent of the allowable capital cost of the asset:

Provided that the generating entity or Licensee or SLDC shall submit certification from the Statutory Auditor for the capping of depreciation at ninety per cent of the allowable capital cost of the asset:

Provided further that the salvage value of Information Technology equipment and computer software shall be considered at zero per cent of the allowable capital cost. 28.2 Land other than the land held under lease and the land for reservoir in case of hydel Generating Station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the assets.

28.3 In case of existing assets, the balance depreciable value as on 01.04.2024 shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to 31.03.2024 from the gross depreciable value of the assets:

Provided that depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year, depreciation shall be charged on pro rata basis.

28.4 The generating entity or Licensee or SLDC shall submit the depreciation computations separately for assets added up to 31.03.2024 and assets added on or after 01.04.2024.

28.5 Depreciation allowed for each year of the Control Period shall be deemed to be equal to the loan repayment, up to the ceiling of seventy five percent (75%) of asset cost or actual debt component used for funding such asset in case the debt funding is higher than seventy five percent (75%) of the asset cost:

Provided that depreciation allowed for each year of the Control Period beyond seventy five percent (75%) of asset cost or actual debt component used for funding such asset in case the debt funding is higher than seventy five percent (75%) of the asset cost, shall be utilised for reduction of equity during that year.

3.20.4 The Commission observed that TGSPDCL claim of depreciation is not clearly submitted with proper segregation of existing and new assets whether with or without amortisation on consumer contribution.

3.20.5 In the additional information sought, TGSPDCL submitted in the depreciation claim of Rs. 923 Crores , the amortisation of consumer contributions in new assets is submitted separately. And the Commission recomputed the

depreciation for FY 2025-26 based on the TGSPDCL claim for new assets.

3.20.6 Based on the asset wise details, the Commission has arrived at the depreciation rates of existing assets up to 31.03.2024.

3.20.7 The Commission has calculated the depreciation on assets added on or after 01.04.2024 in line with the provisions of the regulation No. 2 of 2023.

3.20.8 Further, the Commission has considered the Consumer Contributions and Grants as projected by the Petitioner and the Depreciation corresponding to assets created by Consumer Contribution (CC) and grants are considered under non-tariff income.

3.20.9 The gross depreciation claimed and approved by the Commission for the FY2025-26 is as follows:

Table 3.49: Gross Depreciation claimed and approved for FY2025-26

(Rs.in crore)

TGDISCOMS	Claimed	Approved
TGSPDCL	1028.67*	1051.06
TGNPDCL	460	492.98

(* In the additional information sought, TGSPDCL submitted that amortisation on consumer contribution on new assets is Rs. 105.67 crores for FY: 2025-26 additionally to the existing claim of Rs. 923 crores. Thus the claim of TGSPDCL is Rs. 1028.67 crores.)

3.21 Return on Equity

Petitioners' claim

3.21.1 TGDISCOMs have submitted that Return on Equity (ROE) is computed as per Regulation No. 2 of 2023, and the TGDISCOMs are expecting return on Equity at 14% and additional return on Equity up to 2% per annum linked to TGDISCOMs performance towards meeting standards of performance for FY 2025-26.

3.21.2 The Return on Equity claimed by TGDISCOMs for FY2025-26 is as follows:

Table 3.50: Return on Equity (RoE) Claimed for FY2025-26

(Rs. in crore)

Particulars	TGSPDCL	TGNPDCL
Regulatory Equity at the beginning of the year	1917	1302
Capitalisation during the year	1772	1461
Equity Portion of capitalisation during the year	443	365

Particulars	TGSPDCL	TGNPDCL
Equity portion of fully depreciated assets	14	65
Regulatory Equity at the end of the year	2346	1602
Rate of Return on Equity	16.00%	16.00%
Return on Regulatory Equity at beginning of the year	307	208
Return on Regulatory Equity at additions during the year	35	24
Total Return on Equity	341	232

Stakeholders' submissions

- 3.21.3 Clause 29.2 of MYT Regulations, 2023, provides for Return on Equity (RoE) for distribution licensee that Return on Equity shall be computed at 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 TGERC (Licensees' Standards of Performance) Regulations, 2016.
- 3.21.4 NPDCL has not explained whether it has met the said standards of performance and achieved targets like reduction of distribution losses for the FY 2023-24. That the DISCOM has shown return on equity @ 14% indicates that it could not meet standards of performance to claim additional return on equity @ 2%. In fact, there is no critical and objective review of its performance in distribution business, except giving statistics.
- 3.21.5 Both the TGDISCOMs have shown return on equity @ 16%, for FY 2025-26 out of which they will be entitled to get 2% RoE, if only they achieve standards of performance. In view of continuous failures of the TGDISCOMs to achieve standards of performance, it is requested the Commission considers rate of interest as per applicable regulations. If the TGDISCOMs achieve standards of performance, they can claim 2% RoE additionally under true-up later. TGDISCOMs' claims on achieving SoP do not reflect the ground reality. We often come across news reports of DISCOM staff being arrested by Anti-Corruption Branch (ACB) for their corrupt practices. But these arrests represent just tip of an iceberg, and the rot runs deep. Electricity consumers

in the state deserve better service.

3.21.6 Further, while computing the RoE for FY 2025-26, TGDISCOMs 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 Equity for FY 2025-26 should be equal to approved closing balance for FY 2024-25.

3.21.7 In view of above, the stakeholder 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)

3.21.8 The Commission is requested to consider the 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 TGDISCOMs for FY 2025-26.

Petitioners' Replies

3.21.9 TGDISCOMs have 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.

3.21.10 TGDISCOMs do not encourage corrupt practices which is clearly evident as TGDISCOMs office premises have provided phone numbers to report any such incidents. This clearly shows the intent of TGDISCOMs to be transparent and consumer centric.

3.21.11 TGDISCOMs have computed the regulated base for computation of Return on

Equity by calculating the net fixed assets after removing the impact of consumer contribution from accumulated depreciation and also removing the impact of consumer contribution from fully depreciated assets. TGDISCOMs have submitted that calculating regulated return in this manner would ensure consistency with remaining line items of the Distribution ARR.

Commission's Analysis and Findings

3.21.12 As per the provisions of Regulation 2 of 2023, for FY 2025-26 the Commission has considered the base Return on Equity of 14%. Additional 2% will be considered at the time of true-up of relevant year based on the Licensee meeting the summary of overall performance standards as specified in clause 1.11 of Schedule-III TGERC (Licensee Standards of Performance) Regulation, 2016.

3.21.13 Having observed that the TGDISCOMs are showing discretion from consumer to consumer in compliance to standards of performance, the TGDISCOMs are directed to put in place procedures for time bound completion of tasks assigned to the employees and in case the tasks are not done as per timelines appropriate action is to be taken by the Discom. Standards of Performance timelines should be scrupulously followed, if not appropriate action should be taken by TGDISCOMs. To monitor and curb corruption, the vigilance wings of the TGDISCOMs should be strengthened.

3.21.14 Clause 29 of Regulation No. 2 of 2023 specifies provisions related to Return on Equity. The relevant extract of the Regulation is as follows:

"29 Return on Equity

29.1 Return on Equity shall be computed in rupee terms, on the equity base determined in accordance with clause 27.

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.

3.21.15 The Commission has determined the opening equity base for FY2024-25 by taking the approved Gross Fixed Assets (GFA) as on 01.04.2024, and

adjusted for accumulated depreciation, consumer contributions, and grants based on normative debt-equity ratio of 75:25. Furthermore, in accordance with Clause 27.1 of Regulation No. 2 of 2023, the Commission has applied the same 75:25 debt-equity ratio to the approved capitalisation, net of consumer contributions and grants to calculate the equity addition for each year of the Control Period.

3.21.16 As per the provisions of Regulation 2 of 2023, For FY 2025-26 the Commission has considered the base Return on Equity of 14%. Additional 2% will be considered at the time of true-up of relevant year based on the Licensee meeting the summary overall performance standards as specified in clause 1.11 of Schedule-III TGERC (Licensee Standards of Performance) Regulation, 2016.

3.21.17 The Commission has observed that TGDISCOMs have not claimed tax on return on equity and thus the Commission has also not grossed up the net allowable base rate.

