No. PFI/Prog/TGERC /2025/16
Dated: 28th February 2025

To,

The Secretary
Telangana Electricity Regulatory Commission (TGERC)
Vidyuth Niyantran Bhavan, Sy. No. 145-P
G.T.S. Colony, Kalyan Nagar,
Hyderabad, Telangana- 500045

Subject: PFI Comments: Telangana DISCOMs ARR & Tariff Petitions for FY 2025-26 for Retail Supply Business

Reference: Telangana (TG) DISCOMs' Public Notice dtd. 7/02/2025

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, GoI. 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 concerned stakeholders. PFI is committed to addressing challenges in Power Sector for the benefit of consumers and investors and ensuring sustainable development of the Sector. PFI has submitted its Comments on TG DISCOMs' APR for FY 2023-24 and ARR & Wheeling Tariff Petitions for FY 2025-26 vide letter dtd. 31/01/2025.

With reference to the above-mentioned Public Notice, PFI has analyzed the Petitions filed by Telangana DISCOMs (O.P. No. 21 of 2025 & I.A.No.04 of 2025 for TGSPDCL and O.P. No. 22 of 2024 & I.A.No.05 of 2025 for TGNPDCL) on the ARR and Tariff for FY 2025-26 for Retail Supply Business. Our comments on the said Petitions are enclosed herewith for your consideration as ***Annexure–I*** which have also been emailed to secy@tgerc.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

Copy to:

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

Yours Sincerely,

Executive Director (PFI)
28/2/25

ANSHUMAN SRIVASTAVA
Executive Director
Power Foundation of India

ANNEXURE-I

Power Foundation of India (PFI) Comments Telangana DISCOMs ARR and Tariff Petition for Retail Supply Business for FY 2025-26

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 Tariff Petition filed by Telangana (TG) DISCOMs (TGNPDCL and TGSPDCL) for FY 2025-26 of Retail Supply Business (O.P. No. 21 of 2025 & I.A.No.04 of 2025 for TGSPDCL and O.P. No. 22 of 2024 & I.A.No.05 of 2025 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 Retail Supply Tariff Petitions of TG DISCOMs for FY 2025-26 and our comments / suggestions on the same are as follows:

A. NO TRUE-UP PETITION FILED FOR FY 2023-24 FOR RETAIL BUSINESS

4) Section 64 of the Electricity Act 2003 (Act) mandates the procedure of Tariff Order wherein in sub-section (3) it has been inter-alia mentioned that the appropriate Commission, within 120 days from receipt of an application shall issue the Tariff Order after considering all suggestions and objections received from the public.

5) The need for timely issuance of Tariff Orders and True-up Orders has been decided by Hon'ble APTEL in its judgement dtd. 11/11/2011 in OP No. 1 of 2011, as follows:

"57. This Tribunal has repeatedly held that regular and timely truing-up expenses must be done since:

(a) No projection can be so accurate as to equal the real situation.

(b) The burden/benefits of the past years must not be passed on to the consumers of the future.

(c) Delays in timely determination of tariff and truing-up entails:

(i) Imposing an underserved carrying cost burden to the consumers, as is also recognised by para 5.3 (h) (4) of National Tariff Policy.

(ii) Cash flow problems for the licensees.

....

65. In view of the analysis and discussion made above, we deem it fit to issue the following directions to the State Commissions:

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

*(ii) It should be the endeavour of every State Commission to ensure that the **tariff for the financial year is decided before 1st April of the tariff year...***

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

....

(v) Truing up should be carried out regularly and preferably every year...".

6) From above, it is noted that Hon'ble APTEL has even decided that SERCs can also initiate Suo-moto proceedings and collect the data and information and give suitable directions and then determine the tariff even in the absence of the application filed by the utilities by exercising the powers under the provisions of the Act as well as the Tariff Regulations.

7) Thus, Tariff determination ought to be treated as a time bound exercise. If there is any lack of diligence on the part of the Utilities which has led to the delay, SERCs must play a pro-active role in ensuring the compliance of the provisions of the Act and Regulations made thereunder. Timely issuance of Tariff and True-up Orders that is fair and cost reflective, allows utilities to maintain adequate cash flow, thus enabling them to supply uninterrupted quality supply to the consumers. It further avoids the burden of creating Regulatory Assets, Carrying Cost and Tariff shock at

once to the end consumers. **However, PFI notes that TG DISCOMs have not filed True-Up Petition of Retail Supply for FY 2023-24.**

8) Further, it is noted from Regulations 6.2 (f) of *Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023* that after first year of the Control Period (FY 2024-25 to FY 2028-29) and onwards, the annual petitions by distribution licensee (for retail supply business) shall comprise of True-up of preceding year. Relevant extract of the Regulations are as follows:

"6 Procedure for filing Petition

...

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

...

f) After first year of the Control Period and onwards, the annual petitions by distribution licensee (for retail supply business) shall comprise of:
i. True-up of preceding year;
ii. Revised Aggregate Revenue Requirement for ensuing year of the Control Period;
iii. Revenue from retail sale of electricity at existing tariffs & charges and projected revenue gap for ensuing year of the Control Period;
iv. Proposal of consumer category wise retail supply tariff and charges for ensuing year of the Control Period."

