POWER FOUNDATION OF INDIA

Power Foundation of India

(An autonomous Society under the Ministry of Power, Govt of India)

No. PFI/Prog/APSERC/2026/011 Dated: 13/01/2026

To,

The Secretary
Arunachal Pradesh State Electricity Regulatory Commission
2nd Floor, O.T Building, Niti Vihar Market,
TT Marg, Itanagar-791 111

Subject: PFI Comments: Arunachal Pradesh DISCOM True Up Petition for FY 2024-25 & ARR Petition for FY 2026-27

Reference: APSERC inviting Comments on True Up of FY 2024-25 & ARR Petition for FY 2026-27

Dear Sir,

Power Foundation of India (PFI) is a Policy Research and Advocacy entity and a registered society under the aegis of Ministry of Power, Government of India. PFI is supported by leading Central Power Sector Organizations to undertake evidence-based policy research and facilitate informed decision making by the Regulators, Ministry and other concerned stakeholders.

With reference to above, PFI has analyzed the True Up Petition for FY 2024-25 & ARR Petition for FY 2026-27 filed by Department of Power, Government of Arunachal Pradesh before APSERC. Our comments/ suggestions on the said Petition of are enclosed herewith for your consideration as *Annexure- I* respectively. We would also like to orally submit our comments/ suggestions on the day of Public Hearing through video conference.

The comments have also been emailed to secy-apserc-arn@gov.in .

Warm Regards,

Encl: Annexure – I

Copy to:

1. **The Hon'ble Chairperson**
   Arunachal Pradesh State Electricity Regulatory Commission
2. **The Hon'ble Member**
   Arunachal Pradesh State Electricity Regulatory Commission

Yours Sincerely,

Anshuman Srivastava
(Executive Director, PFI)

Annexure - I

PFI Comments/Suggestions: DoP,AP True-up Petition for FY 2024-25

A. UN-AVAILABILITY OF AUDITED ACCOUNTS, ANNEXURES & FORMATS

1) A thorough search of the APSERC online portal (including the petition website page, case documents section, and associated links) reveals that the critical documents such as Audited Accounts, Formats and Annexures have not been uploaded or made publicly accessible, and comment has been sought on the True-up Petition. This is despite the fact that the petition itself cites them and rely on their contents.

2) The absence of documents severally affects the due diligence of the Department of Power, Arunachal Pradesh (DoP, AP) performance thus undermining the power of Hon'ble Commission and violation of the of APSERC Conduct of Business Regulations, 2011, the extract of regulation is below:

   " 13. 5. The petition shall be accompanied by such documents, supporting data and statements, as are relevant to the matters in issue in the petition."

3) PFI notes that DoP, AP have filed the said True-Up Petition under *APSERC (Multi Year Tariff) Regulations, 2024 (hereinafter referred to as "APSERC Tariff Regulations 2024").* **Regulation 2.6 (2) stipulates that Truing up Expenses and Revenue shall be based on the Audited Accounts.** Regulation 2.6 (3) of *APSERC Tariff Regulations 2024* specifies that the Distribution Licensee shall submit Financial accounts of the year under True-up to the Commission and Regulation 1.3 (87) has defined Regulatory Accounts. Relevant extract of the Regulations are as follows

   "2.6.(2) Provided further that the information for the previous year shall be based on audited accounts and in case audited accounts for previous year are not available, audited accounts for the immediately preceding previous year should be filed along with un-audited accounts for the previous year"

   "2.6.(3) True Up: a comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year, subject to the prudence check including pass through of impact of uncontrollable items. This includes categorisation of variations in performance with reference to approved forecast into factors within the control of the applicant (controllable items) and those caused by factors beyond the control of the applicant (un-controllable items). Provided

such categorization of the controllable and uncontrollable items shall be done in accordance with Regulation 2.7 of these Regulations. Provided that final accounts will be submitted at the time of submission of True up Petition of the Generation Company, Transmission Licensee, Distribution Licensee or SLDC"

"1.3 (87) "Regulatory Accounts" means the regulatory accounts, duly audited by the auditor of the Utility containing all the financial and non-financial information of the Utility, including the filled-up formats appended to these regulations and cover the activities which includes without limitation the Statutory Accounts prepared under Companies Act, 2013 or any other law applicable to the Utility;"

4) Further, Regulation 3.1 of *APSERC Tariff Regulations 2024* specify that DISCOM need to submit complete information for determination of ARR & Tariff including the Tariff Formats, which shall also form part of the Tariff application and stipulates that Audited Accounts needs to be submitted.

5) Further also, Regulation 3.2 of *APSERC Tariff Regulations 2024* specify that DISCOMs need to put all details of the Petition on its website of Admission Order of Tariff Petition along with **downloadable spreadsheet formats** as follows:

"3.2. Publication of Tariff Application (1) The applicant shall, within seven (7) days after registration of the application, publish the tariff petition in such abridged form and manner as may be specified and approved by the Commission, in at least two (2) daily newspapers, having wide circulation in the area of supply inviting objections/ suggestions within the specified date (21 days from publication) from general public and stake holders. (2) The applicant shall submit within fifteen (15) days of publication of the notice, copies of the newspapers wherein the notice has been published, supported by an affidavit to such effect. (3) The applicant shall make available a hard copy of the complete application, to any interested party, at such locations and at such rates as may be stipulated by the Commission. (4) Provided further ***that the applicant shall also put up on its website, in downloadable spreadsheet format showing detailed computations, the application made to the Commission along with all regulatory filings, information, particulars and documents in the manner so stipulated by the Commission****: (5) Provided further that the web-link to the information mentioned in the second proviso above shall be easily accessible, archived for downloading and shall be prominently displayed on the applicant's website"*

6) **However, PFI observes that there is non-compliance of *APSERC Tariff Regulations 2024.*** There is a mandate in the said Regulations to submit Audited Accounts and Tariff formats for FY 2024-25 by DoP,AP and upload the same on their respective websites and even on APSERC website along with the True-Up Petition for FY 2024-25. PFI have tried reaching out the official landline contact number on the web portal, but the call was not received, hence no response could be recorded.