3.21.18 The gross Return on Equity as claimed and approved is shown in table below:

**Table 3.51: Gross ROE claimed and approved for FY 2025-26
(Rs. in crore)**

Particulars	Claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
Regulatory Equity at the beginning of the year	1917	1302	1779.94	1065.41
Capitalisation during the year	1772	1461	1906	1460.85
Equity Portion of capitalisation during the year	443	365	476.50	365.21
Equity portion of fully depreciated assets	14	65	0	0
Regulatory Equity at the end of the year	2346	1602	2256.43	1430.62
Rate of Return on Equity	16.00%	16.00%	14.00%	14.00%
Return on Regulatory Equity at beginning of the year	307	208	249.19	149.16
Return on Regulatory Equity at additions during the year	35	24	33.35	25.56
Impact of UDAY on ROE			11.67	5.92
Total Return on Equity	341	232	270.87	168.80

3.22 Interest on Loan

Petitioners' Claim

3.22.1 TGDISCOMs have submitted that the interest expenditure on account of long-

term loans depends on the outstanding loan, repayments and prevailing interest rates on the outstanding loans. Further, the projected capital expenditure and their funding pattern also has a major bearing on the long-term interest expenditure. TGDISCOMs have computed the Interest and Finance Charges on Loan considering the normative opening loan, normative loan addition during the year and loan repayment equal to depreciation and average interest rates

3.22.2 The Interest and finance charges on Loan claimed by TGDISCOMs for FY2025-26 is summarised below:

**Table 3.52: Interest and finance charges claimed for FY 2025-26
(Rs. in crore)**

Particulars	TGSPDCL	TGNPDCL
Opening Balance of Net Normative Loan	4838	3615
Less: Reduction of Normative Loan due to retirement or replacement of assets	0	0
Addition of Normative Loan due to capitalisation during the year	1329	1096
Repayment of Normative loan during the year	923	460
Equity Portion of GFA of fully depreciated assets depreciated	6	39
Closing Balance of Net Normative Loan	5250	4289
Weighted average Rate of Interest on actual Loans (%)	10%	10.75%
Interest	503	425
Finance charges	0	0
Interest & Finance charges	503	425

Stakeholders' submissions

3.22.3 FY 2025-26, TGSPDCL has proposed a rate of interest of 10% on loans, while TGNPDCL has proposed a rate of interest of 10.75%. There is no justification to project higher rate of interest. The variation of rates of interest between the two TGDISCOMs also shows scope for getting loans at relatively lower rates of interest. The Commission is requested to examine the rates of interest the TGDISCOMs have to pay to existing loans and new loans and determine rates of interest in a realistic manner, giving them a piece of advice to try to get

loans at lowest rates possible and get new loans at relatively lower rates of interest for swapping their old loans with higher rates of interest to the extent possible. Similar should be the approach of the TGDISCOM for getting loans for working capital.

3.22.4 TGDISCOMs have submitted the Interest Charges on Loan pertaining to FY 2025-26. However, while computing the Interest on Loan for FY 2025-26, TGDISCOMs have not considered the Regulatory provisions stipulated in MYT 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 dtd. 28/10/2024.

3.22.5 Therefore, the stakeholder has recomputed the Interest Charges on Loan pertaining to FY 2025-26 based on applicable Regulatory principles, as tabulated below:

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

3.22.6 The stakeholder requested the Commission to consider the 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.

Petitioners' Replies

3.22.7 For FY 2025-26, the rate of interest in the filings for TGDISCOMs is based on its weighted average interest rates of existing and new loans and hence the same has been considered for computation purpose. Further, the TGDISCOMs are exploring all possibilities to reduce the interest rate on loans.

3.22.8 TGNPDCL have considered the projected balance of long-term loans at the end of FY 2024-25 as the opening balance for FY 2025-26 for the computation of interest cost.

3.22.9 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.

Commission's Analysis and Findings

3.22.10 Clause 31 of (Multi Year Tariff) Regulation 2 of 2023 specifies the provisions related to Interest and Finance Charges on Loan. The relevant extract of the Regulation is as follows:

"31.1 The loans arrived at in the manner indicated in clause 27 on the assets put to use shall be considered as gross normative loan for calculation of interest on loan: Provided that in case of retirement or replacement or de-capitalisation of assets, the loan capital approved as mentioned above, shall be reduced to the extent of outstanding loan component of the original cost of such assets based on documentary evidence.

31.2 The normative loan outstanding as on 01.04.2024, shall be worked out by

deducting the cumulative repayment as admitted by the Commission up to 31.03.2024, from the gross normative loan.

31.3 The loan repayment during each year of the Control Period shall be deemed to be equal to the depreciation allowed for that year, up to the ceiling of seventy five percent (75%) of asset cost or actual debt component used for funding such asset in case the debt funding is higher than seventy five percent (75%) of the asset cost.

31.4 Notwithstanding any moratorium period availed, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.

31.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual long-term loan portfolio at the beginning of each year: Provided that at the time of Truing-up, the weighted average rate of interest computed on the basis of the actual long-term loan portfolio during the concerned year shall be considered as the rate of interest:

Provided further that if there is no actual long-term loan for a particular year but normative long-term loan is still outstanding, the last available weighted average rate of interest for actual long-term loan shall be considered:

Provided also that if the generating entity or the licensee or the SLDC, as the case may be, does not have actual long-term loan even in the past, the weighted average rate of interest of its other Businesses

regulated by the Commission shall be considered: Provided also that if the generating entity or the licensee or the SLDC, as the case may be, does not have actual long-term loan, and its other Businesses regulated by the Commission also do not have actual long-term loan even in the past, then the weighted average rate of interest of the entity as a whole shall be considered:

Provided also that if the entity as a whole does not have actual long-term loan, then the Base Rate at the beginning of the respective year shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan.

31.6 The interest on loan shall be computed on the normative average loan of the year by applying the weighted average rate of interest:

Provided that at the time of Truing-up, the normative average loan of the concerned year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year.

31.7 The above interest computation shall exclude interest on loan amount, normative or otherwise, to the extent of capital cost funded by Consumer Contribution, Deposit Works, Grants or Capital Subsidy.

31.8 The finance charges incurred for obtaining loans from financial institutions for any Year shall be allowed by the Commission at the time of Truing-up, subject to prudence check:

Provided that the finance charges such as credit rating charges, collection facilities charges, financing cost of delayed payment surcharge, bank charges and other finance charges of similar nature shall be part of A&G expenses.

31.9 The excess interest during construction on account of time and/or cost overrun as compared to the approved completion schedule and capital cost or on account of excess drawl of the debt funds disproportionate to the actual requirement based on Scheme completion status, shall be allowed or disallowed partly or fully on a case to case basis, after prudence check by the Commission based on the justification to be submitted by the Generating Company or Transmission Licensee or Distribution Licensee along with documentary evidence, as applicable:

Provided that where the excess interest during construction is on account of delay attributable to an agency or contractor or supplier engaged by the generating entity or the transmission licensee, any liquidated damages recovered from such agency or contractor or supplier shall be taken into account for computation of capital cost: Provided further that the extent of liquidated damages to be considered shall depend on the amount of excess interest during construction that has been allowed by the Commission:

Provided also that the Commission may also take into consideration the impact of time overrun on the supply of electricity to the concerned Beneficiary.

31.10 The generating entity or the licensee or the SLDC, as the case

may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event, the costs associated with such re-financing shall be borne by the Beneficiaries and the net savings shall be shared between the Beneficiaries and them in the ratio of 2:1, subject to prudence check by the Commission:

Provided that refinancing shall not be done if such refinancing including other costs associated with such refinancing results in net increase in interest:

Provided further that if refinancing is done and it results in net increase on interest, then the rate of interest shall be considered equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed:

Provided also that the re-financing shall not be subject to any conditions that are not in line with standard loan documents:

Provided also that the generating entity or the licensee or the SLDC, as the case may be, shall submit documentary evidence of the costs associated with such re-financing: Provided also that the net savings in interest shall be computed after factoring all the terms and conditions, and based on the weighted average rate of interest of actual portfolio of loans taken from Banks and Financial Institutions recognised by the Reserve Bank of India, before and after re-financing of loans:

Provided also that the net savings in interest shall be calculated as an annuity for the term of the loan, and the annual net savings shall be shared between the entity and Beneficiaries in the specified ratio.

3.22.11 The Commission has determined the opening loan base for FY2024-25 by taking the approved Gross Fixed Assets (GFA) as on 01.04.2024 adjusted for accumulated depreciation, consumer contributions, and grants and apportioning it based on a debt-equity ratio of 75:25. Additionally, in accordance with Clause 27.1 of Regulation No. 2 of 2023, the Commission has applied the same 75:25 debt-equity ratio to the approved capitalisation during the year, net of consumer contributions and grants, to calculate the loan addition for FY 2025-26.

3.22.12 The Commission has considered the interest rate as per Approved 5th MYT order dated: 28-10-2024.

Table 3.53: Gross Interest and Finance charges claimed and approved for FY 2025-26

(Rs. in crore)

Particulars	Claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
Opening Balance of Net Normative Loan	4838	3615	4848.55	2868.42

Particulars	Claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
Addition of Normative Loan due to capitalisation during the year	1329	1096	1429.50	1095.64
Repayment of Normative loan during the year	923	460	577.27	370.67
Equity Portion of GFA of fully depreciated assets depreciated	6	39	0	0
Weighted average Rate of Interest on actual Loans (%)	10.0%	10.75%	9.97%	10.75%
Interest	503	425	526.13	347.40
Finance charges	0	0	0	0.00
Interest & Finance charges	503	425	526.13	347.40

3.23 Interest on working Capital

Petitioners' Claim

3.23.1 TGDISCOMs has claimed the Interest on Working Capital (IOWC) as per Clause 33.3 of Regulation No. 2 of 2023. TGDISCOMs has considered One-month normative O&M Expenses, one month maintenance spares, receivables for 45 days, minus amount held as security deposits other than those in the form of Bank Guarantees, if any, from Distribution System Users to arrive at the total working capital requirement. Further, TGDISCOMs has considered rate of Interest on Working Capital as 1-year SBI MCLR plus 150 basis points.