9) **So, as per the Regulatory provisions TG DISCOMs should have timely filed the True-Up of Retail Supply for FY 2023-24 along with the ARR & Tariff Petition for FY 2025-26. However, PFI notes that TG DISCOMs have yet not filed True-Up Petition of Retail Supply for FY 2023-24 and have filed ARR & Tariff Petition for FY 2025-26 with 2 months delay (mentioned in section below). Such practice of TG DISCOMs increases the burden of Carrying Cost to the end consumers which translates to higher tariff.**

10) In this regard, it is pertinent to highlight the Regulatory Provisions formulated by Hon'ble Uttar Pradesh Electricity Regulatory Commission (UPERC) wherein if the true-up petition is not submitted within time lines given in the specific Regulations no carrying cost shall be allowed for the gap arrived for the true-up year. However, in case of surplus, the same with carrying cost shall be recovered. This avoids the burden of carrying cost, if any, on the end consumers and the same has to be borne by the DISCOMs. Relevant extract of the UPERC (Multi Year Tariff for Distribution and Transmission) (Second Amendment) Regulations, 2022, are as follows:

*"**Regulation 6. True-UP***
6.1 The Licensee shall file Petition for True-Up as provided in Regulation 4.1 of these Regulations:
Provided that the Petition shall include information in such form as may be stipulated by the Commission, together with the Accounting Statements, extracts of books of account and such other details, etc., as per the Guidelines and Formats as may be prescribed by the Commission;
Provided further that if the true-up petition is not submitted within time lines given in the Regulation 4.1, no carrying cost shall be allowed for the gap arrived for the true-up year. However, in case of surplus, the same with carrying cost shall be recovered."

11) **Power Foundation of India (PFI) therefore, urges Hon'ble TGERC to either conduct True-Up of FY 2023-24 on suo-motu basis as mandated by Hon'ble APTEL along with the ARR of FY 2025-26 or disallow the carrying cost, if any, at the time of True-Up. This will avoid the burden of creating Regulatory Assets, Carrying Cost and Tariff shock to the end consumers.**

B. DELAYED TARIFF PETITION FILING for ARR of FY 2025-26

12) TG DISCOMs filed petition before Hon'ble TGERC for their Retail Supply business for approval of revised ARR and Tariff for FY 2025-26 **on 28/01/2025**, however, as per *Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023,* the said Petitions are to be filed **by 30/11/2024. So, there's a delay of around 2 months in submission of the Retail Supply Tariff Petitions.**

13) It is pertinent to note that TG DISCOMs have made it a regular affair to not file the Petitions as per the specified timelines by Hon'ble TGERC. TG DISCOMs also failed to file Retail Supply Tariffs petition for FY 2024-25 on time as a consequence of which Hon'ble TGERC imposed penalties on them and deducted their Return on Equity (RoE). Further, Hon'ble TGERC in Tariff Order dtd. 28/10/2024 for Retail Supply Business for FY 2024-25 strictly directed TG DISCOMs to adhere to the timelines as specified in TGERC MYT Regulations 2023 in future filing of petitions. Relevant extract of Tariff Order for FY 2024-25 is as follows:

"1.2.3 The Commission observe that despite multiple extensions accorded for filing the ARR and Retail Supply Tariffs petition for Retail Supply Business (initially extended from 30.11.2023 to 02.01.2024, and later to 31.01.2024 by notifying Regulation No.2 of 2023), TGDISCOMs have

failed to file the petitions in time. Further, TGDISCOMs, though they were aware that they could file ARR and Retail Supply Tariffs petition for Retail Supply Business petition in a sealed cover during enforcement of Model Code of Conduct, they failed to do so. As such, to enforce discipline, the Commission decided to impose penalties as per Fee Regulation No.2 of 2016 read with subsequent amendments thereof and Regulation No.2 of 2023. The Commission has dealt with regard to reduction in rate of RoE in terms of Regulation No.2 of 2023 in Chapter-4. ***The Commission directs the petitioner to adhere to the timelines as specified in Regulation No.2 of 2023 in future filing of petitions."***

14) Regulations 4(3)(c) TGERC First Amendment to 'Fee' Regulation, 2022 stipulates that

"The penal fee that is attracted in case of licensee or generating company not complying with the provisions of other regulations on the specific topics mentioned in the table below shall be required to pay the penal fee as shown in the opposite column on each of the petition separately whenever it is filed"

1. Aggregate Revenue Requirement & Tariff/ Multi Year Tariff petition.	*Rs.5,000/- per day for the first 30 days beyond the specified date.* *After 30 days, Rs.1,50,000/- plus Rs.10,000/- per day till submission of petition*

15) Further, Regulations 29.2 of TGERC Multi Year Tariff Regulations 2023 stipulates that:

"Provided that in case of delay in submission of tariff/true-up filings by the generating entity or licensee or SLDC, as required under this Regulation, rate of RoE shall be reduced by 0.5% per month or part thereof."