7) Till date PFI did not find Tariff Formats and Audited Accounts for FY 2024-25 uploaded on the website of DoP, AP or APSERC. The same screenshot of the website is attached at Appendix-1.

8) In view of above, it is submitted that non-availability of Audited Accounts in public domain related to the True-up Petition filed by DoP, AP for FY 2024-25 is a serious non-compliance of the Regulatory provisions, defeats the purpose of seeking stakeholders' comments / suggestions on the said Petition and leads to non-transparency of the public consultation process.

9) **PFI submits before Hon'ble APSERC to take appropriate action under Section 142 of the Electricity Act 2003 against DoP, AP for non- compliance of directions stipulated in *APSERC (Multi Year Tarif) Regulations, 2024*** and make available in public domain the Audited Accounts for FY 2024-25 of DoP, AP. It is therefore **requested that the Hon'ble Commission to allow at least two (2) weeks' time-period to stakeholders to submit comments / suggestions on FY 2024-25 True-up Petition of DoP, AP after availability of its audited accounts in the public domain (APSERC website).**

10) In view of above, **PFI request the Hon'ble Commission to direct DISCOM to re-submit the Petition along with the supporting documents like Audited Accounts, Formats and Annexures and if not done so then penalize the DISCOM under Section 142 of the Electricity Act, 2003.**

B. HIGHER DISTRIBUTION LOSSES

11) DoP, AP has claimed actual Distribution Loss as 39.76% for FY 2024-25 against the approved target of 21.21% by the Hon'ble Commission.

12) It is observed that the Hon'ble Commission vide its Tariff Order dated 26/03/2025 has approved the Distribution Loss for FY 2024-25, the comparison of approved and actual is as follows:

Particulars	Target by Commission	Claimed by DoP, AP
Distribution Loss	21.21%	39.76%
Collection Efficiency	99.00%	100%
AT&C Loss	22.00%	39.76%

13) It is also noted that the DISCOM is able to achieve a collection efficiency of 100% owing to grants provided by the State Government to bridge the Revenue Gap created pertaining to loss in revenue collection due to difficult terrain for supply of power and collection of bills.

14) Further, it is observed that Hon'ble Commission has directed DISCOM to reduce the AT&C loss and submit a roadmap highlighting the necessary steps taken to in order to achieve reduction in AT&C loss. The relevant extracts of Tariff order of FY 2023-24 are as follows:

> *"1. Since the Revenue Gap created by the Petitioner (**which could have been reduced by improving the efficiency as per committed AT&C loss as well as controlling unwarranted UI procurement**), is mitigated by the State Government through grants, the trued-up Revenue Gap shall not pass through and reflect in the next tariff petition. **The inefficiency of the distribution licensee cannot be covered by the Grants from public money and concern officials of APDOP should be answerable for it.***
>
> *2. Despite many flagship Schemes specially designed for **reduction of AT&C losses in past and present, the AT&C losses consistently remained above 50%,** and it even rose upto 61.93% in the FY2018-19. Matter needs serious introspection to plug the losses and conduct diagnostic exercise at individual feeder / transformer / subdivision / division / circle and zonal level. Commission hereby direct the APDOP, **to conduct such exercise and submit results to Commission before next petition**. Commission also directs APDOP **to bring down the AT&C losses as per the trajectory issued by the MoP** with due consultation with APDOP itself."*

15) It is evident from the above paras that the DISCOM has not complied with the Hon'ble Commission direction and also not complied the loss targets as set under RDSS. Further, DISCOM has claimed transmission loss as 3.65% (average of monthly transmission loss of FY 2024-25) in Table 10 of the Petition, but DISCOM while computing the energy balance in Table 12 (A) has considered transmission loss as 5.84%. PFI requests the Hon'ble Commission to consider the distribution loss as approved by the Commission and Transmission Loss as 3.65%.

16) Accordingly, PFI has recomputed the energy balance, which is as follows:

Particular	Claimed by DoP, AP	Proposed by PFI
Energy sold (MU)	728	728
Distribution Loss (%)	39.76%	21.21%
Input Energy at DISCOM periphery (MU)	1,209	924
Transmission Loss (%)	5.84%	3.65%
Input Energy (MU)	1,284	959

17) It is observed that, owing to DoP, AP inability to effectively control system losses, the utility was required to procure an additional **325 MU** (1284-959) of energy, the burden of same should not be passed on to the consumers.

18) It is pertinent to state that, the Government of India has approved the RDSS to support DISCOMs in improving their operational efficiencies. One of the components on which RDSS Scheme focuses is Loss Reduction. Under this part, infrastructure strengthening works will include Aerial Bunch cables and HVDS for loss reduction, replacement of HT/LT lines as required, construction of new/ upgradation of substations, etc. is to be done. The sanctioned funds under RDSS for Loss reduction is Rs. 788 Cr.[1] (Source: RDSS portal) and physical progress as on date is only 20%. **Hon'ble Commission may direct DISCOM to utilize such fund and reduce the Distribution losses.**

19) In view of above, PFI proposes the Hon'ble Commission to direct DISCOM to submit the action plan to reduce the Distribution losses in line with the targets set under RDSS.

[1] https://rdss.powermin.gov.in:8443/uploads/informationdocs/170618653219Sanction%20Letter_26Nov22_Arunachal.pdf

C. POWER PURCHASE COST

C-1. UI Deviation

20) DoP, AP has considered 41.25 MU through deviations (Table 2.3 of the Petition) as part of Power Purchase Quantum and corresponding Rs. 28.83 Cr. as Power Procurement cost. It is observed that the Hon'ble Commission has not allowed the same in Tariff order dated 26/03/2025 and stated that energy received from UI/Deviation is not a source of power procurement.

21) The Commission has authority to not consider the UI charges and penalize the DISCOM if they find out the UI purchase is not done in economic and judicious manner. The relevant extract from the APTEL order in the matter concerning PSPCL (erstwhile PSEB), as referenced in **Appeal No 7, 24 & 122 of 2011**, provides the regulatory basis for such action. This authority stems from the Commission's mandate to ensure prudent power procurement practices, grid discipline, and protection of consumer interests under the provisions of PSERC MYT Regulations are as follows:

"19 (2). ....