3.23.2 The Interest on Working Capital claimed by TGDISCOMs for FY2025-26 is shown in table below:

**Table 3.54: Interest on Working Capital claimed for FY2025-26
(Rs. in crore)**

Particulars	TGSPDCL	TGNPDCL
O&M Expenses	319	278
Maintenance Spares	228	119
Receivables	667	539
Less:		
Security Deposits	0	0
Total Working Capital	1214	936
Interest Rate	10.50%	10.50%
Interest of Working Capital	128	98

Commission's Analysis and Findings

3.23.3 Clause 33.3 of Regulation No. 2 of 2023, specifies the provisions related to Interest on Working Capital. The relevant extract of the Regulation is as

follows:

“33.3 Distribution

(a) *The working capital requirement of the Distribution Wires Business shall cover:*

(i) *Normative Operation and Maintenance expenses for one (1) month;*

(ii) *Maintenance spares at one percent (1%) of the opening Gross Fixed Assets for the Year; and*

(iii) *Receivables equivalent to forty-five (45) days of the Aggregate Revenue Requirement; minus*

(iv) *Amount held as security deposits other than those in the form of Bank Guarantees, if any, from Distribution System Users:*

33.6 *Rate of interest on working capital shall be on normative basis and shall be equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed, plus 150 basis points:*

Provided that for the purpose of Truing-up for any year, interest on working capital shall be allowed at a rate equal to the weighted average Base Rate prevailing during the concerned Year plus 150 basis points.

3.23.4 The Commission has computed the working capital requirement in accordance of Clause 33.3 of Regulation No. 2 of 2023. The rate of interest of 10.5% equal to Base Rate as on the date of filing of Petition plus 150 basis points is considered on normative basis in accordance with the Clause 33.6 of Regulation No. 2 of 2023.

Table 3.55: Interest on Working Capital claimed and approved for FY 2025-26
(Rs. in crore)

Particulars	Claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
O&M Expenses	319	278	344.21	241.45
Maintenance Spares	228	119	246.78	117.91
Receivables	667	539	678.56	470.37
Less:				
Security Deposits	0	0	0	0
Total Working Capital	1214	936	1269.55	829.74
Interest Rate	10.50%	10.50%	10.50%	10.50%
Interest of Working Capital	128*	98	133.30	87.12

(* Rs. 128 crores claimed under the IOWC in the petition is after allocation of 90% to DB ARR but the 100% value has been considered for computation before allocation matrix)

3.24 Non-Tariff Income

Petitioners' Claim

- 3.24.1 TGDSICOMs have considered the actual Non-Tariff Income for FY2023-24 and escalated each item of Non-Tariff Income with a nominal growth rate of 2% on yearly basis to arrive at the Non-Tariff Income for FY2025-26.

**Table 3.56: Non-Tariff Income as claimed for FY2025-26
(Rs. in crore)**

Particulars	TGSPDCL	TGNPDCL
Non-Tariff Income	125	175.3

Stakeholders' submissions

- 3.24.2 SPDCL has shown that revenue from open access has come down by Rs.30.76 crore, i.e., from Rs.49.84 crore approved by the Commission to Rs.19.08 crore. Similarly, its non-tariff income also has come down by Rs.129.12 crore, i.e., from Rs.585.52 crore approved by the Commission to Rs.456.40 crore. SPDCL has not shown any contributions from consumers separately.
- 3.24.3 TGDISCOMs 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 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.
- 3.24.4 The stakeholder has requested 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

Petitioners' Replies

- 3.24.5 TGSPDCL acknowledges the observation raised regarding the revenue from open access and non-tariff income. The reduction of revenue from open access is due to reduction of purchase of power from the power exchanges by consumers.
- 3.24.6 The reduction in Non-Tariff Income is due to reduction of Amortization of consumer contribution assets. The TGSPDCL has shown the consumer contributions in the Regulatory Rate Base calculations which is part of arriving the Regulatory Rate Base for FY 2023-24 and it is to mention that, the consumer contribution during the FY 2023-24 are Rs. 1157.80 crores and total amounting to Rs. 10,117.82 crores up to FY 2023-24.

3.24.7 TGSPDCL submitted that 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.

Commission's Analysis and Findings

3.24.8 Clause 82 of Regulation No. 2 of 2023 specifies provisions related to Non-Tariff Income. The relevant extract of the Regulation is as follows:

"82 Non-Tariff Income:

.....

82.2 The Non-Tariff Income shall include:

- a) Income from rent of land or buildings;*
- b) Net income from sale of de-capitalised assets;*
- c) Income from sale of scrap;*
- d) Income from statutory investments;*
- e) Interest income on advances to suppliers/contractors;*
- f) Income from rental from staff quarters;*
- g) Income from rental from contractors;*
- h) Income from hire charges from contactors and others;*
- i) Income from consumer charges levied in accordance with Schedule of Charges approved by the Commission;*
- j) Supervision charges for capital works;*
- k) Income from advertisements;*
- l) Income from sale of tender documents;*
- m) any other Non-Tariff Income.*

3.24.9 Since the gross depreciation is being considered in the ARR, the amortization on consumer contributed assets is to be considered under NTI for both the TGDISCOMs. TGNPDCL has considered the amortization due to consumer contributed assets under NTI and the Commission has approved the Non-Tariff Income as claimed by TGNPDCL. The Commission has observed that TGSPDCL has not shown the income from amortisation due to consumer contributions under NTI and hence the Commission has calculated and included the amortisation due to consumer contributions under Non-Tariff Income.

Table 3.57: Non-Tariff Income claimed and approved for FY2025-26
(Rs. in crore)

Particulars	Claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
Non-Tariff Income	125	175.26	606.79	175.26

3.25 Revenue from Open Access

Petitioners' Claim

3.25.1 The TGDISCOMs has projected the income from Open Access as shown in table below:

Table 3.58: Revenue from open access as claimed for FY2025-26
(Rs. in crore)

Particulars	TGSPDCL	TGNPDCL
Revenue from open access	1.19	3.19

Commission's Analysis and Findings

3.25.2 The Commission has gone through the data furnished by TGDISCOMs on Revenue from open access and approved as claimed by TGDISCOMs.

Table 3.59: NTI claimed and approved for FY2025-26
(Rs. in crore)

Particulars	Claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
Revenue from open access	1.19	3.19	1.19	3.20

3.26 Ensuring Consumer Rights, Safety, and Accurate Reporting

Stakeholders' submissions

3.26.1 It is submitted by the stakeholders that both TGDISCOMs are not creating proper consumer/public awareness. TGDISCOMs failed to implement/adopt Clause 16(4)(b) of Electricity (Rights of Consumer) Rules 2020, which reads as below:

3.26.2 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.

3.26.3 The consumer complaints reaching CGRFs and Vidyut Ombudsman is almost negligible when compared to TGDISCOMs' consumer base. Not even one (1) appeal a week is filed at Vidyut Ombudsman.

3.26.4 Lack of safety awareness initiations are resulting in fatal accidents and attracting compensations, 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.

- 3.26.5 SOP reports filed by both 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 TGDISCOMs are not meeting Overall SOPs also. TGSPDCL has 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. A prudent check on the SOP reports filed has to be done , as there are many mathematical errors.
- 3.26.6 DISCOMs are just submitting SOP reports as statutory but not paying attention in contents and in preparing the report. 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.
- 3.26.7 TSERC also has not directed on the Standards for SAIFI and SAIDI.
- 3.26.8 Annexure I (GSOP) figures and Annexure II (OSOP) figures are contradicting each other and questions the credibility of figures and reports.
- 3.26.9 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.

Petitioners' Replies

- 3.26.10 The CGRFs in both TGDISCOMs function impartially, ensuring fair hearings for consumer grievances. The forum is governed by regulatory frameworks, and its decisions are made in accordance with established procedures.
- 3.26.11 While the forum operates as an internal forum of the respective TGDISCOMs, it provides a structured and transparent mechanism to address consumer grievances. Additionally, any dissatisfied consumer has the right to escalate their case to the Vidyut Ombudsman, ensuring further impartiality
- 3.26.12 The claim that CGRF does not allow scope for doubts or mistakes is

misleading, as every complainant is given an opportunity to present their case, and orders are issued after due deliberation.

3.26.13 With respect to ensuring consumer awareness, TGDISCOMs actively engage in consumer awareness programs through multiple channels, including public meetings, advertisements, website notifications etc.

3.26.14 Workshops and safety programs are frequently conducted by TGNPDCL to educate consumers on electrical safety and standards of performance (SOPs). Further reducing the electrical accidents, the following measures are taking in the field.

