

No. PFI/Prog/TGERC /2025/12

Dated: 31st January 2025

To,

The Secretary

Telangana Electricity Regulatory Commission (TGERC)

Vidyuth Niyamtran Bhavan, Sy. No. 145-P

G.T.S. Colony, Kalyan Nagar,

Hyderabad, Telangana- 500045

**Subject: Comments from PFI on Telangana DISCOMS Distribution Business -
APR Petition for FY 2023-24 and ARR for FY 2025-26**

Reference: Public Notice dtd. 10/01/2025

Dear Sir,

Power Foundation of India (PFI), a not-for-Profit society under the aegis of Ministry of Power (GoI) supported by leading Central Power Sector Organizations is committed to address challenges in the Power Sector for the benefit of consumers, investors and ensuring sustainable development of the Sector.

With reference to the above-mentioned Public Notice, PFI has analyzed the APR Petitions for FY 2023-24 and ARR & Wheeling Tariff Petitions for FY 2025-26 filed by Telangana DISCOMS (TGSPCL and TGNPDCL) (Petition No. O.P. No. 1 of 2025, O.P. No. 2 of 2025, O.P. No. 31 of 2024 and O.P. No. 32 of 2024) before Hon'ble TGERC.

Our comments/ suggestions on the said APR Petitions for FY 2023-24 and ARR & Wheeling Tariff Petitions for FY 2025-26 are enclosed herewith for your consideration as **Annexure-I and Annexure-II** respectively which have also been emailed to secy@tserc.gov.in. We would also like to orally submit our comments / suggestions on the day of Public Hearing through video conference.

Warm Regards,

Encl: Annexure – I and Annexure- II

Copy to:

1. Hon'ble Chairperson, TGERC (chairman@tserc.gov.in)
2. Chief Engineer (RAC), TGSPDCL, 6-1-50, Corporate Office, 'A' Block First Floor, Mint Compound, Hyderabad-500063
3. Chief Engineer (IPC & RAC), TGNPDCL, H.No.- 2-5-31/2, Vidyuth Bhavan, Nakkalagutta, Hanumakonda, Telangana- 506001

Yours Sincerely,



Head Research , PFI

POWER FOUNDATION OF INDIA

B-28, Qutab Institutional Area, New Delhi-110 016
+91 11 -69650004, E mail: dg@powerfoundation.org.in
Website: www.powerfoundation.org.in

ANNEXURE-I**Comments/Suggestions from Power Foundation of India (PFI)
Telangana DISCOMs Annual Performance Review Petition for
FY 2023-24 for Distribution Business**

- 1) PFI is a Policy Research and Advocacy entity, a registered society under the aegis of the Ministry of Power, Government of India, and supported by leading Central Power Sector Organizations, to undertake evidence-based policy research and facilitate informed decision making by the Regulators, Ministry and stakeholders concerned with the Power Sector.
- 2) Telangana Electricity Regulatory Commission (TGERC) has sought comments / suggestions from various stakeholders on Annual Performance Review (APR)/ True-Up Petition filed by Telangana DISCOMs (TGSPDCL and TGNPDCL) for FY 2023-24 of Distribution / Wheeling Business (O.P. No. 1 of 2025 for TGSPDCL and O.P. No. 2 of 2025 for TGNPDCL). PFI has observed that the DISCOMs have filed the APR Petition for FY 2023-24 under *APEREC (Terms and Conditions for determination of Tariff for Wheeling and Retail Supply of Electricity) Regulations 2005*.
- 3) **PFI prima facie observes that Audited Accounts of FY 2023-24 of TGSPDCL are not available on the website of the DISCOM and not even on Hon'ble TGERC's website.** Hon'ble TGERC in the earlier APR / True-up Orders of the Distribution / Wheeling Business has relied upon the Audited Accounts of the DISCOMs for approving their APR. Therefore, Audited Accounts carries utmost importance to analyse the APR Petitions by any stakeholder. Hence, it is not possible to give detailed Comments on the APR Petition of TGSPDCL in true sense and also defeats the purpose of transparent process of seeking stakeholders' comments on True-up Petitions.
- 4) PFI further submits that this is a serious non- compliance of the Regulatory provisions by TGSPDCL and accordingly Hon'ble Commission is requested to take appropriate action against TGPDC for unavailability of Audited Accounts for analyzing the APR Petition for FY 2023-24 for Distribution by the stakeholders.