At this frequency the Board is not expected to overdraw. Regulation 19(2) allows UI charges if power is purchased through UI mechanism in a judicious and economic manner. Such disallowance was on the basis of the decision of the Forum of Regulators dated 1.8.2009 and according to the appellant, it should be only from that date and not for the entire tariff year 2009-10."

22) Moreover, the Commission has explicitly specified that the Deviation is not a source of power procurement. The relevant extract from the True-Up Order FY 2023-24 is as follows:

"3.2.7 ....The Commission has also not considered energy received from UI/Deviation as it is not a source of power procurement......"

23) PFI submits that such charges should not be considered, as these charges are a commercial mechanism for grid discipline and such charges must not be passed on to consumers.

24) **In view of above, PFI requests the Hon'ble Commission to not consider the Rs. 29 Cr. towards deviation charges. The same may be borne by the Govt. of Arunachal Pradesh in the form of subsidy.**

C-2. Power Purchase Cost against High Distribution Loss

25) PFI in above para has computed the excess Power Purchase Quantum of 316 MU against the higher distribution losses. Accordingly, the excess Power Purchase cost corresponding to the excess quantum should not be passed on to the consumers. The same should be reduced from the Power Purchase cost as claimed by DoP, AP. PFI has removed Power Purchase Cost corresponding to 325 MU by considering the average Power Purchase Cost of Rs. 2.92/kWh (Rs. 473 Cr./ 1622 MU) as claimed by DISCOM.

Particulars	Claimed by DoP, AP	Proposed by PFI
Power Purchase Quantum (MU)	1,284	1,284
Power Purchase Cost (Rs. Cr.)	502	473
Avg. Power Purchase Cost (Rs./kWh)	**3.91**	**3.69**

26) Accordingly, PFI requests the Hon'ble Commission to reduce the Power Purchase Cost by Rs. 120 Cr.

27) In view of above, PFI requests the Hon'ble Commission to consider the Power Purchase Cost of Rs. 353 Cr. for FY 2024-25, the balance may be borne by the Govt. of Arunachal Pradesh in the form of subsidy.

(Rs. Cr.)

Particulars	Claimed by DoP, AP	Proposed by PFI	Difference
Power Purchase Cost	**502**	**353**	**(149)**
Less: *UI Charges*		*29*	
Less: *Against higher Distribution Loss*		*120*	

C-3. FREE POWER

28) It is submitted that approximately 30% of the total power procurement of DoP, AP comes from free power allocated from Central and State Generating Stations. The details of the approved quantum vis-à-vis actual procurement of free power during the FY 2024-25 is as follows:

Parameters	Free Power from Central Plants	Free Power from State Plants	Total (MU)
Approved by the Hon'ble Commission	510	7	518
Actual procured by DoP, AP	495	9	505
Deviation (MU)	**(15)**	**2**	**(13)**

29) Due to the under-scheduling of allocated free power, DoP, AP was constrained to procure 13 MU from the other sources of power. Further, it is also noted that DISCOM has not provided the reason of not procuring free power as projected by the Hon'ble Commission.

30) PFI further observes that DoP, AP has not submitted monthly reports certified by Arunachal Pradesh SLDC that Merit Order Despatch principle has been followed in true spirit while scheduling the Power from various Generating Stations. Therefore, it is requested to Hon'ble Commission to direct DoP, AP to submit the details along with certification from SLDC that MoD has been followed in true letter and spirit.

D. RENEWABLE PURCHASE OBLIGATION

31) PFI notes that DoP, AP has not submitted any detailed information regarding its source-wise Renewable Purchase, RPO compliance and shortfall if any, as part of the present petition. The absence of such details prevents meaningful examination of statutory compliance with the applicable RPO Regulations.

32) Further, with respect to Hon'ble Commission RPO trajectory, it is submitted that energy transition is the need of the hour and in order to achieve the Country's target of 500 GW of RE by 2030 and Net Zero by 2070, it is important that every designated consumer including DISCOM should procure Renewable Energy at least equivalent to meet the yearly RPO Targets. In last few years the share of Renewable Energy has

increased significantly which resulted in the concern of grid stability due to intermittent nature of RE and raised the challenges of providing Round the Clock power at affordable prices. To overcome these concerns, Renewable Energy Implementing Agencies like SECI have evolved from plain Vanilla tenders (procuring only Solar or wind energy) to the new age Tenders like RTC or FDRE (Firm & Dispatchable Renewable Energy) Tenders assuring providing round the clock power or peak power through Renewable plus storage combination. The intent of National RPO target is to provide firm and dispatchable renewable energy by providing power through Solar, Wind, Hydro, other Renewable Energy sources and Energy Storage. Further to save the transmission loss and charges, it is also important to have Distributed Renewable Energy to meet the load at the injecting point.

33) The prime motive of RPO is to increase share of Renewable energy in the total consumption and in order to promote different sources MoP have come up with technology wise targets. Further, considering the cost and transmission congestion, MoP introduced Distributed Renewable Energy (DRE) Target which include renewable projects upto 10 MW. The prime objective of the introducing DRE is to promote the local available RE and to save the related Transmission network cost, charges and Loss. The Renewable Energy (Solar & Wind) are mostly dominated in 6-7 States like Gujarat, Rajasthan, Tamil Nadu, Andhra Pradesh, etc., due to higher solar irradiance and wind density resulting higher CUF and higher power generation. However, to transmit that energy to the State like Arunachal Pradesh, DISCOMs need to pay ISTS charges and to develop InSTS network, but in case the renewable energy is within the State, DISCOMs does not need to pay ISTS charges which is in the range of 50-70 paisa/kWh and transmission losses, resulting reduction in power procurement cost. PFI has analyzed that the positive impact of higher CUF get nearly nullified considering impact of interstate transmission system and intra-state transmission system losses. Thus, PFI requests the Hon’ble Commission and DISCOM to promote DRE in the State.

34) It is evident from the above paras that every source is important to provide round the clock power and have minimum impact on grid.

35) In view of above, **PFI requests the Hon’ble Commission to direct DoP, AP to submit comprehensive and verified details of its RPO compliance for**

FY 2024-25, and if there is a shortfall and impose penalty on non-compliance of RPO targets as per buyout price of Rs. 245/MWh proposed by Hon'ble CERC vide its suo-moto Order 22/10/2025.