- TGNPDCL has appointed Divisional Engineer/Technical of circles as Divisional Engineer/ Technical and Nodal safety officer to educate the employees to reduce the possibility departmental fatal/non-fatal accidents to our staff, unmanned workers and unauthorized personnel during execution of works in the field and directed to implement safety measures strictly to avoid electrical accidents and make zero accident in our TGNPDCL
- Conducting meeting with agricultural consumers in their fields in 'Polambata' by field Engineers and creating awareness among them to follow safety rules while operating with switch boards, starters of motors
- Conducting safety awareness programs with consumers in villages, raising height of distribution transformers where and explaining about causes of electrical accidents like substandard electrical house wiring, low quality domestic appliances, not providing earthing at houses and switch boards,
- Distribution of pamphlets to consumers at more accident's prone areas.
- Conducting awareness programs in schools and Colleges in Mahabubabad Circle with PPTs. Similar action is being carried out in other circles also.
- Conducting PEP talk with O&M staff by Officers, AE/OP, ADE/OP, DE/OP and DE/Technical.
- All the O&M staff are provided appropriate "PPE" (Personnel Protective Equipment) i.e., Hard Hat, Gloves, Portable earthing short circuiting kits, safety shoes, insulated tools, Voltage detector, etc.

3.26.15 It is to submit that TGNPDCL is spending the amounts towards safety aids to the employees like Earth discharge Rods, helmets, safety Jackets, Rubber hand Gloves, Safety belts etc. is claimed in R&M expenditure. While there is always scope for further improvement, the claim that "both TGDISCOMs are not creating proper consumer/public awareness" is not valid and without basis.

3.26.16 Further, TGNPDCL publish and update performance standards and consumer rights regularly through official platforms. SoP reports are submitted to the Hon'ble Commission as per regulatory requirements, ensuring transparency

and accountability.

3.26.17 The TGSPDCL is displaying the SoP Charter in all its offices on the conspicuous parts of office premises. TGSPDCL publishing and updating performance standards regularly through official platforms. SOP reports are submitted to the 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.

3.26.18 The claim that DISCOM is not voluntarily compensating consumers is misleading. Compensation is processed as per consumer claims and regulatory audits. If any consumer is affected, they are encouraged to raise their concerns through CGRF or Ombudsman, where they will receive due compensation. Automatic compensation implementation depends on regulatory approval and directives. TGNPDCL are in continuous discussion with Commission to improve the efficiency of this process.

3.26.19 TGNPDCL strictly adhere to regulatory SOP standards, and reports are prepared with due diligence. All reports undergo internal validation and are submitted to the Hon'ble Commission for scrutiny. Compliance levels for SAIFI and SAIDI are monitored regularly, and any necessary revisions in SOP timelines are discussed in a timely manner.

Commission's Analysis and Findings

3.26.20 One of the stakeholders has submitted that the CGRFs and Vidyut Ombudsman have not been discharging their duties to their optimum level on account of not having proper awareness. The Discoms on the other hand submit that CGRFs and Ombudsman have been working impartially and have been passing number of directions to the Discoms wherever Discoms have not followed the provisions of E A 2003 , other enactments and Regulations & Directives of the Commission. This Commission has been examining the performance of CGRFs and Ombudsman continuously and is convinced that

they have been discharging their duties impartially. However, this Commission is in agreement with the sentiments of the stakeholders that when compared to the consumer base vis-à-vis the compliance of the Discoms in respect of deficiencies of the services the number of cases filed before the CGRFs and Ombudsman are very very meagre. Unless the consumers are sensitised properly there is no scope for the consumers to approach the CGRFs and ombudsman. Thereby, this Commission directs both the Discoms to vigorously plan for dissemination of the information regarding the rights of the consumers and the functioning of CGRFs and Ombudsman in a big way, if required taking the assistance of other agencies. The TGDIs are directed to submit revised proposal for sensitization programs.

3.26.21 Some of the stakeholders have complained that the TGDIs have not been spending the money earmarked for special appropriations towards measures for avoiding of fatal accidents thereby, fatal accidents have been increasing day by day and entire money earmarked for special appropriations is being used for ex-gratia for fatal deaths on account of electrical accidents. It is true that the electrical accidents have increased leaps and bounds taking a toll of life of innocent people. No matter whatever may be the quantum of compensation it is not going to compensate the loss of loved ones. It is very unfortunate that no concrete, viable and result oriented steps have been taken by the Discoms to see that accidents are reduced. This Commission shall certainly take up this issue in the next few weeks and after taking into consideration inputs of all the stakeholders and issue directions to put in place appropriate monitoring mechanism to avoid/reduce the fatal accidents.

3.26.22 Some of the stakeholders have submitted that the DISCOMs have not been adhering to the standards of SoP. The Commission therefore directs the DISCOMs to strictly adhere to the SoP standards and this Commission will undertake afresh to review the SoP shortly.

3.27 Material procurement and Power purchase Stakeholders' submissions

3.27.1 Tendering process being adopted by the licensees for purchase of materials and execution of works should be subjected to prudence check by the Commission and the details be made public to ensure transparency and accountability.

- 3.27.2 How much additional capacity for distribution needs to be added during the FY 2025-26 and the expenditure therefor need to be determined in a realistic manner, taking into account various factors like availability of existing distribution capacity, to what extent it is being utilised, new generation capacity required and likely to be added during the FY to meet growing demand, etc. If based on the decisions taken by the government directing the TGDISCOMs to enter into long-term power purchase agreements, unrelated to realistic requirement of generation capacity to be added, and distribution capacity to be added in accordance with the same, it would lead to stranding of unwarranted additional distribution capacity till it is required.
- 3.27.3 Power to be procured under long-term PPAs should ensure a balance between fluctuating demand, daily, monthly and seasonal, and power mix to the extent technically practicable so as to see that availability of surplus power is the lowest possible. If such a balance is not maintained, availability of unwarranted surplus, its backing down and payment of fixed charges for the capacities backed down would impose avoidable burdens on the consumers. If transmission and distribution capacities are added as per the quantum of power that can be generated at threshold levels of the capacities of the plants concerned, both unwarranted generation capacity and distribution capacity would become stranded. If PPAs are entered into and regulatory consents given to the same for purchasing unwarranted renewable power, it would further intensify the adverse situation, with the TGDISCOMs being compelled to purchase unwarranted RE, which is treated as must-run, and in order to purchase the same, to back down thermal power and pay fixed charges therefor. Since RE, with various problems of intermittence, grid integration, etc., associated with it, and in view of the fact that RE cannot meet peak demand, the TGDISCOMs will be compelled to make additional purchases of power on short-term basis through exchanges and in the market at higher prices, which would again impose avoidable additional burdens on the consumers. While issuing orders of renewable power purchase obligation, the Commission has to take requirements of the state into consideration for fixing the targets of minimum purchase of RE by the TGDISCOMs, not the targets being proposed by the government of India arbitrarily and without any

responsibility and accountability for the adverse consequences that are, and would be, arising as a result of implementing its diktats. All the above factors are interlinked.

3.27.4 Based on changing ground realities, requirements as permitted in the long-term load forecast, resource plan, state electricity plan, etc., approved by the Commission for the control period concerned, an objective review periodically, especially when new PPAs come before the Commission for its consideration and consent, apart from annual review of performance of the licensees, need to be undertaken by the Commission to re-determine the requirements of the licensees already approved so as to ensure that addition of generation, transmission and distribution capacities are restricted to the extent required. It is all the more imperative in view of the constraints for the TGDISCOMs to sell surplus power in the market profitably, or, at least, without loss and profit, and non-availability of viable and economic storage systems which have not yet materialised. When such systems are developed and put to use, surplus thermal power also can be stored and used as and when required.

Petitioners' Replies

3.27.5 The tendering procedures followed by the TGDISCOMs is already subjected to multiple layers of scrutiny and oversight, including internal audits and regulatory reviews. Furthermore, all tenders are issued through e-procurement platforms, which guarantee transparency and equal opportunity for all eligible bidders. The contracts are awarded based on well-defined evaluation criteria, ensuring the selection of the most qualified and cost-effective vendors.

3.27.6 TGDISCOMs would like to reiterate the fact that capital expenditure and estimating the distribution capacity required for FY 2025-26 basis resource plan approved figures and growing demand.

3.27.7 The expansion of Distribution capacity has been considered based on the growing demand and not based on the power purchase agreements entered with the conventional and RE generators. The power mix contracts have been entered with the generators to optimize the power purchase cost and to reduce the burden on the retail consumers. Power Purchase mix contracts will also lead in meeting the peak demand of the consumers seasonally without

backing down of the conventional generation stations and to avoid purchase of costly power to the extent from short term sources.

3.27.8 The power purchase quantum is determined based on hourly demand and available energy sources to meet the demand in hourly blocks. In peak hours and peak months, there are situations where the available dispatch from tied up sources is not enough to meet demand and hence market purchases are considered. Further, market sales are also considered in cases where available dispatch is higher than demand. However, it is imperative to mention that TGDISCOMs are already exploring the solutions mentioned by the objector.