5) Hence, based on the publicly available limited information, PFI has reviewed and analyzed the said APR Petitions of Telangana DISCOMs for FY 2023-24 for Distribution / Wheeling Business, and our comments / suggestions on the same are as follows:

A. NO IMPACT OF DECAPITALIZATION AND CONSUMER CONTRIBUTION

6) Telangana (TG) DISCOMs in their APR / True-up Petitions have submitted Capital Investments and Capitalization for FY 2023-24. However, while computing the net Investment Capitalized, TG DISCOMs have not considered the impact of Decapitalization and Capital Subsidy/ Grants, Consumer Contributions, etc. As per Note 13 of the Audited Accounts of TGNPDCL for FY 2023-24, shown below, 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 in FY 2023-24.

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

Sl. No.	Asset Group	GROSS BLOCK				ACCUMULATED DEPRECIATION				NET BLOCK	
		As at 01.04.2023	Additions	Deductions/ Adjustments	As at 31.03.2024	As at 01.04.2023	For the Year	Deductions/ Adjustments	As at 31.03.2024	As at 31.03.2024	As at 31.03.2023
I. PROPERTY PLANT AND EQUIPMENT:											
1)	Free Hold Land	1.75	0.11	0.00	1.86	-	-	-	-	1.86	1.75
2)	Buildings	341.94	10.62	0.39	352.18	78.06	11.34	0.09	89.31	262.87	263.89
3)	Plant and Equipment										
a)	Plant and Machinery	4,414.54	192.91	2.79	4,604.65	2,354.60	171.92	2.20	2,524.31	2,080.34	2,059.95
b)	Lines and Cable Network	3,985.86	324.43	0.06	4,310.23	1,981.72	151.89	0.05	2,133.56	2,176.66	2,004.14
c)	Meters and Metering equipment	713.14	37.81	12.09	738.86	420.74	22.37	9.40	433.71	305.15	292.40
4)	Office Equipment										
a)	Office Equipment	18.79	0.32	0.01	19.10	8.95	1.05	0.00	10.00	9.10	9.83
b)	Air conditioners	1.07	0.01	-	1.08	0.81	0.02	-	0.83	0.25	0.26
5)	Furniture and Fixture	5.20	0.15	-	5.36	3.84	0.11	-	3.95	1.41	1.36
6)	Vehicles	2.73	-	0.00	2.72	2.45	0.00	0.00	2.45	0.27	0.27
7)	Computers and IT Equipment	82.65	1.80	0.27	84.18	63.53	7.24	0.27	70.49	13.69	19.12
	Sub Total (a)	9,567.67	568.16	15.61	10,120.22	4,914.69	365.94	12.02	5,268.62	4,851.60	4,652.97
II. INTANGIBLE ASSETS:											
	Computer Software	34.93	0.02	-	34.94	26.66	2.32	-	28.97	5.97	8.27
	Sub Total (b)	34.93	0.02	-	34.94	26.66	2.32	-	28.97	5.97	8.27
	Grand Total (a+b)	9,602.59	568.18	15.61	10,155.16	4,941.35	368.26	12.02	5,297.59	4,857.57	4,661.24

7) 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 Contributions, Grants, Subsidy, etc.