16) **PFI thus requests Hon'ble TGERC to impose penalties on TG DISCOMs as per the Regulatory provisions which works out around Rs. 6 lakhs (5,000*30 + 10,000*29 + 1,50,000) for each DISCOM and also reduce the RoE (at the rate of 0.5% per month) as claimed by TG DISCOMs for FY 2025-26.**

C. HUGE UNMETERED SALES

17) TG DISCOMs in their ARR Petitions for FY 2025-26 have claimed huge unmetered Sales, 40% of the total Sales in case of TG North DISCOM and 26% of the total Sales in case of TG South DISCOM. These unmetered Sales are pertaining to the Agricultural consumers. The unmetered Agriculture Sales as claimed for FY 2025-26 have been estimated to increase by around 5% over the Agriculture Sales in FY 2024-

25 for Telangana State. Further, TG DISCOMs have also considered increase in number of unmetered agricultural connections in FY 2025-26 as shown below:

Table 1 Billing Determinants for TG DISCOMs for FY 2024-25 & FY 2025-26

Particulars	FY 2024-25	FY 2025-26	y-o-y Increase	Increase (%)	Ref
TGSPDCL					
Connections (nos)	1434508	1510736	76228	5%	Form-2
Contracted Demand (MW)	5317	5601	284	5%	Form-3
Sales (MU)	16400	17124	723.99	4%	Form-4
TGNPDCL					
Connections (nos)	1363883	1409365	45482	3%	Form-2
Contracted Demand (MW)	5162	5332	170	3%	Form-3
Sales (MU)	9812	10457	645	7%	Form-4

18) PFI notes from the above table that TG DISCOMs have proposed addition in new unmetered connections in FY 2025-26 as well, which implies that DISCOMs themselves are proposing to provide new connections which will be unmetered in FY 2025-26. However, this is in violation of the MoP *Electricity (Rights of Consumers) Rules, 2020* dtd. 31/12/2020, which states that no connection shall be given without a meter and such meter shall be the smart prepayment meter or pre-payment meter. Relevant extract of the said Rules is as follows:

> *"**5. Metering –** (1) No connection shall be given without a meter and such meter shall be the smart prepayment meter or pre-payment meter. Any exception to the smart meter or prepayment meter shall have to be duly approved by the Commission. The Commission, while doing so, shall record proper justification for allowing the deviation from installation of the smart pre-payment meter or prepayment meter."*

19) **PFI further observed that as per CEA Report on "Status of Metering in the Country", only 18% of the Rural Distribution Transformer (DT) in case of TG South DISCOM and 30% of the Rural DT in case of TG North DISCOM are metered as on 31/03/2024.** In the past, Hon'ble TGERC in its Tariff Orders has repeatedly directed TG DISCOMs to achieve 100% of the Agricultural DTR Metering, however, TG DISCOMs have failed to meter all Agricultural DTs as evident from the CEA Report.

20) PFI submits that unmetered connections and accounting of Sales on assessment basis led to improper Energy Accounting resulting in Revenue loss and scheduling of Costly Power which increases the Revenue Gap during True-up that is socialized to consumers at large in the ARR by Hon'ble Commission even though Tariff is fixed at Normative Distribution Loss Level. Distribution Losses, Metering, Billing and Collection are controllable parameters on the part of DISCOMs and therefore, True-up should not be allowed for masked inefficiencies on account of DISCOMs. Due to lack of metered connections and huge unmetered Sales, Proper Energy Accounting and Actual Distribution losses cannot be ascertained. Thus, the inefficiencies of TG DISCOMs are borne by honest metered consumers.

21) Further, some of the key parameters highlighting the negative performance of TG DISCOMs are as follows:

a) Both TG DISCOMs - TGSPDCL and TGNPDCL are loss-making utilities and have been rated at 'C-' as per 13th Integrated Rating for FY 2023-24. Their performance has been downgraded with respect to last years' assessment for FY 2022-23.
b) AT&C Loss is far above national average of 16.3% i.e., 20% for TGNPDCL and 18.80% for TGSPDCL in FY 2023-24.
c) ACS-ARR Gap (on Cash basis) is far above national average of 0.39 Rs./kWh i.e., Rs. 1.35/kWh for TGNPDCL and Rs. 1.55/kWh for TGSPDCL in FY 2023-24.

22) **In view of above, PFI submits in case of such huge unmetered Sales, Distribution losses of TG DISCOMs cannot be ascertained accurately, and proper Energy Accounting cannot be done. Thus, PFI requests Hon'ble TGERC to take stern measures in terms of the provisions stipulated under Section 142 of the Electricity Act, 2003 for non-compliance of Directions by TG DISCOMS. Separate non- compliance proceedings may be initiated against TG DISCOMs. DISCOMs may be directed to submit Action Taken Report (ATR) to the Hon'ble Commission, with a copy to REC and MoP, stipulating the timelines for metering at least 100% Agricultural Distribution Transformers. This proceeding is despite the fact that TG South has achieved the Distribution Loss target in FY 2023-24 (as mentioned in this Petition at para 3.2.1) which could have been**

even better had metering been in place and benefit of proper Energy Accounting should have been passed on to consumers through optimized Tariff.

23) It is pertinent to note PFI vide its Comments for TG DISCOMs Distribution ARR Petition for FY 2025-26 submitted before Hon'ble TGERC that TG DISCOMs are not availing Revamped Distribution Sector Scheme (RDSS) – A flagship scheme of Ministry of Power, Govt. of India. Telangana State has not participated in RDSS and only Particularly Vulnerable Tribal Groups (PVTG) Households electrification works have been sanctioned under RDSS.

24) MoP (GoI) launched the RDSS on 29/07/2021, with an objective to reduce the AT&C losses to 12-15% (PAN India) and ACS-ARR gap to Zero. The scheme consists of two components – Metering and Distribution Infrastructure Works.

25) PFI submitted before Hon'ble Commission and even highlighted in the Public hearing held on 17/02/2025 that 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.