E. Compensation on Injury, death & damage

36) PFI notes that DISCOM claim the expenses booked on Compensation on injury, death & damage as part of O&M expenses.

37) PFI observes that Section 57 (2) and Section 59 (1) of the Electricity Act 2003 focus on two key points i.e., Compensation and Furnishing Case-wise information. Relevant sections are as follows:

"Section 57. (Consumer Protection: Standards of performance of licensee):

(1) The Appropriate Commission may, after consultation with the licensees and persons likely to be affected, specify standards of performance of a licensee or a class of licensees.

(2) If a licensee fails to meet the standards specified under sub-section (1), without prejudice against any penalty which may be imposed or prosecution be initiated, he shall be liable to pay such compensation to the person affected as may be determined by the Appropriate Commission:

Provided that before determination of compensation, the concerned licensee shall be given a reasonable opportunity of being heard.

…

Section 59. (Information with respect to levels of performance):

(1) Every licensee shall, within the period specified by the Appropriate Commission, furnish to the Commission the following information, namely:-

(a) the level of performance achieved under sub-section (1) of the section 57;

(b) the number of cases in which compensation was made under subsection (2) of section 57 and the aggregate amount of the compensation."

38) Conjoint reading of Section 57 & Section 59 leads to the conclusion that DISCOMs need to submit case-by-case details to the Commission and the Commission will determine the compensation only after going through the merits of each case.

39) Further, Hon'ble APTEL vide its Judgment2 dated 27/09/2012 in Appeal No.141 of 2012 provided clarification of Section 57(2) stating that SERCs will determine compensation on a case-by-case basis after analyzing the failure in meeting standard of performance and other details, relevant extract from said judgement is as follows:

"Section 57(2) provides for a case-by-case determination of compensation. Such compensation has to be paid to the affected person. This will make it clear that the State Commission will have to determine on the basis of allegation that a particular standard of performance had been violated, as to how and what extent the person has been affected due to such violation."

40) 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.

41) In view of above, PFI proposes the Hon'ble Commission to direct DISCOM to submit case-by-case reason of accident and allow pass through of compensation only in cases where the reason is not attributable to the DISCOM.

F. SUMMARY OF DoP, AP TRUE-UP PETITION FOR FY 2024-25

42) As stipulated above, summary of PFI Comments on True-up of FY 2024-25 for DoP, AP is as follows, Hon'ble Commission is requested to kindly consider the same.

(Rs. Cr.)

[2] https://www.aptel.gov.in/judgements/Judgment%20in%20APPEAL%20No.141%20of%202012_Replace_27092012_ssi.pdf

Sr. No.	Particulars	Claimed by DISCOM	Proposed by PFI	Difference
1	Sales	728	728	0
2	Distribution Loss	39.76%	21.21%	(18.55%)
3	Transmission Loss	5.87%	3.65%	(2.22%)
4	Collection Efficiency	100%	100%	0
5	Power Purchase Cost	502	353	(149)
5a	***Less:*** *Power Purchase Cost over normative Distribution Loss*		*120*	
5b	***Less:*** *UI Charges*		*29*	
6	Transmission Charges	95	95	0
7	Operation & Maintenance Expenses	448	448	0
7a	Employee Expenses	394	394	0
7b	Administrative & General (A&G) Expenses	12	12	0
7c	Repair & Maintenance (R&M) Expenses	42	42	0
8	**Aggregate Revenue Requirement**	**1045**	**896**	**(149)**
9	Non-Tariff Income	84	84	0
10	**Net ARR**	**961**	**813**	**(149)**
11	Revenue from Sale of Power	419	419	0
12	Revenue grant from GoAP	543	543	0
13	**Revenue (Gap)/Surplus**	**0**	**149**	**149**

a) As above, PFI requests the Hon'ble Commission to consider the submissions made by PFI and as part of the Prudence Check. In view of above, it is noted that GoAP had release subsidy of Rs. 543 Cr. to the DISCOM but GoAP should also bear the inefficiency of Rs. 149 Cr. as computed by PFI. Thus, the total subsidy to be disbursed to DoP, AP will be Rs. 692 Cr. (543+149). However, it is also noted that DoP, AP has recovered revenue of Rs. 419 Cr. from tariff from the consumers of Arunachal Pradesh, so cumulating both leads to revenue recovered of Rs. 1111 Cr. (692+419). The inefficiencies may not be passed on the consumers and thus the tariff relief of Rs. 149 Cr. (1111-962) should be passed on to the consumers of Arunachal Pradesh with carrying cost in the ARR of FY 2026-27.

PFI Comments/Suggestions: DoP, AP ARR Petition for FY 2026-27

G. Monthly Demand, Power Quantum & Power Purchase Cost Projection

43) Power Purchase Cost accounts for 70-80% of the ARR of any DISCOM and therefore DISCOM as well as the Commission focus on optimizing the same which resulted into introduction of Merit Order Despatch principle and Resource Adequacy planning. Further, the Indian Power Sector is very dynamic and changing frequently with increase in renewable energy share resulting crash of short-term prices at Power exchange during the solar hours, Green Energy Open Access, tremendous growth in Rooftop solar/PM-Surya Ghar, deployment of Energy storage, etc. have impacted the process of demand projection and accordingly the power procurement. This mandates DISCOMs to cover such factors while projecting the sales and corresponding power procurement while filing the Tariff Petitions after considering hourly or at least monthly energy balance and monthly power purchase quantum and cost, which has not been observed in the case of DoP, AP Tariff Petition, wherein it has been noticed that State like Madhya Pradesh and Andhra Pradesh, the Tariff Petition include the projection of Power Purchase Quantum and Cost on monthly format basis and they also submit details related to MoD even in the projection part, the relevant pages from the Petitions are attached as **Appendix 2 & 3.**

44) Further, it is also observed that DISCOM has completed the Power Purchase Cost section in 3-4 pages only without submitting the basic details like assumptions considered for projecting plant-wise quantum like Capacity, DISCOM share, PLF, Minimum Technical Limit, annual overhauling/maintenance schedule, past generation trend, CERC/Commission Order for projecting Fixed Charges, etc. like other DISCOMs submit with the Petitions.