- 8) **Therefore, PFI submits before Hon'ble TGERC that TGNPDCL has not considered the impact of Decapitalization and Capital Subsidy/Grants or Consumer Contributions and hence, appropriate reduction should be made by the Hon'ble TGERC while deriving the Capital Expenditure and Capitalization for FY 2023-24. Accordingly, revised Depreciation and RoCE has been worked out by PFI in the Sections below.**
- 9) **As mentioned above, audited accounts for FY 2023-24 of TGSPDCL is not available therefore, impact of Decapitalization and Capital Subsidy/ Grants, Consumer Contributions, etc. cannot be ascertained by PFI. However, the said details must be sought and appropriate reduction, for TGSPDCL also, in Depreciation and RoCE have to be considered in True-up Order for FY 2023-24.**

B. REVISED DEPRECIATION

- 10) TG DISCOMs in their APR Petitions have submitted the Depreciation pertaining to FY 2023-24 for Distribution / Wheeling Business as per their Audited Accounts and did not provide any detailed computation of the same.
- 11) TGNPDCL has claimed Rs. 368.26 Cr. of Depreciation in FY 2023-24, however, as per Note 13 of the Audited Accounts of TGNPDCL, as shown above, the Depreciation for retired Assets in FY 2023-24 is Rs. 12.02 Cr. which has not been considered by TGNPDCL.
- 12) Further, as per the Regulatory Provisions, 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 DISCOM. Relevant extract of Regulations 17 of Regulation No.4 of 2005 (*APERC (Terms and Conditions for determination of Tariff for Wheeling and Retail Supply of Electricity) Regulations 2005*) is as follows:

“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.”

- 13) However, TGNPDCL has not provided the details of assets funded by consumer/user contributions or through any capital subsidy/grant in FY 2023-24. **Accordingly, PFI requests the Hon’ble TGERC to approve Depreciation for FY 2023-24 for Distribution Business of TG DISCOMs considering the Retired Assets and the impact of Assets funded by Consumer Contribution or through any Capital subsidy or Grant. In any case, the allowed Depreciation for TGNPDCL for FY 2023-24 should not be more than Rs. 356.24 Cr. (368.26-12.02). Similar treatment has to be conducted for TGSPCL based on the submission of audited accounts to the Commission and its availability on website.**

C. REVISED RETURN ON CAPITAL EMPLOYED (RoCE)

- 14) TG DISCOMs in APR Petitions have submitted the RoCE pertaining to FY 2023-24 for Distribution / Wheeling Business. However, while computing the ROCE for FY 2023-24, TG DISCOMs have not considered the Regulatory provisions stipulated in *APERC (Terms and Conditions for determination of Tariff for Wheeling and Retail Supply of Electricity) Regulations 2005* which states that :
- 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

- 15) The Hon'ble TGERC while determining the RoCE for FY 2022-23 in APR Order dtd. 7/06/2024 for Distribution Business has approved the RoCE for TG DISCOMs based on the Regulatory principles as shown above. However, TG DISCOMs have considered the actual parameters as per their Accounts for computing RoCE for FY 2023-24.
- 16) **Accordingly, PFI requests the Hon'ble TGERC to approve RoCE for FY 2023-24 for Distribution Business considering the impact of accumulated Depreciation and Consumer Contribution as approved for FY 2022-23 in APR Order dtd. 7/06/2024. Further, the revised Depreciation as worked out by PFI, shown in the above Section, should be considered by Hon'ble TGERC while approving Regulated Rate Base for FY 2023-24.**
- 17) Further, PFI submits before the Hon'ble Commission that TG DISCOMs have not submitted actual equity of FY 2023-24 pertaining to Distribution Business. As per the Regulatory provisions, actual equity (with cap of 30%) to be considered while approving RoCE to the DISCOMs. **So, Hon'ble Commission to direct TG DISCOMs to furnish information pertaining to actual equity infused in FY 2023-24 for Distribution Business and determine RoCE accordingly.**

D. OTHER EXPENDITURE

- 18) TGSPDCL has claimed Rs. 22.78 Cr. as Other Expenditure for FY 2023-24, details are as tabulated below. TGSPDCL has submitted that such other expenditure has been claimed as per the Standards of performance issued by the Hon'ble TGERC.

Table 1: Other Expenditures TGSPDCL for FY 2023-24 (Rs. Cr.)