Commission's Analysis and Findings

3.27.9 Some of the stakeholders raised concerns in respect of tendering process being followed by Discoms for purchase of materials and execution of works. The Commission has noted the explanation offered by the Discoms in respect of the procedure being followed for tendering stating that the tendering process will be subjected to multiple layers of scrutiny after following well defined settled criteria to see that the cost effective is achieved, This Commission has critically examining wherever required to satisfy that there is no deviation in the settled tendering process and to see that the cost optimisation is achieved by the Discoms

3.27.10 Some of the stakeholders have raised issues stating that the power both conventional and renewable is being purchased indiscriminately not on scientific method and without properly assessing the demand and requirement.

3.27.11 The Commission has noted the submissions made by the stakeholders and the replies provided by the petitioner regarding the implementation of the PM KUSUM scheme, decentralized solar generation, and the Telangana Clean and Green Energy Policy 2025. The Commission acknowledges the concerns and suggestions raised by stakeholders, particularly with respect to the advantages of decentralized solar generation, the need for clear policy objectives, and the importance of reducing emissions and promoting renewable energy. The Commission will consider framing of new Regulations

or amending the existing regulations to suit the clean energy policy of the state.

3.27.12 The Commission has approved the Resource plan and Business plan for 5th Control Period (FY 2024-25 to FY 2028-29) and 6th Control Period (FY 2029-30 to FY 2033-34). The MYT order for 5th Control Period is approved based on the approvals of Resource plan and Business plan for 5th and 6th Control Periods.

3.27.13 The Power Purchase Agreements are approved following due Public Consultation Process taking into account the load generation balance and power procurement costs.

3.27.14 The Commission has considered the capital expenditure for FY 2025-26 as approved in MYT order for the control period FY 2024-25 to FY 2028-29.

3.28 Impact of APR/True-up for prior period

Petitioners' Claim

3.28.1 The petitioners have requested to approve the true up/ down claimed by TGSPDCL for an amount of Rs.442.81 crore and TGNPDCL for an amount of Rs. (512.46) crore for the control period FY 2019-20 to FY 2023-24.

Commission's Analysis and Findings

3.28.2 For the purpose of sharing of gains and losses with the consumers, as per Clause 10.7 of Regulation No.4 of 2005, aggregate gains/losses as a whole shall be determined and passed on to the consumers.

3.28.3 The TGDISCOMs in their End of Control Period petition have requested to approve the end control period true up/down without proposing the manner of passing on the gains/losses to the consumers. The Commission in the public hearing conducted on 17.02.2025 directed the TGDISCOMs to propose the manner of passing on the end of control period gains/losses to the consumers.

3.28.4 The TGDISCOMs have responded to the direction of the Commission and requested to claim the net True up/down impact of End of 4th control period in FY 2025-26. Based on the response of TGDISCOMs, the Commission has approved the true up/down and passed on the gains/losses in the FY 25-26.

3.29 Revised ARR for Distribution Business for FY 2025-26

Petitioners' claim

3.29.1 The petitioners have claimed the following revised ARR for FY 2025-26.

Table 3.60: Revised ARR claimed for FY2025-26**(Rs. in crore)**

Particulars	Claimed	
	TGSPDCL	TGNPDCL
Operations and Maintenance Charges	4247.37	3336
Depreciation	1028.67	460
Interest and Finance Charges on Loan	503.15	425
Interest on Working Capital	135	98
Return on Equity	341	232
Less:		
Non-Tariff Income	125	175
Income from Open Access Charges	1.19	3.19
Net Distribution ARR	6128.99	4373

Stakeholders' submissions

- 3.29.2 The stakeholder has submitted that historically, TGDISCOMs and TRANSCO have inflated their ARR projections, leading to higher-than-justified wheeling and transmission charges. This has been observed in undivided Andhra Pradesh and post-bifurcation in Telangana.
- 3.29.3 The huge revenue surplus shown by NPDCL confirms that the projections were inflated. Surpluses result from the failure of TGDISCOMs to complete proposed and approved works, not efficiency gains. A realistic approach should be adopted in MYT and annual tariff determinations.
- 3.29.4 The Commission should conduct periodic reviews of capital investment progress and revise wheeling charges annually to the extent required. The TGDISCOMs have claimed that they have projected various factors for the FY 2025-26 as per normative parameters permissible under the applicable regulations. The normative parameters, being changed by the Commission periodically by amending the applicable regulations, tend to be very much liberal. When projections of capital expenditure, requirement of loans for the same and working capital, annual revenue requirement are based on all such applicable factors, the wheeling charges worked out turn out to be unrealistic and inflated, and if they are approved by the Commission, it would lead to imposition of avoidable burdens on the consumers, as experience has been proving. Therefore, a near realistic assessment and determinations of all such

factors is imperative.

Petitioners' Replies

- 3.29.5 Projections were made based on expected load growth, past trends, and required infrastructure investments. Less capitalisation made due to impact of 1st & 2nd wave of COVID were completed in the succeeding years.
- 3.29.6 The TGDISCOMs report progress on completed and capitalized works to the Commission quarterly as per direction issued by the Commission in the 4th MYT Distribution order.
- 3.29.7 The difference between the two TGDISCOMs are a factor of capex incurred by the respective TGDISCOMs, interest of term loan and working capital, ROE, Depreciation etc.,

Commission's Analysis and Findings

- 3.29.8 The Commission, while approving the Capital Investment Plan for 4th Control Period has taken the following into consideration:
- As per Clause 22 of Regulation No.4 of 2016 (Distribution License Regulations), the TGDISCOMs shall have the duty to develop and maintain an efficient, coordinated and economical distribution system in their respective areas of distribution and to supply electricity in accordance with the provisions of the Electricity Act, 2003.
 - The Commission is guided by Section 61(c) of the Electricity Act, 2003, the factors which would encourage competition, efficiency, economical use of resources, good performance and optimum investments while determining the tariff.
 - The resource plans submitted by the TGDISCOMs.
 - The actual capital investment during 3rd Control Period.
 - The actual investments during 9 months (April to December) of FY 2019-20.
- 3.29.9 Based on the above the Commission has adopted a realistic approach and approved the total capital expenditure for FY 2019-20 to FY 2023-24 for both the TGDISCOMs of Rs.18,554.69 crore against their claim of Rs.25,011.86 crore.
- 3.29.10 However, TGDISCOMs could not incur the capital expenditure as approved by the Commission in the first two years of the 4th control period due to certain

factors which are beyond the control of TGDISCOMs as submitted by them.

3.29.11 The Commission in the Distribution Resource plan order dated 29.12.2023 in O. P. Nos. 07 and 08 of 2023 & O. P. Nos. 18 and 19 of 2023 having observed that the proposed capital expenditure is on the higher side, has recomputed the infrastructure / network requirement to approve the base capital expenditure. Similarly, that the capital investment proposed under the head of “Other Capex” projected by TSDISCOMs appeared to be significantly on higher side as compared to the approved investments during 3rd Control Period and 4th Control Period and approved 70% of the proposed investments for TSSPDCL and TSNPDCL. Hence in order to not to burden the consumers with higher capital expenditure and wheeling charges, has approved only Rs.21,364 crore against the claim of Rs.24,761 crore towards capital expenditure for the TGDISCOMs for the period FY 2024-25 to FY 2028-29.

3.29.12 The Commission after prudent check of the filings made by the TGDISCOMs, has determined the ARR and wheeling tariffs in accordance with the Regulations.

3.29.13 As per the MYT Regulation 2 of 2023, Licensee has to file for revised tariffs every year so that the variation in actual expenditure with approved ARR will be reduced.

3.29.14 Based on analysis above, the Aggregate Revenue Requirement (ARR) for Distribution Business claimed and approved by the Commission for the FY 2025-26 is as follows:

**Table 3.61: Revised ARR claimed and approved for FY2025-26
(Rs. in crore)**

Particulars	Claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
Operations and Maintenance Charges	4247.37	3336	4,130.51	2,897.39
Depreciation	1028.67	460	1051.06	492.98
Interest and Finance Charges on Loan	503.15	425	526.13	347.40
Interest on Working Capital	135	98	133.30	87.12
Return on Equity	341	232	270.87	168.80
Less:				
Non-Tariff Income	125	175	606.79	175.26
Income from Open Access Charges	1.19	3.19	1.19	3.2
Net Distribution ARR	6128.99	4373	5503.90	3815.25

3.29.15 As per Clause 77.1 of Regulation No.2 of 2023, the distribution licensees have to maintain the separate accounting records for Wheeling Business and Retail Supply Business and have to prepare an allocation statement to determine the Tariff separately. In case the accounting segregation has not been done between Wheeling Business and Retail Supply Business, the Aggregate Revenue Requirement shall be apportioned between Wheeling Business and Retail Supply Business as per following allocation matrix.