26) TG DISCOMs in this Petition for ARR & Tariff for Retail Supply Business for FY 2025-26 has submitted before Hon'ble TGERC that draft DPR for Smart Prepaid Metering for all existing Consumers (excluding Agriculture Consumers) and System Metering under RDSS has been prepared which is to be approved by Distribution Reforms Committee (DRC) and also by the Telangana State Cabinet in order to obtain final approval by MoP, GoI. The same has been informed to Hon'ble Commission vide Lr.No. CE (RAC)/ SE(RAC)/ DE(RAC) /F.C32/ D.No.644/24, dtd. 12/12/2024.

27) So, understanding the importance of implementation of RDSS in Telangana State, TG DISCOMs have now initiated to participate in the RDSS. However, TG DISCOMs may be directed to expedite the approval process for RDSS.

28) **Till the non-compliance Proceedings gets completed to the satisfaction of the Hon'ble TGERC, PFI requests Hon'ble Commission to not allow any unmetered Agriculture Sales for FY 2025-26 as the same is in violation of repeated**

directions by the Hon'ble TGERC. TG DISCOMs have been given ample time and support to improve their operational efficiency, however DISCOMs have failed to do so. If such unmetered Sales are to be allowed in view of giving some time to the DISCOMs to convert all existing unmetered connections into metered, it should not be more than 50% of the proposed unmetered Sales.

29) **TG DISCOMs have proposed 27,581 MU of unmetered Sales in Agriculture category. So, the Hon'ble Commission may provisionally disallow 13,790 MU of the Sales, i.e., 50% of the unmetered Energy Sales and in turn its corresponding Power Purchase Cost of Rs. 7,378 Cr. The inefficiencies of TG DISCOMs should not be allowed to pass through to the end consumers and Govt. of Telangana should bear the same in the form of subsidy. The detailed submission for disallowance of Rs. 7,378 Cr. of Power Purchase Cost on account of unmetered Sales of 13,790 MU which is violation of repeated directions of Hon'ble TGERC and MoP Rules is given in the subsequent Section. However, the corresponding revenue from such Agricultural Sales should be allowed as claimed by TG DISCOMs.**

30) **It is proposed that TG DISCOMs may be directed to submit action plan for metering 100% Agricultural Distribution Transformers at first level. The approval of such action plan by Hon'ble TGERC should be 100% metering of Agricultural Distribution Transformers within the target date of maximum two years. Equivalent Power Purchase Cost without Carrying Cost may be allowed during True-up of FY 2025-26 only when 100% Agricultural Distribution Transformers are metered.**

D. REVISED POWER PURCHASE EXPENSES

D.1 Higher cost of TG GENCO (Thermal) and Central Generating Stations

31) PFI notes that TG DISCOMs while computing variable Cost of TG GENCOs have considered 3% escalation on the approved Variable Cost for FY 2025-26 approved by Hon'ble TGERC in the MYT Order dtd. 28/10/2024 for the Control Period which is just 3 months prior to this instant Tariff Petition filed. Similarly, TG DISCOMs while

computing the Fixed and variable Cost of Central Generating Stations (CGS) have considered 3% escalation on the approved Fixed and variable Cost for FY 2025-26. For other Generating Stations TG DISCOMs have considered same cost as approved by Hon'ble TGERC for FY 2025-26. However, no reasoning has been provided by TG DISCOMs for arbitrarily considering such escalations only for some specific Generating Stations.

32) **PFI requests Hon'ble TGERC to consider the same Power Purchase Cost (Fixed and Variable) for TG GENCOs and CSGSs as approved in MYT Order dtd. 28/10/2024 for FY 2025-26. Any difference in Actual and Allowed Power Purchase Cost will be automatically factored in Fuel and Power Purchase Adjustment Surcharge (FPPAS) mechanism for FY 2025-26. It will not be prudent to escalate the ARR of FY 2025-26 and allow upfront loading in Tariff, due to increased Power Purchase Cost, for the consumers of Telangana.**

33) The revised Power Purchase Cost of TG GENCOs and CSGSs considering the above submission by PFI is tabulated below:

Table 2 Power Purchase Cost for TG DISCOMs from TG GENCO (Thermal) & CGS

Stations	Claimed (Rs. Cr.)			PFI Working (Rs. Cr.)			
	Fixed Cost	Variable Cost	Total Cost	Fixed Cost	Variable Cost	Total Cost	PFI proposed Disallowances
TGSPDCL							
TGGENCO - Thermal	8,130	11,762	19,892	8,130	11,419	19,549	(343)
CGS	2,655	5,568	8,223	2,578	5,406	7,983	(240)
TGNPDCL							
TGGENCO - Thermal	3,394	4,910	8,304	3,394	4,767	8,161	(143)
CGS	1,108	2,324	3,432	1,076	2,256	3,332	(100)

D.2 Disallowance of Power from NTECL Vallur TPS & NLC Tamil Nadu Power Ltd

34) PFI has observed that TG DISCOMs have considered Power Procurement from NTECL Vallur TPS and NLC Tamil Nadu Power Ltd. in FY 2025-26, however, Hon'ble TGERC in MYT Order dtd. 28/10/2024 has not considered the Power Procurement from these Stations for FY 2025-26 in view of legacy issues. Relevant extract of the Commission's Order is as follows:

"4.3.16 ... The Commission has not considered the capacity allocation from NTECL Vallur TPS and NLC Tamil Nadu Power Ltd. in line with the earlier directions of the Commission in RST Orders for FY 2017-18, FY 2018-19, FY 2022-23 and FY 2023-24."