Particulars	Approved	Actuals	Deviation
Assets Scrapped	0	2.58	2.58
Compensation paid to Electrical accidents	0	20.2	20.2
Total	0	22.78	22.78

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

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

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

“4.7.4 The Commission has not approved any other expenses for 4th Control Period. Hence the Commission is not inclined to approve the other expenses for FY for FY 2022-23.”

- 21) In view of above, **PFI submits before the Hon'ble Commission to not allow any Other Expenditure for TG DISCOMs in APR of FY 2023-24 for Distribution Business.**

E. REVISED SURPLUS WITH CARRYING COST

- 22) TG DISCOMs have not factored in the impact of True-down with carrying cost.
- 23) For instance, ARR for FY 2023-24 approved by the Hon'ble TGERC 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.
- 24) In this regard, reference is drawn from Hon'ble DERC Tariff Order dtd. 30/09/2021 for one of its regulated DISCOM (NDMC) wherein it can be noted from Table 3.42 that

even the surplus arrived after True-Up is adjusted with Carrying Cost. Relevant extracts of the Tariff Order are quoted as follows:

- 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

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

Table 2: Revised Revenue Surplus/(Gap) for FY 2023-24 (in Rs. Cr.)

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

- 26) **In view of above, PFI proposes the disallowance of Rs. 35.99 Cr. in the True-up ARR of FY 203-24 leading to additional Revenue Surplus of Rs. 313.27 Cr. with impact of Rs. 277.27 Cr. as Carrying Cost. The above computation of PFI along-with impact based on the Audited Accounts for TGSPDCL may be considered by Hon'ble TGERC while approving the APR of FY 2023-24.**

F. PRAYERS BEFORE HON'BLE TGERC :-

- 1) **To consider the comments / suggestions of Power Foundation of India (PFI) on the APR Petition O.P. No. 1 of 2025 and O.P. No. 2 of 2025 of TG DISCOMs.**
- 2) **To consider impact of Decapitalization, Consumer Contribution, Subsidy / Grants based on the Audited Accounts while approving CAPEX for FY 2023-24 and revision in Depreciation and RoCE accordingly.**
- 3) **To consider disallowing “Other Expenditures” as claimed by TGSPDCL in the APR of FY 2023-24.**
- 4) **To consider Carrying Cost while approving the Surplus for True-up of FY 2023-24.**

ANNEXURE-II**Comments/Suggestions from Power Foundation of India (PFI)
Telangana DISCOMs ARR and Wheeling Tariff Petition for
FY 2025-26 for Distribution Business**

- 1) PFI is a Policy Research and Advocacy entity, a registered society under the aegis of the Ministry of Power, Government of India, and supported by leading Central Power Sector Organizations, to undertake evidence-based policy research and facilitate informed decision making by the Regulators, Ministry and stakeholders concerned with the Power Sector.
- 2) Telangana Electricity Regulatory Commission (TGERC) has sought comments / suggestions from various stakeholders on Aggregate Revenue Requirement (ARR) and Wheeling Tariff Petition filed by Telangana DISCOMs (TGNPDCL and TGSPDCL) for FY 2025-26 of Distribution Business (O.P. No. 31 of 2024 for TGSPDCL and O.P. No. 32 of 2024 for TGNPDCL). PFI has observed that the DISCOMs have filed the ARR and wheeling Tariff Petitions for FY 2025-26 under *Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023*.
- 3) PFI has reviewed and analyzed the said ARR and Wheeling Tariff Petitions of Telangana DISCOMs for FY 2025-26 and our comments / suggestions on the same are as follows:

G. CAPITAL EXPENDITURE PLAN AND RDSS

- 4) Telangana (TG) DISCOMs in their ARR Petitions for FY 2025-26 have submitted that they have claimed Capital expenditure (CAPEX) for FY 2025-26 same as approved by Hon'ble TGERC 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.
- 5) However, PFI notes that the CAPEX approved by the Hon'ble TGERC in MYT Order dtd. 28/10/2024 was **Rs. 2,417 Cr.** for TGSPDCL and Rs. 1,413 Cr. for TGNPDCL.