45) Hence, **it is requested to the Hon'ble Commission to direct DISCOMs to resubmit such details to the Commission and the same may be approved after prudence check of the details submitted by the DISCOMs.**

H. Distribution Loss Projection

46) DoP, AP has projected the Distribution Loss of 18.04% & Collection Efficiency as 100% considering the vast geographical area. However, it is observed that Hon'ble

Commission has approved Distribution Loss of 14.14% & Collection Efficiency as 99%vide its Tariff Order date 26/03/2025. The summary is as follows:

Particulars	Projected by DoP, AP	Approved by Hon'ble Commission
Distribution Loss	18.04%	14.14%
Collection Efficiency	100.00%	99.00%
AT&C Loss	18.04%	15.00%

47) It is also noted that DoP, AP has been implementing Loss reduction work and Smart metering work under the Ministry of Power flagship scheme RDSS. In view of Hon'ble Commission target and undergoing work under RDSS, PFI requests the Hon'ble Commission to consider Distribution Loss as 14.14%. Accordingly, PFI requests the Commission to reduce the excess Power Purchase Quantum of 58 MU corresponding to higher AT&C losses (14.14%-18.04%)

Particulars	Projected by DoP, AP	Proposed by PFI	Difference
Distribution Loss	18.04%	14.14%	(3.90%)

48) Accordingly, PFI has recomputed the energy balance of DoP, AP as follows:

Particulars	Projected by DoP, AP	Proposed by PFI
Energy Sold (MU)	1013	1013
Distribution Loss (%)	18.04%	14.14%
Energy at DISCOM periphery (MU)	1236	1180
Transmission loss (%)	3.15%	3.15%
Input Energy (MU)	1277	1219

49) The excess Cost corresponding to above mentioned excess Power Purchase Quantum was reduced from the total Power Purchase Cost at an average Power Purchase Cost per unit.

I. Additional Revenue from True-up

50) PFI in the True-up section has computed the surplus Revenue collected by DoP, AP as Rs. 149 Cr. and the benefit of the same should be passed on to the consumers of Arunachal Pradesh after considering the carrying cost.

51) As per Clause 2.6 (5) of APSERC MYT Regulations, 2024, the carrying cost for the trued-up amount (positive or negative) at interest rate equivalent to the normative interest rate of three hundred (300) basis points above the average State Bank of India MCLR (One Year Tenor) prevalent during the true-up year.

52) Accordingly, PFI has computed the carrying cost as follows:

Particulars	Proposed by PFI
Surplus Revenue (Rs. Cr.)	149
SBI MCLR rate 1 year (Avg. MCLR rate during FY 2024-25) (%)	8.90%
Carrying cost considered (%)	11.90%
Total Revenue (Rs. Cr.)	186

53) Accordingly, PFI requests the Hon'ble Commission to consider the additional revenue of Rs. 186 as part of ARR for FY 2026-27.

Particulars	Projected by DoP, AP	Proposed by PFI	Difference
Revenue from sale of Power	443	629	186

J. POWER PURCHASE COST PROJECTION

54) DoP, AP has considered an escalation of 5% on power purchase cost of FY 2024-25 for all generating stations.

55) It is submitted that the Central Government, vide MoF Notification No.9/2025-Central Tax (Rate) dated 17/09/2025, has increased the GST rate on coal from 5% to 18%; and vide Notification No. 2/2025-Compensation Cess (Rate) dated 17/09/2025, has abolished the Compensation Cess of Rs. 400/MT, with effect from 22/09/2025. The abolition of the Compensation Cess and the increase in the GST rate on coal have impact on the cost of coal to be procured by the generating companies. Hon'ble CERC vide its suo-moto order dated 1/10/2025, has mentioned that changes due to GOI notifications dated 17/09/2025, squarely fall within the ambit of a change in law event and will be applicable to all PPAs having a composite scheme and covered under Section 63 of the Act, except in case of the generating companies having captive coal mines.

56) It is expected that rationalisation of GST rates on coal from 5% to 18% and removal of compensation cess of Rs. 400 per ton, will reduce the cost of generation for coal-based power generators. Further, Ministry of Coal estimated that impact of the new reform on coal pricing and the power sector is a substantial reduction in overall tax burden, with coal grades G6 to G17 seeing decreases in the range of Rs. 13.40 per tonne to Rs. 329.61 per tonne. For the power sector, the average reduction is estimated to be around Rs. 260 per tonne, translating into a cut of 17–18 paise per kWh in the cost of generation.

57) Therefore, it will not be prudent to escalate the ARR of FY 2026-27 and allow upfront loading in Tariff, due to increased Power Purchase Cost, for the consumers of Arunachal Pradesh.

58) In view of above, PFI request to the Hon'ble Commission to consider Power Purchase Cost for FY 2026-27 as submitted by DoP, AP for FY 2024-25 without any escalation.

59) Accordingly, PFI has recomputed the Power Purchase cost for FY 2026-27 considering no escalation in the cost of power procured from thermal power plant and by reducing the UI charges, as follows:

(Rs. Cr.)

Source of Power	Projected by DoP, AP	Proposed by PFI
NEEPCO	205.96	205.96
NTPC	191.88	174.04
NHPC	11.65	11.65
OTPC	41.9	41.9
Deviation	28.83	0
Reactive	0.02	0.02
Devi Energies	49.27	49.27
Kangteng Hydro	11.43	11.43
DHPD	0	0
HPDCAPL	1.69	1.69
APPCPL	7.16	7.16
Mis. exp.	1.05	0
Total	**550.84**	**503.12**

60) PFI in True-up section has requested the Hon'ble Commission to not consider the UI charges as it is penal in nature and cannot be passed on to the consumers. Further,

DoP, AP has considered Misc. charges of Rs. 1.05 Cr., PFI request the Hon'ble Commission to not consider the same as it leads to upfront loading on tariff and may be considered at the time of True-up after prudence check.

61) PFI in above para as recomputed the energy balance for DoP, AP for FY 2026-27 and requested to the Hon'ble Commission to reduce the excess power from the Power Purchase Quantum and Power Purchase Cost.