35) In view of above, PFI requests Hon'ble TGERC to not consider the Power Purchase from these Stations and disallow the Power Purchase Cost as claimed by TG DISCOMs for these two Stations, as tabulated below:

Table 3 Power Purchase Cost for TG DISCOMs from Vallur TPP (NTECL) & NLC

Generating Stations	Claimed					PFI WORKING
	Quantum (MU)	Fixed Cost (Rs. Cr.)	VC/kWh	VC (Rs. Cr.)	Total Cost (Rs. Cr.)	Total Cost (Rs. Cr.)
TGSPDCL						
Vallur TPP (NTECL)	542	58	4.08	221	**279**	**0.00**
NLC Tamil Nadu Power Ltd.	759	86	4.24	322	**408**	**0.00**
TGNPDCL						
Vallur TPP (NTECL)	226	24	4.08	92	**116**	**0.00**
NLC Tamil Nadu Power Ltd.	317	36	4.24	134	**170**	**0.00**

D.3 DISALLOWANCE FOR UNMETERED SALES

36) In above Section, PFI requested Hon'ble TGERC to not provisionally allow 50% of claimed unmetered Agriculture Sales for FY 2025-26 as the same is in violation of repeated directions of Hon'ble Commission. TG DISCOMs have been given ample time and support to improve their operational efficiency, however DISCOMs have failed to do so. If at all such unmetered Sales are to be allowed in view of giving some time to the DISCOMs to convert all existing unmetered connections into metered, it should not be more than 50% of the proposed unmetered Sales.

37) TG DISCOMs have proposed 27,581 MU of unmetered Sales in Agriculture category. So, the Hon'ble Commission may provisionally disallow 13,790 MU of the Sales, i.e., 50% of the unmetered Energy Sales and in turn its corresponding Power Purchase Cost which has been worked out by **PFI as Rs 7,378 Cr considering the approved Average Power Purchase Cost of Rs. 5.35/kWh for FY 2025-26 in MYT Order dtd. 28/10/2024. So, the corresponding Power Purchase Cost to be provisionally disallowed in view of unmetered Sales in Agriculture category is Rs 7,378 Cr.**

for TG DISCOMs for FY 2025-26. Equivalent Power Purchase Cost without Carrying Cost to be allowed during True-up of FY 2025-26 only when 100% Agricultural Distribution Transformers are metered.

E. REVISED NET DISTRIBUTION ARR

38) TG DISCOMs in their ARR Petitions for Distribution Business for FY 2025-26 submitted net Distribution ARR (comprising of O&M expenses, Depreciation, Interest and finance charges on Loan and Return on Equity) of Rs. 5,414, Cr. for TGSPDCL and Rs. 3,928 Cr. for TGNPDCL (RoE).

39) However, based on the applicable Regulatory provisions PFI has worked out net Distribution ARR of Rs. 4,520 Cr. and Rs. 3,298 Cr. for TGSPDCL and TGNPDCL respectively. The detailed submission of PFI has been made in its letter dtd. 31/01/2025 sent to Hon'ble Commission in this regard. The Summary of claimed and PFI working of net Distribution Cost for FY 2025-26 is as follows:

Table 4: Summary of Distribution Cost 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	(488)	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**	**3,449**	**(659)**	**5,541**	**4,996**	**(545)**	**(1,203)**
Less:							0
Income from Open Access (Wheeling Charges)	*3.19*	*3.19*	*0*	*1.19*	*1.19*	*0*	0
Non- Tariff Income	*175*	*175*	*0*	*125*	*475*	*(350)*	*(350)*
Distribution Cost	**3,928**	**3,271**	**(659)**	**5,414**	**4,520**	**(895)**	**(1,553)**

40) **PFI requests Hon'ble TGERC to consider the submission made by PFI and accordingly allow net Distribution ARR while computing the ARR of Retail supply considering the PFI working shown above.**

F. REVISED O&M EXPENSES, DEPRECIATION, FINANCE CHARGES AND RoE FOR RETAIL SUPPLY BUSINESS

41) Based on the detailed submission made vide letter dtd. 31/01/2025 to Hon'ble Commission with respect to Distribution ARR Business wherein PFI has worked out revised O&M expenses, Depreciation, Finance Charges and RoE applicable for TG DISCOMs for FY 2025-26, the revised applicable expenses for Retail Supply Business, i.e., 10% of the Total ARR of TG DISCOMs, is as follows:

Table 5: Summary of Retail Supply expenses for FY 2025-26 for TG DISCOMS (Rs. Cr.)

Particulars (for Retail Supply, 10% of total)	TGNPDCL			TGSPDCL			PFI
	Claimed	PFI	Diff.	Claimed	PFI	Diff.	Disallowances
Operation and Maintenance expenses	334	280	(54)	425	381	(43)	(97)
Depreciation	46	44	(2)	92	81	(12)	(13)
Interest and finance charges on Loan	43	32	(10)	50	50	0	(10)
Return on Equity	23	16	(7)	34	29	(5)	(13)
Total Expenditure	**445**	**372**	**(73)**	**601**	**541**	**(61)**	**(134)**

42) **PFI requests Hon'ble TGERC to consider the above expenses pertaining to Retail Supply Business as worked out by PFI above while computing the ARR of TG DISCOMs for FY 2025-26.**

G. REVENUE FROM CROSS SUBSIDY SURCHARGE (CSS)

43) TGSPDCL while computing the Cross Subsidy Surcharge for FY 2025-26 has considered Open Access Sales of 237 MU and Revenue from such Open Access Sales as Rs. 37 Cr., without submitting any reason/ basis for estimating such Open Access Sales. Further, PFI notes that Hon'ble TGERC while computing Revenue from Open Access Sales for FY 2024-25 considered Open Access Sales of 407 MU, based on the submission by TGSPDCL.