So, TGSPDCL has erroneously claimed Rs. 50 Cr. additionally. Hon'ble TGERC is requested to allow only Rs. 2,417 Cr. CAPEX for TGSPDCL for FY 2025-26.

- 6) Further, it is pertinent to note Telangana is not availing Revamped Distribution Sector Scheme (RDSS) – A flagship scheme of Ministry of Power (GoI). The State has not participated in RDSS and only Particularly Vulnerable Tribal Groups (PVTG) Households electrification works have been sanctioned under RDSS. Distribution Transformer (Rural) are 23.35% metered and total DTRs are only 34.4% metered. Some key parameters highlighting the negative performance of TG DISCOMs are as follows:
- a) AT&C Loss has increased from 18.65% in FY 2022-23 to 20.02% in FY 2023-24
 - b) ACS-ARR Gap (on Cash basis) has increased from Rs. 1.11/kWh (FY 23) to Rs. 1.46/kWh (FY 24).
 - c) Both TG DISCOMs - TGSPDCL and TGNPDCL are loss-making utilities and were rated as 'C' as per 12th Integrated Rating for FY 2022-23
- 7) As per RDSS guidelines, all Government Departments' Dues of current electricity dues for the year must be paid. This is a mandatory pre-qualifying criterion that DISCOMs must fulfill before being evaluated under the scheme. This requirement has not been fulfilled by the State. So, despite the poor financial performance, TG DISCOMs have continued to project huge CAPEX and recover the same from the end consumers through Retail Supply Tariff.
- 8) **PFI submits before Hon'ble Commission that in view of above, TG DISCOMs should participate in RDSS, attempt to increase metering levels which will help in better Energy Accounting and Reduction in Loss levels and should also help in reducing the Retail Tariff of the end consumers through reduction in CAPEX.**

H. REVISED O&M EXPENSES

- 9) TG DISCOMs in their ARR Petitions have submitted O&M expenses comprising of Employee, Administrative and General (A&G) and Repair and Maintenance (R&M) expenses.

- 10) TG DISCOMs submitted that the Employee expenses for FY 2024-25 has been arrived by considering base figures of FY 2023-24 and escalating the same by CPI inflation. Further, some additional manpower requirement is also claimed for FY 2024-25. Employee cost projections for FY 2025-26 have arrived by escalating Employee expenses of FY 2024-25 with CPI inflation (5.79%) as approved in the Distribution MYT Order dtd. 28/10/2024 for 5th Control Period.
- 11) Hon'ble TGERC 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 trued-up expenses for the immediately preceding Control Period till FY 2022-23 and approved values for FY2023-24. Further, it is worth considering that the MYT Order for Distribution Business for the Control Period FY 2024-25 to FY 2028-29 dtd. 28/10/2024 is quite recent Order wherein Hon'ble TGERC considered recent actuals of TG DISCOMs.
- 12) **TG DISCOMs have significantly increased the O&M Expenses for FY 2025-26 in current filing of ARR Petition from the approved O&M Expenses for FY 2025-26 in the MYT Order dtd. 28/10/2024, tabulated as follows:**

Table 3: O&M Expenses for FY 2025-26 (in Rs. Cr.)

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)

- 13) **PFI notes from above table that TG DISCOMs have claimed Rs. 878 Cr. additional O&M expenses for Distribution expenses in FY 2025-26 despite the fact Hon'ble TGERC very recently has approved O&M Expenses for FY 2025-26 in MYT Order dtd. 28/10/2024. It defeats the whole purpose of MYT when within a span of 3-4 months the expenses are increased by 12%. PFI therefore**

requests Hon'ble TGERC to allow O&M expenses as approved in Distribution MYT Order and disallow additional Rs. 878 Cr. (488 Cr of TGNPDCL and 391 Cr of TGSPDCL) while approving the expenses for FY 2025-26.