Table 3.62: Allocation Matrix for Wheeling and Retail Supply Business of ARR

Particular	Wheeling Business (%)	Retail Supply Business (%)
Power Purchase Expenses	0%	100%
Inter-State Transmission Charges	0%	100%
Intra-State Transmission Charges	0%	100%
Operation and Maintenance Expenses	90%	10%
Depreciation	90%	10%
Interest and Finance Charges on Loan	90%	10%
Interest on Working Capital	90%	10%
Return on Equity	90%	10%

3.29.16 Based on the allocation matrix specified in the Regulation, the Commission has approved the Revised ARR for FY2025-26 for Distribution Wheeling Business as shown in tables below:

Table 3.63: Net ARR claimed and approved for Distribution Wheeling Business for FY 2025-26

Particulars	Claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
O&M Expenses	3822.63	3003	3717.46	2,607.65
Depreciation	925.80	414	945.95	443.69
Interest & Finance Charges on Loan	452.83	382	473.51	312.66
Interest on Working Capital	135.00	98	119.97	78.41
Return on Equity	306.89	209	243.79	151.92
Less:				
Non-Tariff Income	125	175	606.79	175.26
Income from Open Access Charges	1.19	3.19	1.19	3.19
Add:				
Impact of True up for Period			-30.17	-655.61
Net Aggregate Revenue Requirement	5516.97	3928	4862.54	2760.27

Table 3.64: Net ARR claimed and approved for Retail supply Business for FY 2025-26

(Rs. in crore)

Particulars	Claimed		Approved	
	TGSPDCL	TGNPDCL	TGSPDCL	TGNPDCL
O&M Expenses	424.74	333.64	413.05	289.74
Depreciation	102.87	45.98	105.11	49.30
Interest & Finance Charges on Loan	50.31	42.49	52.61	34.74
Interest on Working Capital	0.00	0.00	13.33	8.71
Return on Equity	34.10	23.23	27.09	16.88
Less:				
Non-Tariff Income	0.00	0.00	0.00	0.00
Income from Open Access Charges	0.00	0.00	0.00	0.00
Net Aggregate Revenue Requirement	612.02	445.35	611.19	399.37

3.30 Contracted Capacities

Petitioners' Claim

3.30.1 The Petitioners have claimed the contracted capacities at consumer end as mentioned below:

Table 3.65: Contracted capacities claimed for FY2025-26

(in MVA)

TGSPDCL	
33 kV	1712
11 kV	2921
LT	5377
TOTAL	10010
TGNPDCL	
33 kV	198
11 kV	1212
LT	2538
TOTAL	3948

Stakeholders' submissions

3.30.2 TGNPDCL estimated ARR to be Rs. 3,928 Crores for FY 2025-26 distribution business and contracted capacity to be 3,948 MW. This amounts to distribution cost of Rs. 0.99 Crore per MW in the case of TGNPDCL. Similarly, TGSPDCL estimated distribution business ARR to be Rs. 5,414 Crores and contracted capacity to be 10,010 MW. This amounts to distribution cost of Rs. 0.54 Crore per MW in the case of TGSPDCL. This shows wide variation in

distribution cost between the two TGDISCOMs. This variation between the two TGDISCOMs is also reflected in the proposed wheeling tariff. This wide variation in distribution cost between the two TGDISCOMs needs to be examined.

Commission's Analysis and Findings

- 3.30.3 The consumers and connected load at different voltages cannot be same for both the TGDISCOMs. The average energy consumption pattern per consumer is also different in both TGDISCOMs. This will depend on various factors like, geographical location, industrial development, urban/rural area, etc.
- 3.30.4 The Commission has considered Petitioners' claims of contracted capacities as they are in line with the approved MYT order.

Table 3.66: Contracted capacity claimed and approved for FY2025-26 (in MVA)

Particulars	Claimed	Approved
TGSPDCL		
33 kV	1712	1711.63
11 kV	2921	2921.27
LT	5377	5377.06
TOTAL	10010	10009.95
TGNPDCL		
33 kV	198	197.5
11 kV	1212	1211.97
LT	2538	2538.49
TOTAL	3948	3947.95

3.31 Wheeling Charges and losses

Petitioners' Claim

- 3.31.1 TGDISCOMs have submitted that the losses considered for grossing up contracted capacities at each voltage level have been considered as approved in the distribution MYT order

Table 3.67: Voltage wise losses claimed for FY2025-26

TGSPDCL	
33 kV	3.16%
11 kV	4.04%
LT	4.65%
TGNPDCL	
33 kV	2.97%
11 kV	3.71%
LT	4.65%

3.31.2 TGDISCOMs have determined the wheeling charges voltage wise i.e, for LT, 11 KV, 33 KV consumers for long term and medium-term open access in Rs/KVA/Month and in terms of Rs/KVA/hr for short term open access as per Clause 79.2 of Regulation No. 2 of 2023

Table 3.68: Wheeling charges claimed for FY 2025-26

Particulars	TGSPDCL	TGNPDCL
Long Term & Medium Term		
33 kV (Rs/kVA/month)	53.21	51.20
11 kV (Rs/kVA/month)	215.23	372.00
LT (Rs/kVA/month)	705.19	1107.86
Short Term		
33 kV (Rs/kVA/hr)	0.0739	0.0711
11 kV (Rs/kVA/hr)	0.2989	0.5167
LT (Rs/kVA/hr)	0.9794	1.5387

Stakeholders' submissions

3.31.3 There may be specific features in each DISCOM in terms of number of consumers covered under different voltage levels, distances need to be covered, etc. Nevertheless, substantial differences between the wheeling charges proposed by both the TGDISCOMs for consumers covered under same voltages need to be subjected to prudence check, especially in terms of expenditure incurred and proposed to be incurred for maintaining and adding capacities under distribution network. The Commission is requested to prune various expenditures and wheeling charges proposed by the TGDISCOMs for 2025-26 and determine them realistically.

3.31.4 TGDISCOMs 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. The Commission may consider actual data of FY 2023-24 while determining the Wheeling Charges of TGDISCOMs for FY 2025-26.

Petitioners' Replies

3.31.5 TGDISCOMs would like to reiterate the fact that computation of wheeling charges for FY 2025-26 has been done as per the DB MYT approved figures and variation in the computed wheeling charges is bound to occur as the input parameters such as increase in Employee Cost, depreciation (including

amortization of cc assets), Interest on working capital and Return on Equity.

3.31.6 TGDISCOMs would like to reiterate the fact that computation of wheeling charges has been done as per revised Distribution ARR and the consumer contracted capacities as approved in the MYT Order for 5th Control Period.

3.31.7 The methodology followed for arriving at the long term and short-term wheeling charges are same and any variation in Distribution Cost per MW between the two TGDISCOMs is due to variation in the consumer density also which is high in TGSPDCL and less consumer density in TGNPDCL.

3.31.8 TGDISCOMs have taken approved figures provided by the Commission for calculation of wheeling charges as the tariff order was recently approved by the Commission on 28th October 2024 and hence these figures serve as a better reference point. Therefore, it is requested to approve the figures as per filings and methodology followed by TGDISCOMs.

Commission’s Analysis and Findings

3.31.9 The Commission has considered Petitioners’ claims for voltage wise losses as they are in line with the approved MYT order.

Table 3.69: Voltage wise losses claimed and approved for FY2025-26 (in %)

Particulars	Claimed	Approved
TGSPDCL		
33 kV	3.16%	3.16%
11 kV	4.04%	4.04%
LT	4.65%	4.65%
TGNPDCL		
33 kV	2.97%	2.97%
11 kV	3.71%	3.71%
LT	4.65%	4.65%

3.31.10 Based on the revised ARR determined by the Commission and the contracted capacities at consumer end, the long term, medium term and short-term wheeling charges computed voltage wise is as shown in table below:

Table 3.70: Wheeling charges (Long Term & Medium Term) claimed and approved for TGDISCOMS for FY 2025-26

Particulars	Claimed	Approved
TGSPDCL		
33 kV (Rs/kVA/month)	53.21	46.58
11 kV (Rs/kVA/month)	215.23	190.82

Particulars	Claimed	Approved
LT (Rs/kVA/month)	705.19	635.10
TGNPDCL		
33 kV (Rs/kVA/month)	51.20	31.77
11 kV (Rs/kVA/month)	372.00	263.64
LT (Rs/kVA/month)	1107.86	777.80

Table 3.71: Wheeling charges (Short Term) claimed and approved for TGDISCOMS for FY 2025-26

Particulars	Claimed	Approved
TGSPDCL		
33 kV (Rs/kVA/hr)	0.0739	0.0647
11 kV (Rs/kVA/hr)	0.2989	0.2650
LT (Rs/kVA/hr)	0.9794	0.8821
TGNPDCL		
33 kV (Rs/kVA/hr)	0.0711	0.0441
11 kV (Rs/kVA/hr)	0.5167	0.3662
LT (Rs/kVA/hr)	1.5387	1.0803

Applicability

- 3.31.11 Applicable for the use of distribution system of a licensee by other licensees, generating companies, captive power plants, and consumers who are permitted open access as per terms and conditions of Open Access Regulation (1 of 2024) and any other person(S) for wheeling of electricity.
- 3.31.12 The aggregate revenue requirement for distribution business and tariff proposals as determined for FY 2024 - 2025 as part of 5th control period FY 2024 – FY 2025 to FY 2028 – FY 2029 will cease to be effective after 31.03.2025. Even prior to passing of the orders the ECI as per the proceedings dated 06.02.2025 has issued model code of conduct on account of biennial elections to Telangana Legislative Council from Hyderabad local authorities constituency.
- 3.31.13 In view of the model code of conduct and to avoid vacuum this Commission has felt it necessary to extend the subsisting tariff for wheeling tariff to be levied and collected by the TGDISCOMS in the state of Telangana, from 01.04.2025 until the orders are passed after receiving permission of the ECI or cessation of model code of conduct whichever is earlier.