44) PFI submits that no basis has been provided by TGSPDCL for considering only 58% of the Open Access Sales in FY 2025-26 as compared to that in FY 2024-25 approved by TGERC. Such reduction in Open Access Sales should be backed by strong basis

and reasoning which has not been submitted by TG DISCOMs. **PFI thus requests Hon'ble TGERC to consider the same level of Open Access Sales in FY 2025-26 for TGSPDCL as that approved for FY 2024-25 and thus consider Revenue from Cross Subsidy Surcharge as Rs. 66.31 Cr. as approved for FY 2024-25**. The said calculation is without the fact that increase in Open Access Sales will decrease the Power Purchase Cost of DISCOM and also decrease the Revenue which may be factored suitably in the Tariff model by Hon'ble Commission.

H. SUMMARY OF ARR AND REVENUE GAP

45) Based on above, the Summary of Disallowances worked out by PFI for TG DISCOMs is as follows :

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

Sr. No.	Particulars	TGNPDCL			TGSPDCL			PFI TOTAL Disallow.
		Claimed	PFI	Diff.	Claimed	PFI	Diff.	
1	Power Purchase Cost	14,042	10,715	(3,327)	36,530	30,680	(5,850)	**(9,177)**
1a	*Disallowance for higher cost of TG GENCO (Thermal) & CGS*	-	*(243)*	*(243)*	-	*(582)*	*(582)*	*(825)*
1b	*Disallowance of Power from NTECL Vallur TPS & NLC*	-	*(287)*	*(287)*	-	*(687)*	*(687)*	*(974)*
1c	*Disallowance for Unmetered Sales*	-	*(2,797)*	*(2,797)*	-	*(4,581)*	*(4,581)*	*(7,378)*
2	Distribution Cost	3,928	3,298	(630)	5,414	4,520	(894)	**(1,524)**
3	O&M- Retail Supply	334	280	(54)	425	381	(43)	**(97)**
4	Depreciation- Retail Supply	46	44	(2)	92	81	(12)	**(13)**
5	Finance Charges- Retail Supply	43	32	(10)	50	50	0	**(10)**
6	RoE- Retail Supply	23	16	(7)	34	29	(5)	**(13)**
7	Other Costs	1,399	1,399	0	3,490	3,490	0	**0**
8	**ARR for FY 2025-26**	**19,814**	**15,784**	**(4,030)**	**46,035**	**39,231**	**(6,804)**	**(10,834)**
9	Revenue from Tariff	9,421	9,421	0	36,220	36,220	0	0
10	Revenue from CSS & AS	0	0	0	57	86	29	**29**
11	**Revenue (Gap)/Surplus**	**(10,393)**	**(6,363)**		**(9,578)**	**(2,925)**	Revenue Gap Reduces to Rs. 9,288 Cr.	

46) Hon'ble TGERC is requested to kindly consider the submissions as tabulated above. Accordingly, the Revenue Gap of Rs. 20,151 Cr. claimed by TG DISCOMs reduces to Rs. 9,288 Cr. as per PFI working.

I. COMPLIANCE OF DIRECTIVES

47) PFI has observed that TG DISCOMs have not submitted any details for Compliance of the following Directives issued by Hon'ble TGERC:

   a) *The Commission directs TGDISCOMs to conduct consumer awareness programs in areas with high AT&C losses.*

   b) *The TGDISCOMs are directed to conduct awareness programs among the consumers regarding safety standards. Further, TG Discoms take steps for use of safety appliances by O&M staff to avoid accidents.*

   c) *The TGDISCOMs are directed to bring awareness among the consumers about energy conservation measures to reduce the consumption during peak hours to optimize the power purchase cost.*

48) PFI notes that the aforementioned Directives are quite critical in terms of creating awareness among the consumers about loss reduction, Energy conservation and Safety Standards. **Therefore, PFI urges Hon'ble TGERC to seek details on the above Directives from TG DISCOMs.**

J. REVENUE GAP: (ELECTRICITY (AMENDMENT) RULES, 2024 DTD. 10/01/2024)

49) MoP vide *Electricity (Amendment) Rules, 2024* dtd. 10/01/2024 has specified the following with regards to Revenue Gap between approved Annual Revenue Requirement and estimated Annual Revenue from approved tariff:

> ***"23. Gap between approved Annual Revenue Requirement and estimated annual revenue from approved tariff-*** *The tariff shall be* ***cost reflective*** *and there* ***shall not be any gap*** *between approved Annual Revenue Requirement and estimated annual revenue from approved tariff except under natural calamity conditions:*
>
> *Provided that such gap, Created if any,* ***shall not be more than three percent of the approved Annual Revenue Requirement****....."*

50) The Rules have clearly specified that the tariff shall be cost reflective and there shall not be any gap between approved Aggregate Revenue Requirement and Estimated Annual Revenue from approved tariff except under natural calamity conditions. And

if at all, the Gap is Created it shall not be more than 3% percent of the approved Annual Revenue Requirement.