I. REVISED DEPRECIATION

- 14) TG DISCOMs in their ARR Petitions have claimed Depreciation pertaining to FY 2025-26 for Distribution Business including the Depreciation on Consumer Contributed Assets. However, as per the Regulatory Provisions, Depreciation on assets funded by consumer/user contributions shall not be allowed in the revenue requirement of the DISCOM. Relevant extract of Regulations 26 of Regulation No. 2 of 2023 (*Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023*) is as follows:

“26 Consumer Contribution, Deposit Work, Grant and Capital Subsidy

...

26.2 The expenses on such capital works shall be treated as follows:-

...

*(c) provisions related to depreciation, as specified in clause 28, **shall not be applicable to the extent of such financial support received;**”*

- 15) **TGSPDCL has claimed Rs. 106 Cr. and TGNPDCL has claimed Rs. 15 Cr. of Depreciation through Consumer Contribution. Accordingly, PFI requests the Hon'ble TGERC to reduce the Depreciation as claimed by TG DISCOMs for FY 2025-26 by Rs. 121 Cr. considering the impact of Depreciation on Assets funded by Consumer Contribution.**

J. REVISED INTEREST AND FINANCE CHARGES ON LOANS

- 16) TG DISCOMs have submitted the Interest Charges on Loan pertaining to FY 2025-26. However, while computing the Interest on Loan for FY 2025-26, TG DISCOMs have not considered the Regulatory provisions stipulated in (*Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023*). As per the applicable Regulatory principles, opening balance of Long-Term loans for FY 2025-

26 should be equal to approved closing balance for FY 2024-25. Further, TGSPDCL has not considered same interest rate as approved in the MYT Distribution Order dtd. 28/10/2024.

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

Table 4: Interest on Long Term Loans for FY 2025-26 (in Rs. Cr.)

Particulars	TGSPDCL		
	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)

- 18) **In view of above, PFI submits before the Hon'ble TGERC to consider PFI working as shown above for Interest on Loan and kindly disallow Rs. 91 Cr. from the Interest on Loan claimed by TGSPDCL for FY 2025-26.**

K. REVISED RETURN ON EQUITY (RoE)

- 19) TG DISCOMs in ARR Petitions has claimed 16% RoE, additional 2% RoE for performance towards meeting Standards of Performance (SOP) for FY 2025-26. PFI has observed that as per the applicable Regulatory provisions, RoE is to be allowed at 14% and additional RoE up to 2% which is linked to Licensee's performance towards meeting SOP is to be allowed at the time of True-Up provided the DISCOM has met overall SOP as specified by the Hon'ble TGERC. In this regard, relevant extract of *Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023* is as follows:

29 Return on Equity

29.2 Return on Equity shall be computed at the following base rates:

.....

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

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

- 20) Further, while computing the RoE for FY 2025-26, TG DISCOMs have not considered the Regulatory provisions stipulated in (Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023. As per the applicable Regulatory principles, opening balance of Equity for FY 2025-26 should equal to approved closing balance for FY 2024-25.
- 21) In view of above, PFI has recomputed the Interest Charges on Loan pertaining to FY 2025-26 based on applicable Regulatory principles, as tabulated below:

Table 5: RoE for FY 2025-26 (in Rs. Cr.)

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	TGNDPCL			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)

- 22) **In view of above, PFI submits before the Hon'ble TGERC to consider PFI working as shown above for RoE and kindly disallow Rs. 114 Cr. (Rs. 65 Cr. for TGNDPCL and Rs. 49 Cr. for TGSPDCL) from RoE claimed by TG DISCOMs for FY 2025-26.**
- 23) Further, PFI submits before the Hon'ble Commission that TG DISCOMs have not submitted actual equity of FY 2023-24 pertaining to Distribution Business. As per the Regulatory provisions, actual equity to be considered while approving ROCE to the DISCOMs. **So, Hon'ble Commission may direct TG DISCOMs to furnish information pertaining to actual equity infused in FY 2023-24 for Distribution Business while doing the APR of FY 2023-24.**