3.31.14 Accordingly, the Commission in exercise of powers conferred under section 94 (2) of the Act, 2003 read with section 28 of the Telangana Electricity Reform Act, 1998, has passed an interim order dated 28.03.2025 extending the wheeling tariff for distribution activity as determined by order dated 28.10.2024 in O. P. No. 12 and 13 of 2024 to be applicable from 01.04.2025 till a fresh order is passed by the Commission.

3.31.15 The Wheeling Tariffs (Wheeling Charges and Wheeling Losses) determined for FY 2025-26 are applicable from 01.05.2025 to 31.03.2026.

Terms & Conditions

3.31.16 The Wheeling Tariffs (Wheeling charges and Wheeling losses) are to be levied as per terms and conditions approved by the Commission from time to time.

3.31.17 The Wheeling Charges payable and Wheeling energy losses to be borne shall be related to contracted capacity in kVA at the entry point except for LT system. For LT system 1 kW=1 kVA.

3.31.18 The Distribution Licensee shall deliver the quantum of contracted capacity given to it for wheeling, reduced by the Wheeling Loss.

3.31.19 The Wheeling Charges and Wheeling Losses in kind shall be up to the respective voltage level at which the wheeled electricity is delivered or injected whichever voltage is lower.

3.31.20 Wheeling Charges and Wheeling Losses are payable for contracted demand of the open access user at the entry point of the consumers.

3.31.21 If the wheeling involves transmission of electricity through transmission system of a Transmission Licensee, the consumer or the supplier as the case may be, shall pay the applicable transmission charges and transmission losses in kind also. Transmission system is considered to be involved in the wheeling of electricity in the following cases:

- a. Entry/Exit point is connected to the EHT System.
- b. The entry and exit points are connected to the network of more than one TGDISCOM.
- c. If the wheeling of electricity is through the distribution system of more than one Distribution Licensee, the Wheeling Charges shall

be payable to the Distribution Licensee of the area where the electricity is delivered.

3.31.22 The other conditions applicable for levy and collection of Wheeling Tariff shall be as per the provisions of the Regulation No. 1 of 2024 (Terms and Conditions 70 of 84 of Open Access) Regulation, 2024 and Regulation No.2 of 2006 (Balancing and Settlement Code) in force.

3.31.23 Exemption from payment of Wheeling Tariffs for the eligible Users of the Distribution Network shall be as per the Government policy in force. The TGDISCOMs may take up the issue of making good of revenue loss due to such exemption with the State Government for proper relief.

This Order is corrected and signed on this the 29th day of April, 2025.

Sd/-

Dr. Justice Devaraju Nagarjun
Chairman

//CERTIFIED COPY//

Appendix – A
Schedule of approved wheeling tariffs

TGSPDCL -Wheeling Charges

Voltage	FY: 2025-26
Long-Term & Medium – Term	
33KV (Rs/kVA/month)	46.58
11KV (Rs/kVA/month)	190.82
LT (Rs/kVA/month)	635.10
Short-Term	
33KV (Rs/kVA/hr)	0.0647
11KV (Rs/kVA/hr)	0.2650
LT (Rs/kVA/hr)	0.8821

TGNPDCL -Wheeling Charges

Voltage	FY: 2025-26
Long-Term & Medium – Term	
33KV (Rs/kVA/month)	31.77
11KV (Rs/kVA/month)	263.64
LT (Rs/kVA/month)	777.80
Short-Term	
33KV (Rs/kVA/hr)	0.0441
11KV (Rs/kVA/hr)	0.3662
LT (Rs/kVA/hr)	1.0803

TGSPDCL -Wheeling Losses

Voltage Levels	FY: 2025-26
33 kV	3.16%
11 kV	4.04%
LT	4.65%

TGNPDCL -Wheeling Losses

Voltage Levels	FY: 2025-26
33 kV	2.97%
11 kV	3.71%
LT	4.65%

Appendix – B
COMMISSION'S DIRECTIVES

1. The TGDISCOMs are directed to vigorously plan for dissemination of the information regarding the rights of the consumers and the functioning of CGRFs and Ombudsman in a big way, if required taking the assistance of other agencies and are directed to submit revised proposal for sensitization programs.

2. Capital Investments

- a. The DISCOMs shall seek approval for individual schemes at least 90 days prior to 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 5th Control Period.
- b. 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):
 - i. 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.
 - ii. 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.
 - iii. 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.

3. The TGDISCOMs are directed to adhere to the timelines as specified in Regulation No.2 of 2023 in future filing of petitions.
4. The TGDISCOMs are directed to conduct safety awareness programs with active involvement of safety officers to increase awareness amongst the O&M staff to use safety equipment and also the consumers on the aspects of safety to avoid electrical accidents.



Annexure-I

Public Notice

**Appeared in DECCAN CHRONICLE, CITY HANS and THE SIASAT DAILY
(URDU) - on Dt: 11-01-2025**

BEFORE THE HONOURABLE TELANGANA ELECTRICITY REGULATORY COMMISSION

Vidyuth Nyantran Bhavan, Sy.No.145-P, G.T.S. Colony, Kalyan Nagar, Hyderabad - 500045.

SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED

PUBLIC NOTICE

1. Notice is hereby given to all that the Distribution Company viz. Southern Power Distribution Company of Telangana Limited (TGSPDCL) holding Distribution and Retail Supply License No.13/2000, as on 29.12.2000, filed before the Telangana Electricity Regulatory Commission (TGERC) the a) Annual Performance Review of Distribution Business for FY 2023-24 b) End-of-Control Period Review Petition of Distribution Business for 4th Control Period (FY 2019-20 to FY 2023-24) c) Determination of ARR & Wheeling Tariffs for Distribution Business for FY 2025-26. These filings have been taken on record by the Hon'ble Commission in OP Nos. 1 of 2025, O.P.No.3 of 2025 & O.P.No.31 of 2024.

2. Copies of the filings referred are available in the office of Chief Engineer (RAC/TGSPDCL, #6-1-50, Corporate Office, 'A' Block First floor, Mint Compound, Hyderabad 500063) and the Superintending Engineer, Operation circles of the Distribution Company at BanjaraHills, Hyderabad(South), Hyderabad(Central), Medchal, Cybercity, Habsiguda, Secunderabad, Rajendranagar, Saroor nagar, Vikarabad, Mahabubnagar, Gadwal, Nagarkurnool, Wanaparthy, Medak, Siddipet, Sangareddy, Nalgonda, Yadadri, Suryapet and Narayanpet. Interested persons may inspect/peruse the said filings and take note thereof during office hours at any of the said offices free of cost. These proposals are also available on www.tgsouthernpower.org and the same may be accessed at www.tgpcr.telangana.gov.in. A copy of these filings can be obtained from the above offices from 11.01.2025 onwards on payment of charges for photocopying.

3. Objections/suggestions, if any, on the filings, together with supporting material may be sent to the Chief Engineer (RAC/TGSPDCL, #6-1-50, Corporate Office, 'A' Block First floor, Mint Compound, Hyderabad 500063) in person or through Registered Post so as to reach on or before 01.02.2025 by 5 PM. A copy of the same must also be filed with the Secretary, TGERC, at the address mentioned above. The objections/suggestions should be duly signed and should carry full name, postal address, e-mail id and contact number of the person(s) sending the objections/suggestions. If the objections/suggestions are filed on behalf of any organization or any category of consumers, it should be clearly mentioned. If the objector also wants to be heard in person it may also be specifically mentioned. The Objection/Suggestion should accompany the following statement.

Name & full address of the Objector along with e-mail id and contact number	Brief details of Objection(s)/Suggestion(s)	Objections against Filings of TGSPDCL	Whether copy of objection & proof of delivery at Licensee's office enclosed (Yes/No)	Whether Objector wants to be heard in person (Yes/No)
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4. The gist of a) Annual Performance Review of Distribution Business for FY 2023-24 b) End-of-Control Period Review Petition of Distribution Business for 4th Control Period (FY 2019-20 to FY 2023-24) c) Determination of ARR & Wheeling Tariffs for Distribution Business for FY 2025-26 are indicated in the Schedule-I below.

5. The Public Hearing shall be held at Court Hall, TGERC, Vidyut Nyantran Bhavan, Sy. No. 145-P, G.T.S. Colony, Kalyan Nagar, Hyderabad 500045 on 17.02.2025 (Monday) from 11.00 A.M. onwards.