51) **It is noted from the TG DISCOMs Tariff Petition for ARR of FY 2025-26 there is a Revenue Gap of Rs. 20,151 Cr. (9,758 TG South and 10,393 TG North) at existing Tariff which is 30% of the ARR projected for FY 2025-26.**

52) Hon'ble APTEL in its judgement dated 11/11/2011 in OP 1 of 2011 has laid the significance of cost reflective tariff as follows:

> *"56. It is to be pointed out in this context, that the legislative intent in enacting the Act, 2003 is to secure effective Regulations characterised by tariff rationalisation with timely cost reflective tariff determination based on the principles set out in Section 61 read with the National Tariff Policy. ..."*

53) Section 62 of the Act empowers SERCs to determine the Tariff on cost plus basis for the utilities regulated by them engaged in generation, transmission and distribution of electricity. Section 63 empowers SERCs to adopt the Tariff discovered through transparent process of bidding. Determination of cost-reflective tariff of Distribution Licensees by SERCs plays a significant role as it lays the foundation of routing revenue up the supply chain.

54) Hon'ble Supreme Court's in its judgement in PTC India Vs. CERC dated 15/03/2010 has ruled that the term "tariff" includes within its ambit not only the fixation of rates but also the rules and regulations relating to it. Through Sections 61 and 62 of the Act, the Appropriate Commission shall determine the actual tariff in accordance with the provisions of the Act, including the terms and conditions which may be specified by the Appropriate Commission under Section 61 of the said Act. Under the 2003 Act, it becomes clear from Section 62 with Section 64, that although tariff fixation is legislative in character, the same under the Act is made appealable vide Section 111. These provisions, namely, Sections 61, 62 and 64 indicate the dual nature of functions performed by the Regulatory Commissions, viz, decision-making and specifying terms and conditions for tariff determination.

55) Similarly, Hon'ble APTEL vide its judgment dated 4/09/2012 in Appeal No. 94 of 2012 has stated that the term 'Regulate' has got a wider scope and implication not merely confined to determination of tariff. Section 61 and 79 not only deal with the tariff but also deal with the terms and conditions of tariff. The terms and conditions necessarily include all terms related to tariff.

56) Further, Tariff Policy, 2016, also states that in terms of Section 61(g) of the Act, the Appropriate Commission shall be guided by the objective that the tariff progressively reflects the efficient and prudent cost of supply of electricity.

57) **In view of above, PFI submits before Hon'ble TGERC to determine cost-reflective Tariff for FY 2025-26 as per the principles stipulated in MoP rules dated 10/01/2024.**

K. NO ROAD MAP FOR ENERGY STORAGE

58) 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.

59) 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.

60) 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, and May and June 2023. This waiver also applies to Hydro

Pumped Storage Projects (PSP) and Battery Energy Storage Systems (BESS) commissioned up to June 30, 2025.

61) 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.

62) 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.

63) The CEA in its Report for Resource Adequacy Plan[1] for the State of Telangana for the period from FY 2024-25 to FY 2034-35 has identified that:

- Telangana is likely to witness energy deficit throughout the period of study i.e. from 2024-25 to 2034-35 with the existing, planned capacity including the capacity required to meet Renewable Purchase Obligations (RPO). It was observed that the total unserved energy in the year 2034-35 is likely to be around 16684 MU. Further, it is expected that the Shortall would be maximum during the non-solar hours in the months of February and March.

- To meet the projected demand reliably, additional 5092 MW from Coal and **7918 MW /38,432 MWh from Storage** may be required with a planning reserve margin of 18%. Further, study suggests year wise short term/medium term/bilateral requirements to meet the demand optimally.

64) Many DISCOMs in the country have initiated the bidding process for ESS and for many of them the tariff discovered has also been adopted by respective SERCs. Few such DISCOMs along with their ESS proposal pertaining to the objective of Energy Arbitrage are as follows:

Category	Energy Storage Tender_ DISCOMs	Capacity

[1] Microsoft Word - Telangana RA Report 2034-35

BESS	GUVNL Phase II (March 2024)	500 MWh
	GUVNL Phase III (June 2024)	1000 MWh
	MSEDCL (August 2024)	600 MWh
	UPPCL (August 2024)	1200 MWh
	GUVNL Phase IV (August 2024)	800 MWh
PSP	MSEDCL (Sept 2024)	24000 MWh

65) Various SERCs, have approved the Energy Storage based on the proposal received from their DISOCMs. Like, in Delhi, DERC has approved a 20 MW/40 MWh standalone BESS project for their DISCOM on 1/05/2024. On 26/09/2024, MERC approved the procurement of 1000 MW of energy storage from pumped hydro storage (PHS) projects in Maharashtra, with an additional greenshoe option of 2000 MW, allowing for potential expansion. The bid results, as outlined in MERC's order, provide a benchmark for competitive energy storage costs in the region. For projects designed to discharge up to 8 hours daily, with a maximum continuous discharge of 5 hours—enabling two cycles per day—the levelized cost of storage is estimated at ₹3.2 per kWh. This price is highly competitive.

66) 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.

67) **However, in the Tariff Petition for ARR of FY 2025-26, it is noted that the TG DISCOMs have not submitted any proposal for compliance of ESS target. In view of 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 in CY 2024 and active participation by various DISCOMs, as stipulated above, TG DISCOMs necessitates to also consider Energy Storage as part of their Power Procurement Planning in line with Resource Adequacy Planning formulated by CEA.**

L. PM SURYA GHAR – MUFT BIJLI YOJNA AND DEMAND SIDE MANAGEMENT

68) 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[2]. 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.