Particulars	Excess Power Purchase Quantum (MU)	Average Power Purchase Cost (Rs./kWh)	Power Purchase Cost (Rs. Cr.)
Power Purchase Cost against excess Distribution Loss	58	4.09	24

62) Therefore, PFI has recomputed the Power Purchase Cost for FY 2026-27 considering no escalation in Energy Charge Rate, reducing UI, Misc. expenses and excess quantum against higher Distribution Loss. **Accordingly, PFI requests the Hon'ble Commission to consider Power Purchase Cost as Rs. 479 Cr. Further, any difference in actual and allowed Power Purchase Cost will be automatically factored in Fuel and Power Purchase Adjustment Surcharge (FPPAS) mechanism socialize it to the consumers of Arunachal Pradesh.** The balance should be borne by the Govt. of Arunachal Pradesh in the form of subsidy.

(Rs. Cr.)

Particulars	Projected by DoP, AP	Proposed by PFI	Difference
Power Purchase Cost	**551**	**479**	**(71)**
Less: *UI Charges*		*29*	
Less: *Escalation in Energy Charge Rate*		*18*	
Less: *Misc. Exp.*		*1*	
Less: *Higher Distribution Loss*		*24*	

K. O&M Expenses

63) DoP, AP has claimed O&M Expenses as Rs. 477 Cr. against the Hon'ble Commission projected O&M Expenses as Rs. 465 Cr. by considering inflation on actual expenses of last 3 years. It is observed that the Hon'ble Commission in its Tariff Order dated

26/03/2025 has projected the O&M expenses for DoP, AP as per Clause 4.10 of APSERC MYT Regulations 2024, wherein Hon'ble Commission has escalated the A&G expenses and R&M expenses by escalation factor.

64) It is observed that DoP, AP has not provided the details of escalation factor considered for computing O&M expenses for FY 2026-27. In view of this, PFI requests the Hon'ble Commission to consider the O&M Expenses as approved by the Commission in its Tariff Order dated 26/03/2025 as Rs. 465 Cr., the balance may be borne by the Govt. of Arunachal Pradesh in the form of subsidy.

(Rs. Cr.)

Particulars	**Projected by DoP, AP**	**Proposed by PFI**	**Difference**
O&M Expenses	477	465	(12)

L. SUMMARY OF DoP, AP ARR & TARIFF PETITION FOR FY 2026-27

65) As stipulated above, summary of PFI Comments on ARR of FY 2026-27 for DoP, AP is as follows, Hon'ble Commission is requested to kindly consider the same.

(Rs. Cr.)

Sr. No.	**Particulars**	**Claimed by DISCOM**	**Proposed by PFI**	**Difference**
1	Sales	1013	1013	0
2	Distribution Loss			
2a	***Less:*** *Distribution Loss not in line with the Commission trajectory*	*18.04%*	*15.00%*	*(3.04%)*
3	Transmission Loss	3.15%	3.15%	0%
4	Power Purchase Cost	551	479	(71)
4a	***Less:*** *Power Purchase Cost over normative Distribution Loss*		*18*	
4b	***Less:*** *UI Charges*		*29*	
4c	***Less:*** *Misc. expenses*		*1*	
4d	***Less:*** *High Distribution loss*		*24*	
5	Transmission Charges	103	103	0
6	Operation & Maintenance Expenses	477	465	(12)
6a	Employee Expenses	423	410	(13)

Sr. No.	Particulars	Claimed by DISCOM	Proposed by PFI	Difference
6b	Administrative & General (A&G) Expenses	13	11	(3)
6c	Repair & Maintenance (R&M) Expenses	41	44	4
7	**Aggregate Revenue Requirement**	**1131**	**1048**	**(83)**
8	Non-Tariff Income	134	134	0
9	**Net ARR**	**998**	**914**	**(83)**
10	Revenue from Sale of Power including Surplus Revenue from FY 2024-25 True-up	443	629	186
11	Revenue from Sale of Power Outside the State	120	120	0
12	**Revenue (Gap)/Surplus**	(435)	(166)	270

66) **In view of above, it is observed that DoP, AP has Revenue Gap of Rs. 166 Cr. instead of projected Revenue Gap of Rs. 435 Cr. PFI requests the Hon'ble Commission to kindly consider the same.** Further, the Govt. of Arunachal Pradesh should provide additional subsidy of Rs. 270 Cr., on account of higher claims of DoP, AP as tabulated above, over and above the subsidy decided by Govt. of Arunachal Pradesh for FY 2026-27.

M. Bifurcation of DISCOM ARR into Wheeling & Retail Business

67) In order to implement the provisions of Electricity Act, 2003 related to competition and Open Access as per Section 42 and the provisions of the proposed Electricity (Amendment) Bill, 2025 mandating de-regulation of the consumers above 1 MW and parallel licensing within same area through shared network, there is a urgent need of filling separate Petition for Wheeling and Retail by DISCOMs which is being already followed by DISCOMs of Andhra Pradesh & Telangana (Appendix- 4 & 5). Such filling of Petition should be transparently and accurately linked to the Audited Accounts.

68) In view of above, PFI requests the Hon'ble Commission to direct DISCOM to submit separate Petition for Wheeling and Retail Business along with break-up of business-wise expenses and income in Audited Accounts.

N. ENERGY STORAGE

69) India's evolving energy storage policy framework underscores its commitment to enhancing grid flexibility and supporting renewable energy integration. Since 2019, a robust regulatory ecosystem has been crafted to support energy storage deployment through national initiatives around technical standards, legal frameworks, transmission charges, Resource Adequacy (RA) planning, market mechanisms, and financial incentives, as well as state-level initiatives.

70) In a significant regulatory development, the MoP clarified Legal Status to ESS on January 29, 2022. The order identifies Energy Storage Systems (ESS) as an essential component of the power system under the Electricity Act of 2003, permitting ESS to function as a standalone or integrated element within generation, transmission, or distribution networks. The ESS can be operated by various entities, and standalone ESS projects can be licensed independently and granted connectivity under specific rules, encouraging broader ESS applications and ownership models.