Sd/-
CHAIRMAN & MANAGING DIRECTOR
TGSPDCL, Hyderabad.
Place:Hyderabad
Date:11.01.2025

NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED

PUBLIC NOTICE

1. Notice is hereby given to all that the Distribution Company viz. NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED (TGNPDCL) holding Distribution and Retail Supply License No.14/2000, as on 29.12.2000, filed before the Telangana State Electricity Regulatory Commission (TGERC) the a) Annual Performance Review of Distribution Business for FY 2023-24 b) End-of-Control Period Review Petition of Distribution Business for 4th Control Period (FY 2019-20 to FY 2023-24) c) Determination of ARR & Wheeling Tariffs for Distribution Business for FY 2025-26. These filings have been taken on record by the Hon'ble Commission in O.P. No.2 of 2025, O.P.No.4 of 2025 and O.P.No.32 of 2024.

2. Copies of the filings referred are available in the office of Chief Engineer (PC&RAC), TGNPDCL, H.No.2-5-31/2, Vidyuth Bhavan, Nakkalagutta, Hanamakonda - 508001 and the Superintending Engineer, Operation circles of the Distribution Company at Hanamakonda, Warangal, Mahabubabad, Jaya Shankar (Bhupalpally), Jangaon, Karimnagar, Jagtial, Peddapally, Khammam, Bhadradi Kothagudem, Nizamabad, Kamareddy, Adilabad, Nirmal, Mancherial and Komarambheem (Asifabad). Interested persons may inspect/peruse the said filings and take note thereof during office hours at any of the said offices free of cost. These proposals are also available on www.tgnpdcl.com and the same may be accessed at www.tgpcr.telangana.gov.in. A copy of these filings can be obtained from the above offices from 11.01.2025 onwards on payment of charges for photocopying.

3. Objections/suggestions, if any, on the filings, together with supporting material may be sent to the Chief Engineer (PC&RAC), TGNPDCL, H.No.2-5-31/2, Vidyuth Bhavan, Nakkalagutta, Hanamakonda - 506001 in person or through Registered Post so as to reach on or before 01.02.2025 by 5 pm. A copy of the same must also be filed with the Secretary, TGERC, at the address mentioned above. The objections/suggestions should be duly signed and should carry full name, postal address, e-mail id and contact number of the person(s) sending the objections/suggestions. If the objections/suggestions are filed on behalf of any organization or any category of consumers, it should be clearly mentioned. If the objector also wants to be heard in person it may also be specifically mentioned. The objection/suggestion should accompany the following statement.

Name & full address of the Objector along with e-mail id and contact number	Brief details of Objection(s)/Suggestion(s)	Objections against Filings of TGNPDCL	Whether copy of objection & proof of delivery at Licensee's office enclosed (Yes/No)	Whether Objector wants to be heard in person (Yes/No)
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4. The gist of a) Annual Performance Review of Distribution Business for FY 2023-24 b) End-of-Control Period Review Petition of Distribution Business for 4th Control Period (FY 2019-20 to FY 2023-24) c) Determination of ARR & Wheeling Tariffs for Distribution Business for FY 2025-26 are indicated in the Schedule-I below.

5. The Public Hearing shall be held at Court Hall, TGERC, Vidyut Nyantran Bhavan, Sy. No. 145-P, G.T.S. Colony, Kalyan Nagar, Hyderabad 500045 on 17.02.2025 (Monday) from 11.00 A.M. onwards.

Sd/-
CHAIRMAN & MANAGING DIRECTOR
Northern Power Distribution Company of Telangana Limited.
Place:Hanamakonda
Date:11.01.2025

SCHEDULE-I ANNUAL PERFORMANCE REVIEW (APR) OF DISTRIBUTION BUSINESS FOR FY 2023-24 (Rs. Crore)

Particulars	TGSPDCL		
	Approved	Actual	Deviation
O&M expenses	3629.20	3580.16	-69.04
RoCE	538.02	555.75	17.73
Depreciation	1158.53	842.13	-316.4
Taxes on income	63.47	0.00	-63.47
Special appropriations	20.00	5.25	-14.75
Other Expenditure	0.00	22.78	22.78
ARR	5409.22	4986.07	-423.15
Less: NTI	585.52	456.40	-129.12
Less: Revenue from OA	49.84	19.08	-30.76
Net ARR	4773.86	4510.59	-263.27

End-of-Control Period Review Petition of Distribution Business for 4th Control Period (FY 2019-20 to FY 2023-24) (Rs. Crore)

Particulars	TGSPDCL		
	Approved	Actual	Deviation
O&M expenses	12650.71	14423.07	1752.36
RoCE	3547.73	3100.83	-446.90
Depreciation	4521.90	3958.86	-563.04
Taxes on income	232.69	0.00	-232.69
Special appropriations	190.00	5.25	-184.75
Other Expenditure	1.77	22.78	21.01
ARR	21144.79	21490.79	346.00
Less: Revenue from OA and Non-Tariff Income	2404.02	2382.16	-11.86
Net ARR	18740.77	19098.63	357.86

AGGREGATE REVENUE REQUIREMENT (ARR) FOR FY 2025-26 (Rs. Crore)

Name of the Discom	ARR Claimed for FY 2025-26
TGSPDCL	5414.00

FILING OF PROPOSED WHEELING TARIFFS FOR FY 2025-26

Voltage Level	Long-term and Medium-term Open Access consumers		Short-term Open Access consumers	
	Unit	Rate	Unit	Rate
		TGSPDCL		
33 kV	Rs/ kVA/ month	53.21	Rs/ kVA/ hour	0.0739
11kV	Rs/ kVA/ month	215.23	Rs/ kVA/ hour	0.2989
LT	Rs/ kVA/ month	705.20	Rs/ kVA/ hour	0.9794

R.O.No.: 873-PP/CL-AGENCY/ADVT/1/2024-25, Date:10.01.2025

SCHEDULE-I ANNUAL PERFORMANCE REVIEW (APR) OF DISTRIBUTION BUSINESS FOR FY 2023-24 (Rs. Crore)

Particulars	TGNPDCL		
	Approved	Actual	Deviation
O&M expenses	2867.66	2625.45	-242.21
RoCE	680.94	299.37	-381.57
Depreciation	654.92	368.26	-286.66
Taxes on income	46.34	0.00	-46.34
Special appropriations	20.00	21.01	1.01
ARR	4269.86	3314.09	-955.77
Less: NTI	188.44	165.48	-22.96
Less: Revenue from OA	0.00	2.47	2.47
Net ARR	4081.42	3146.13	-935.29

End-of-Control Period Review Petition of Distribution Business for 4th Control Period (FY 2019-20 to FY 2023-24) (Rs. Crore)

Particulars	TGNPDCL		
	Approved	Actual	Deviation
O&M expenses	9033.56	10449.46	1415.90
RoCE	2459.93	1437.36	-1022.57
Depreciation	2606.45	1696.44	-908.01
Taxes on income	116.66	0.00	-116.66
Special appropriations	254.26	107.58	-146.68
Other Expenditure	4.56	0.00	-4.56
ARR	14375.42	13692.84	-682.58
Less: Revenue from OA and Non-Tariff Income	931.35	761.23	-170.12
Net ARR	13444.07	12931.61	-512.46

AGGREGATE REVENUE REQUIREMENT (ARR) FOR FY 2025-26 (Rs. Crore)

Name of the Discom	ARR Claimed for FY 2025-26
TGNPDCL	3928

FILING OF PROPOSED WHEELING TARIFFS FOR FY 2025-26

Voltage Level	Long-term and Medium-term Open Access consumers		Short-term Open Access consumers	
	Unit	Rate	Unit	Rate
		TGNPDCL		
33 kV	Rs/ kVA/ month	51.20	Rs/ kVA/ hour	0.0711
11kV	Rs/ kVA/ month	372.90	Rs/ kVA/ hour	0.5167
LT	Rs/ kVA/ month	1107.86	Rs/ kVA/ hour	1.5387

Annexure-II

List of Stakeholders who submitted Written Objections/Suggestions

Sl.No	Name and Address of the Stakeholders	Date of Objection
1	Sri. M. Venugopala Rao Senior Journalist & Convener, Centre for Power Studies	30-01-2025
2	Sri.M.Thimma Reddy, Convener, Peoples Monitoring Group on Electricity Regulation	01-02-2025
3	M/s Bharti Airtel Ltd, Airtel Center , OP No 31 of 2024	01-02-2025
4	M/s Bharti Airtel Ltd, Airtel Center OP No 32 of 2024	01-02-2025
5	FTCCI	05-02-2025
6	Sri. Kiran Kumar Vempati	05-02-2025
7	Power Foundation of India	31-01-2025

Annexure-III

List of Stakeholders who participated in the Public Hearing on Dt: 17-02-2025

SI.No	Name and Address of the Stakeholders
1	Sri. M. Venugopala Rao Senior Journalist & Convener, Centre for Power Studies
2	Sri.M.Thimma Reddy, Convener, Peoples Monitoring Group on Electricity Regulation
3	M/s Bharti Airtel Ltd, Airtel Center , OP No 31 of 2024
4	M/s Bharti Airtel Ltd, Airtel Center OP No 32 of 2024
5	Sri. Kiran Kumar Vempati
6	Power Foundation of India