Power Foundation of India

Power Foundation of India

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

No. PFI/Prog/TNERC /2025/20
Dated: 25th March 2025

To,

The Secretary
Tamil Nadu Electricity Regulatory Commission
4th Floor, SIDCO Corporate Office Building, Guindy,
Chennai-600032

Subject: PFI Comments on TNPDCL True-Up Petition FY 2023-24

Ref: TNPDCL Notice inviting Comments on True-Up Petition for FY 2023-24

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 concerned stakeholders. PFI is also committed to address challenges in Power Sector for the benefit of consumers, investors and ensuring sustainable development of the Sector.

With reference to the above-mentioned Notice, PFI has analyzed the True-Up Petition of FY 2023-24 *(M.P. No. 18 of 2025)* filed by Tamil Nadu Power Distribution Corporation Limited (TNPDCL) before Tamil Nadu Electricity Regulatory Commission (TNERC).

Our comments/ suggestions on the said Tariff Petition are enclosed herewith for your consideration as *Annexure–I* which have also been emailed to cfcreg@tnebnet.org. 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. **The Chairperson**
   Tamil Nadu Electricity Regulatory Commission
   4th Floor, SIDCO Corporate Office Building, Guindy,
   Chennai-600032

2. **The Chief Financial Controller/Regulatory Cell**
   Tamil Nadu Power Distribution Corporation Limited
   7th floor, Western Wing, N.P.K.R.R Maaligai
   144, Anna salai
   Chennai-600002

Yours Sincerely,

Executive Director, PFI
25/3/25

ANNEXURE-I

PFI Comments/Suggestions: TNPDCL True-Up Petition FY 2023-24

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) Hon'ble Tamil Nadu Electricity Regulatory Commission (TNERC/Commission) has sought comments / suggestions from various stakeholders on the Tariff Petition filed by Tamil Nadu Power Distribution Corporation Limited (TNPDCL) on True-Up of FY 2023-24. PFI has reviewed and analyzed the said Tariff Petition, and our comments / suggestions are as follows:

A. HUGE UNMETERED ENERGY SALES

1) TNPDCL in True-Up Petition for FY 2023-24 has claimed 15,909 MU of Unmetered Sales pertaining to Agriculture consumers which is 17% of the Total Energy Sales claimed for FY 2023-24. Further, as per CEA Report on Status of Metering only 37% of the Urban Distribution Transformers (DTs) and 8% of the Rural DTs are metered in Tamil Nadu as on 31/03/2024 which is an area of concern.

2) Every passing year, TNPDCL submits huge unmetered connections pertaining to Unmetered Connections and is not able to meter the unmetered Connections. **MoP *Electricity (Rights of Consumers) Rules, 2020* dtd. 31/12/2020 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."*

3) It is submitted that due to such huge unmetered connections, proper Energy Accounting and Actual Distribution losses cannot be ascertained. Thus, the inefficiency of TNPDCL is borne by honest metered consumers even though Tariff is Fixed at Normative Distribution Loss Level because actual Distribution loss cannot be ascertained which forms the basis of fixing Distribution Loss trajectory.

4) It is pertinent to state that, the Government of India has approved the Revamped Distribution Sector Scheme (RDSS) to support DISCOMs in improving their operational efficiencies. One of the components on which RDSS Scheme focuses is Metering. Under this part, Prepaid Smart metering for consumers, and System metering at Feeder and Distribution Transformer level with communicating feature along with associated Advanced Metering Infrastructure (AMI) is to be done. The Total sanctioned funds under RDSS for Tamil Nadu State is Rs. 19,163 Cr. out of which total Gross Budgetary sanctioned is Rs. 3,398 Cr. *(Source: RDSS portal)*.

5) Unmetered connections lead to improper Energy Accounting resulting Loss in Revenue and Scheduling Costly Power which increases the Revenue Gap during True-up that is socialized to consumers at large in the ARR by Hon'ble Commission. Distribution Loss, Metering, Billing and Collection are controllable events in the hands of DISCOMs so True-up should not be allowed for masked inefficiencies. Such inefficiencies of TNPDCL may be borne by Tamil Nadu State Government in the form of subsidy.

6) **PFI requests Hon'ble TNERC to take suitable measures for non- compliance of Rules/Directions and non-performance by TNPDCL in terms of the provisions stipulated under Section 142 of the Electricity Act, 2003 (Act). TNPDCL may be directed to submit action plan for metering 100% Agricultural Distribution Transformers and the approval of such action plan by Hon'ble TNERC should be within the target date of maximum two years. TNPDCL may be directed to submit Action Taken Report (ATR) to the Hon'ble Commission, with a copy to REC and MoP.**

7) **Further, as a deterrent measure Hon'ble TNERC may consider disallowing provisionally 50% of the claimed unmetered Energy Sales and its**

corresponding Power Purchase Cost in the ARR of 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.