69) 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 2025-26, it is noted that the UPCL have not submitted any proposal related to **PM Surya Ghar – Muft Bijli Yojna**.

70) Further, TG 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.

71) In view of above, PFI submits that Sales forecast for TG DISCOMs in ARR of FY 2025-26 may be done considering the impact of **PM Surya Ghar – Muft Bijli Yojna and Demand Side Management (DSM) initiatives**.

M. TIME OF DAY (ELECTRICITY (RIGHTS OF CONSUMERS) AMENDMENT RULES, 2023 DTD. 14/06/2023)

72) *Electricity (Rights of Consumers) Amendment Rules, 2023* dtd. 14/06/2023 stipulates that every consumer category except Agriculture should have Time of Day (TOD) Tariff

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

with effect from 01/04/2025 and shall be made effective immediately after installation of Smart Meters, for consumers with Smart Meters.

73) Further, the Rules also stipulate that ToD Tariff for Commercial and Industrial consumers during peak period of the day shall not be less than 1.20 times the normal tariff and for other consumers, it shall not be less than 1.10 times the normal tariff. Further ToD during Off-peak hours should be at least 20% less than the normal tariff (not more than 80% of the normal tariff). Although, the MP DISCOMS have proposed Off-peak and peak Tariff for HT and LT consumers (except Domestic) which is in compliance with the Consumer Rules formulated by MoP.

74) However, it is to be noted that TG DISCOMs have not proposed any Peak hours ToD for Domestic consumers upto 10 kW, where Smart Meters have been installed for FY 2025-26.

75) Further, TG DISCOMs have also not submitted the status of ToD in their area (tariff category wise). The said status report should provide benefit derived from ToD through flattening of Load Curve and avoiding procurement of costly power in Peak Period.

76) PFI observes that the cost of power purchase during peak hours is quite high. Time of Day (ToD) Tariff is an important Demand Side management (DSM) measure to flatten the load curve and avoid such high-cost peaking power purchases. Accordingly, in ToD Tariff regime peak hour consumption is charged at higher rates which reflect the higher cost of power purchase during peak hours. At the same time, a rebate is being offered on consumption during off-peak hours. This is also meant to incentivise consumers to shift a portion of their loads from peak time to off-peak time, thereby improving the system load factor and flattening the load curve. The ToD Tariff is aimed at optimizing the cost of power purchase, which constitutes over 80% of the Tariff charged from the consumers. It also assumes importance in the context of propagating and implementing DSM and achieving energy efficiency.

77) Introduction of higher peak hour Tariff would initially generate additional revenue which would compensate for the reduction in revenue on account of lower Tariff

during off peak hours. In the long run, this would provide signals to the consumers to reduce load during peak hours and, wherever possible, shift this consumption to off-peak hours. Any loss of revenue to the utility on account of shifting of load from peak to off-peak hours in the long run would by and large get compensated by way of reduction of off-peak surplus to the extent of increase in off-peak demand.

78) The ToD Tariff would thus have immediate as well as long-term benefits for both, consumers as well as the utility and contribute towards controlling the rise in power purchase costs

79) **Thus, PFI requests Hon'ble TGERC to formulate ToD Tariff for all eligible consumers in line with the MoP Electricity (Rights of Consumers) Amendment Rules, 2023 dtd. 14/06/2023 as amended from time to time.**

N. PRAYERS BEFORE HON'BLE TGERC :-

1) **To consider the comments / suggestions of Power Foundation of India (PFI) on the ARR and Retail Supply Tariff Petitions (O.P. No. 21 of 2025 & I.A.No.04 of 2025 for TGSPDCL and O.P. No. 22 of 2024 & I.A.No.05 of 2025 for TGNPDCL).**

2) **To provisionally disallow 13,790 MU of the Sales, i.e., 50% of the unmetered Energy Sales and corresponding Power Purchase Cost of Rs. 7,378 Cr. The inefficiencies of TG DISCOMs should not be allowed to pass through to the end consumers and the Govt. of Telangana should bear the same in the form of subsidy.**

3) **To allow Power Purchase expenses as per the applicable Regulatory provisions and as worked out by PFI and disallow Rs. 9,177 Cr. (Rs. 3,327 Cr. of TGNPDCL and Rs. 5,850 Cr. of TGSPDCL) for FY 2025-26.**

4) **To allow Distribution cost comprising of Operations and Maintenance Expenses, Depreciation, Interest on Loan, RoE and Interest on Working Capital as per the submission made by PFI vide its letter dtd. 31/01/2025 in respect of Distribution ARR Petitions for FY 2025-26 and accordingly**

consider its impact of reduction by Rs. 1,524 Cr. in the Retail Supply Tariff ARR.

5) **To consider PFI working for Operation and Maintenance Expenses, Depreciation, Finance Charges and RoE pertaining to Retail Supply Business and allow only the prudent cost to TG DISCOMs in the ARR of FY 2025-26 by reduction of Rs. 133 Cr.**

6) **To consider the PFI submission for computing Revenue from Cross Subsidy Surcharge for TGSPDCL and accordingly computing ARR and Revenue for FY 2025-26 for TG DISCOMs by increasing revenue by Rs. 29 Cr.**

7) **Any inefficiencies of TG DISCOMs should not be allowed to pass through to the end consumers and the Govt. of Telangana should bear the same in the form of subsidy.**

8) **Hon'ble TGERC to direct TG DISCOMs to expedite the approval process of RDSS for betterment of the Power Sector in the State of Telangana.**

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