71) The Waiver of Inter-State Transmission System (ISTS) Charges for solar, wind (onshore and offshore), and green hydrogen projects was mandated by the Ministry of Power (MoP) on November 23, 2021, with subsequent amendments in November 2021, December 2022, May 2023, June 2023 & June 2025. The relevant extract is as follows:

> *"*
>
> *a) ISTS charges waiver for Hydro PSP Projects for which the construction work has been awarded on or before 30th June 2028 shall be 100%.*
> *b) ISTS charges waiver for co-located Battery Energy Storage System (BESS) Projects commissioned on or before 30th June, 2028 shall be 100%, if the power from such BESS projects is consumed outside of the state, where such BESS project is commissioned.*
>
> *Provided that a BESS project shall be considered as co-located, if the BESS and RE projects are connected at the same ISTS sub-station.*

c) There will not be any ISTS charges waiver for Hydro PSP Projects, for which the construction work awarded after 30th June, 2028 and for co-located BESs commissioned after 30th June, 2028.

d) For BESS projects which are not co-located, the ISTS charges waiver shall be as per the extant orders issued by the Ministry of Power and CERC Regulations."

72) The Central Electricity Authority (CEA) on 28/06/2023, has established RA planning guidelines at both national and state levels, an important step forward, and has recently come up with state-wise RA reports with up to 5-year or 10-year RA projections. The CEA Resource Adequacy guidelines also outline a framework for incorporating ESS in RA planning.

73) Recent national and state government policies have begun to lay a foundation that will support ESS deployment and its integration into RA planning and procurement, electricity markets, and system operations.

74) Standalone and co-located ESS can play an important role in meeting RA requirements under India's emerging RA framework. Going forward, state-level RA frameworks need to be closely aligned with long-term planning and resource procurement processes to support cohesive implementation.

75) **In view of the above, PFI submits that Energy Storage is an effective tool for Energy arbitrage for DISCOMs in optimization of their Power Purchase Cost. For instance, in BESS, Batteries can be charged in the off-peak hours and can be discharged in Peak hours, thus, avoiding reliance of DISCOMs on high-cost short term Power from markets or not scheduling the high-cost Power Plants. With steep reduction in Battery prices and active participation by various companies, DISCOM necessitates to also consider Energy Storage as part of their Power Procurement Planning in line with Resource Adequacy Planning formulated by CEA for Arunachal Pradesh.**

O. PM Surya Ghar – Muft Bijli Yojna and Demand Side Management

76) PM Surya Ghar: Muft Bijli Yojana, the world's largest domestic rooftop solar initiative, is transforming India's energy landscape with a bold vision to supply solar power to

one crore households by March 2027. By March 2025, installations under the scheme are expected to exceed 10 lakh, with the numbers doubling to 20 lakh by October 2025, reaching 40 lakh by March 2026, and ultimately achieving the target of one crore by March 2027[3]. The scheme is projected to add 30 GW of solar capacity through rooftop installations in the residential sector, significantly contributing to India's renewable energy goals.

77) Through this rooftop solar scheme many domestic consumers will have Net metering connections which will have a sizeable impact on the domestic category sales. However, in the Tariff Petition for ARR of FY 2026-27, it is noted that none of the DISCOMs have submitted any proposal related to **PM Surya Ghar – Muft Bijli Yojna**.

78) Further, it is observed that the DISCOMs have also not submitted any proposal related to **Demand Side Management (DSM) initiatives**. DSM is a strategic approach to energy conservation that seeks to manage consumer demand for energy rather than simply supply it. It is a coordinated set of activities and programs undertaken by electric utilities, developers, government agencies, and end-use customers to ensure that electric power service can be delivered to consumers at the lowest cost consistent with reliable supply. DSM also seeks to promote energy conservation and peak load reduction through voluntary or mandatory actions taken by the above-mentioned participants.

79) In view of above, PFI submits that Sales forecast for DISCOMs in ARR of FY 2026-27 may be done considering the impact of **PM Surya Ghar – Muft Bijli Yojna and Demand Side Management (DSM) initiatives**.

P. GFA OR NFA approach for Return on Equity

80) Under Section 181 of the Electricity Act, 2003, SERC has been defined specific function to frame Regulations. Sub-Section (1) of Section 181 stipulates that "*The State Commission may, by notification make regulations* ***consistent with this Act*** *and the rules generally to carry out the provisions of this Act.*"

[3] https://pib.gov.in/PressReleasePage.aspx?PRID=2081250

81) Section 61 of the Electricity Act, 2003, pertains specifically to framework of Tariff Regulations by appropriate Commission. Sub-Section (d) of Section 61 stipulates that while framing Tariff Regulations, appropriate Commission may be guided by various factors including "***safeguarding of consumers' interest*** *and* ***at the same time, recovery of the cost of electricity*** *in a reasonable manner;"*

82) Taking an ideal case of Transformer, whose useful life is 25 years. Based on such useful life, Depreciation is first calculated for 12 years which is linked to 70% of loan repayment. Balance Depreciation till 90% is segregated over balance useful life of 25 years.

83) As mandated u/s 61 (d), stipulated above, there has to ***be recovery of cost of Electricity in a reasonable manner***. Beneficiaries pay for the cost of electricity till 25 years. Initially, Capital Cost is split into 70 : 30 :: Debt : Equity which is being currently dealt as follows :

- **For 1st 12 years** *(ref: Regulation 4.8 of APSERC Tariff Regulations, 2018)*
    - Loan Repayment equivalent to 70% of Capital Cost, is being linked to Depreciation and it's Interest portion is allowed as separate line item in Fixed Cost.
    - Return on Equity is allowed yearly on 30% of Capital Cost without depreciating the equity base since, depreciation is being linked to Debt component.

> *"(3) The repayment for the year during the tariff period from FY 2019-20 to FY 2021-22 shall be deemed to be equal to the depreciation allowed for that year.*
>
> *(4) Notwithstanding any moratorium period availed by the Generating Company or the Transmission Licensee or the Distribution Licensee, as the case may be, 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."*

- **Balance Useful Life of 13 years**
    - Loan has been fully repaid whose principal payment was linked to Depreciation i.e., asset has now been 70% Depreciated.
    - Depreciation is still allowed as an expense in Fixed Cost till 25 years but Equity Base is not reduced.