L. REVISED NON- TARIFF INCOME

- 24) TG DISCOMs have submitted Non- Tariff Income for FY 2025-26 based on actuals for FY 2023-24 with 2% y-o-y growth rate. However, it has been observed by PFI that the actual Non- Tariff Income for TGSPDCL for FY 2023-24 is Rs. 456 Cr., however, TGSPDCL has claimed Rs. 125 Cr. of Non- Tariff Income in FY 2025-26.
- 25) **Therefore, PFI submits before Hon'ble Commission to consider Rs. 475 Cr. of Non- Tariff Income for TGSPDCL for FY 2025-26 which is computed using 2% y-o-y growth rate over the actual Non- Tariff Income of FY 2023-24.**

M. SUMMARY OF ARR FOR FY 2025-26

- 26) To summarize, PFI proposes following expenditures not to be considered by Hon'ble TGERC in the ARR of FY 2025-26 for TG DISCOMS:

Table 6: Summary of ARR for FY 2025-26 for TG DISCOMS (Rs. Cr.)

Particulars	TGNPDCL			TGSPDCL			PFI Disallowances
	Claimed	PFI	Diff.	Claimed	PFI	Diff.	
Operation and Maintenance expenses	3003	2516	(487)	3822	3432	(390)	(878)
Depreciation	414	399	(15)	831	725	(106)	(121)
Interest and finance charges on Loan	383	292	(91)	453	453	0	(91)
Interest on Working Capital	98	98	0	128	128	0	0
Return on Equity	209	144	(65)	307	258	(49)	(113)
Total Expenditure	4,106	3,476	(631)	5,541	4,996	(545)	(1,203)
Less:							0
<i>Income from Open Access (Wheeling Charges)</i>	<i>3.19</i>	<i>3.19</i>	<i>0</i>	<i>1.19</i>	<i>1.19</i>	<i>0</i>	<i>0</i>
<i>Non- Tariff Income</i>	<i>175</i>	<i>175</i>	<i>0</i>	<i>125</i>	<i>475</i>	<i>(350)</i>	<i>(350)</i>
Net Distribution ARR	3,928	3,298	(631)	5,414	4,520	(895)	(1,553)

N. WHEELING CHARGES

27) TG DISCOMs while computing the Wheeling Charges for FY 2025-26 using Contracted Capacities and Voltage wise losses have considered the figures approved in MYT Distribution Order dtd. 28/10/2024 for FY 2025-26. **PFI submits that the Hon'ble Commission may consider actual data of FY 2023-24 while determining the Wheeling Charges of TG DISCOMs for FY 2025-26.**

O. PRAYERS BEFORE HON'BLE TGERC :-

- 1) **To consider the comments / suggestions of Power Foundation of India (PFI) on the ARR and Wheeling Tariff Petitions O.P. No. 31 of 2024 and O.P. No. 32 of 2024 of TG DISCOMs.**
- 2) **To allow O&M expenses as approved in Distribution MYT Order dtd. 28/10/2024 and disallow additional Rs. 878 Cr. (Rs. 487 Cr. of TGNPDCL and Rs. 391 Cr of TGSPDCL) while approving the expenses for FY 2025-26.**

- 3) To reduce the Depreciation as claimed by TG DISCOMs for FY 2025-26 by Rs. 121 Cr. considering the impact of Depreciation on Assets funded by Consumer Contribution and allow Rs. 399 Cr. of Depreciation for TGNPDCL and Rs. 725 Cr. for TGSPDCL**
- 4) To consider PFI working for Interest on Loan and disallow Rs. 91 Cr. from the Interest on Loan claimed by TGNPDCL for FY 2025-26**
- 5) To consider PFI working for RoE and disallow Rs. 114 Cr. (Rs. 65 Cr. for TGNPDCL and Rs. 49 Cr. for TGSPDCL) from RoE claimed by TG DISCOMs for FY 2025-26.**
- 6) To direct TG DISCOMs to furnish information pertaining to actual equity infused in FY 2023-24 for Distribution Business while doing the APR of FY 2023-24.**
- 7) 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.**
- 8) To consider the PFI submission while approving the Wheeling Charges for FY 2025-26.**