- Till 100% Loan repayment, which translates to recovery of 70% of Capital Cost, Depreciation used to reduce the Loan Base by linking with loan repayment but once loan is fully repaid Depreciation is still allowed as an expense in Annual Fixed Charges and RoE is allowed on total Equity Base which is same as that on Year 1.

84) **So, a utility, after 12 years (when loan has been fully repaid) receives Depreciation in Fixed Charges and also RoE on full Equity Base. Rather, after 12 years, RoE should be allowed on Net Fixed Asset basis and Equity Base should be reduced by Depreciation since Depreciation is allowed as an expense even after 12 years recovered from consumers.**

Other SERCs where NFA approach is adopted

85) Andra Pradesh Electricity Regulatory Commission, Delhi Electricity Regulatory Commission.

CERC Order dtd. 13/08/2021 – NFA Approach for Emission Control System

86) Hon'ble CERC in it's Order dtd. 13/08/2021 related to determination of Compensation on account of installation of Emission Control System has considered NFA approach as follows:

> *"36. We have considered all the suggestions and comments of the stakeholders.* ***However, the Commission notes that the approach of net fixed assets and cost of capital employed suggested in the draft Suo-Motu order satisfies the principle of economic restitution.*** *The Commission is aware of the concerns and financial position of the generating companies. However, compensation for change in law cannot be a mechanism to improve their financial position. Accordingly, the proposed approach of servicing investment through cost of capital employed is appropriate, being consistent with the principle of economic restitution."*

CERC Order dtd. 30/07/2016 – NFA Approach for BTPS

87) Hon'ble CERC in it's Order dtd. 30/07/2016 related to Truing up of Fixed Cost of 705 MW of BTPS (3 x 95 + 2 x 210) for the period from 1/4/2009 to 31/03/2014, had decided NFA approach post repayment of loan, tabulated as follows:

> *"63. The respondent, BRPL has requested the Commission to direct the petitioner to furnish the actual Corporate tax paid against the BTPS duly audited and*

certified by the Auditors. In response the petitioner has submitted that the Commission has already upheld the contention of the Petitioner, and therefore, this is a settled matter. ***As per methodology under NFA approach, return would be provided on constant equity component till the loans are fully paid and once the loans are fully repaid subsequent depreciation recovery would be utilized towards notional reduction in equity.*** *In other words, return on equity would be calculated on reducing equity base once the loan is fully repaid notionally. The net equity worked out on cash basis as on 1.4.2009 is ₹17946.58 lakh whereas ₹17848.20 lakh has been considered by the petitioner for purpose of tariff. The grossing up of the base rate has been done with respect to the actual tax rate applicable to the petitioner for the years 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14. Accordingly, return on equity has been worked out on the normative net equity as on 1.4.2009 after accounting for the admitted actual additional capital expenditure for the period 2009-14 as above. Return on Equity has been computed as under:-*

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Opening notional equity	17923.71	15699.11	13873.71	14063.84	12366.63
Addition due to Additional Capitalisation	14.65	174.78	781.73	279.06	25.00
Repayment of Equity (balance of depreciation after repayment of loan)	2239.25	2000.18	591.60	1976.27	2448.21
Closing Equity	15699.11	13873.71	14063.84	12366.63	9943.42
Average Equity	16811.41	14786.41	13968.77	13215.23	11155.02
Return on Equity (Base Rate) (%)	15.50	15.50	15.50	15.50	15.50
Tax rate (%)	33.990	33.218	32.445	32.445	33.990
Rate of Return on Equity (Pre Tax) (%)	23.481	23.210	22.944	22.944	23.481
Return on Equity (Pre Tax)	**3947.49**	**3431.93**	**3204.99**	**3032.10**	**2619.31**

88) In view of above, it is noted that since beneficiaries are required to pay for the useful value of the assets in operation, therefore NFA approach would be in tandem with Section 61 (d) of the Act.

89) GFA approach leads DISCOMs to earn return on depreciated assets. Therefore, the capital cost may be divided in the ratio of loans and equity and the loan amount may be reduced to the extent of depreciation accrued. Once the loan is fully repaid, further depreciation must reduce the Equity component as still depreciation is allowed to be recovered in Fixed Cost even after full repayment of loan.

90) **Working Methodology of GFA and proposed NFA Approach is Annexed herewith as Appendix-6 (only RoE, IoL and Depreciation), wherein it may be noted that from 20th Year onwards Equity Base is reduced, after repayment of Loan,**

through Depreciation. Cumulative RoE till 25 years is Rs. 105.60 Cr. whereas under NFA approach is Rs. 95.71 Cr.

91) In view of above, PFI requests the Hon'ble Commission to direct DISCOMs to submit the details in line of Regulation.

PRAYERS BEFORE HON'BLE APSERC:-

1) **To consider the comments / suggestions of Power Foundation of India (PFI) on Tariff Petition for FY 2024-25 & ARR Petition for FY 2026-27 of DoP, AP.**
2) **To direct DoP, AP to submit Audited Accounts, Formats and Annexures with the Petition in line with the APSERC MYT Regulations, 2024 and penalize DoP, AP under Section 142 of the Electricity Act, 2003 for non-compliance of Hon'ble Commission directions.**
3) **To consider the Distribution Loss as approved by the Hon'ble Commission for FY 2024-25 & FY 2026-27.**
4) **The inefficiencies of DoP, AP should not be allowed to socialize to consumers at large rather it should be borne by Government of Arunachal Pradesh by providing subsidy of Rs 692 Cr. instead of booked subsidy of Rs. 543 Cr. for FY 2024-25. Further, Govt. of Arunachal Pradesh should provide additional subsidy of Rs. 270 Cr. on account of higher claims of DISCOM, over and above the subsidy to be decided by Govt. of Arunachal Pradesh for FY 2026-27.**
5) **To direct DoP, AP to submit the projection for Energy Balance, Power Purchase Quantum & Cost on monthly basis.**
6) **To direct DoP, AP to submit the source-wise Renewable Energy compliance.**
7) **To direct DISCOMs to submit separate Petition for Wheeling and Retail Business along with break-up of business-wise expenses and income in Audited Accounts.**
8) **To consider the additional submissions, if any, made by PFI for DoP, AP True-up & ARR Petition.**