8) It is also pertinent to note that Hon'ble TNERC in True-Up of past years has adopted an approach wherein the Commission disallowed some portion of the Energy sales of agricultural unmetered consumers stating that the same is booked in excess of the norms as approved by the Hon'ble Commission. **Hon'ble TNERC may verify the Unmetered Agricultural Energy Sales as claimed for FY 2023-24 that whether such Sales are as per the approved norms.**

B. COSTLIER POWER PURCHASE COST

9) The Commission in Tariff Order dtd. 9/09/2022 in ARR of FY 2023-24 has allowed Power Purchase Cost of Rs. 34,028 Cr. However, TNPDCL in the True-Up Petition for FY 2023-24 has claimed Rs. 48,130 Cr. for Power Purchase Cost.

10) It has been observed by PFI, from Form-7 of the Tariff Petition, that TNPDCL has purchased huge quantum of power (10% of the total Power) from Power Exchange at very high rate of 9.24 Rs/kWh in FY 2023-24 which amounts to Rs. 7953 Cr. Similarly, TNPDCL has also procured 2650 MU from Short Term Open Access at 9.56 Rs/kWh which amounts to Rs. 2534 Cr. Further, TNPDCL has also procured costlier power from different Sources such as Kudgi Unit I, Simhadri Stage II Unit III, SEPC, TAQA. Due to such costlier Power Purchase the Average Power Purchase Cost (APPC) of TNPDCL is 6.94 Rs/kWh for FY 2023-24.

11) TNERC in the ARR Order of FY 2023-24 had approved Power Purchase Quantum of 1,05,488 MU at **APPC of Rs. 5.00/kWh** considering Sales of 89,882 MU but due to inefficient Power procurement planning of TNPDCL, in actual they have procured 1,14,012 MU of power in FY 2023-24 at **APPC of Rs. 7.08/kWh** in meeting Sales of 93,380 MU.

12) It is pertinent to note that there are some cheaper sources of Power available with the DISCOM however, TNPDCL has procured Power from costlier sources despite availability of cheaper sources of Power. Although the Hon'ble Commission approved

less PLF for costlier Plants and higher PLF for cheaper Plants, TNPDCL has failed to do so.

13) It has been noticed by PFI that TNPDCL has procured 1844 MU and 2870 MU from Kudgi Unit I and SEPC respectively, however, the Hon'ble Commission in Tariff Order dtd. 9/09/2022 in ARR of FY 2023-24 approved only 945 MU and 643 MU from Kudgi Unit I and SEPC respectively. So, TNPDCL has not restricted themselves to the approved Power Purchase from Hon'ble Commission while procuring such costlier Power in FY 2023-24. The details are tabulated below:

***Table 1:** Power Purchase Cost and Quantum as claimed for FY 2023-24*

Source	Power Purchase Quantum (MU) (Approved)	Power Purchase Quantum (MU) (Claimed)	Power Purchase Cost (Rs. Cr.) (Claimed)	Unit rate (Claimed)	PLF (Claimed)
Costlier Plants					
Short Term Open Access	-	2650.28	2533.69	9.56	
Kudgi Unit I	**945**	**1843.62**	1405.08	7.62	61%
Simhadri Stage II Unit III	1271	1236.27	745.85	6.03	63%
SEPC	**643**	**2870.04**	1854.82	6.46	62%
TAQA (STCMS)	1318	1365.49	893.85	6.55	62%
Sub-total		**9966**	**7433**		
Cheaper Plants					
Talcher	3647	3637	1108.95	3.05	81%
Madras APS	822	925	244.51	2.64	32%
Kaiga APS	1961	1757	620.25	3.53	82%
NTPC KBUN	**469**	**113.5**	45.53	4.01	13%
Sub-Total		**6432**	**2019**		
Total		**16,398**	**9,453**		

14) As observed from Table above, TNPDCL has not restricted to the approved Power Purchase by Hon'ble Commission while procuring such costlier Power in FY 2023-24. Such costlier power can be procured from Cheaper Sources of Plants as the PLF of such Cheaper Sources is low and can be optimized upto 100%.

15) It has been observed by PFI that *Regulations 75 of TNERC (Terms and Conditions for the determination of Tariff) Regulations, 2005,* specifies the Regulatory provisions for Power Purchase Cost by the DISCOMs. Relevant extract of the said Regulations are as follows:

*"**75. Cost of Power Purchase***

*(1) The Distribution licensee shall procure power on **least cost basis and strictly on merit order despatch** and shall have flexibility to procure power from any source in the country. A two-part tariff structure shall be adopted for all long term contracts to facilitate merit order dispatch.*

(2) They shall procure power through arrangement other than long term contracts progressively in an increasing proportion.

(3) The cost of power purchased from Central Generating Company shall be worked out based on tariff determined by the Central Electricity Regulatory Commission.

(4) The cost of power purchased from IPPs shall be considered based on Power Purchase Agreement.

(5) In case of power purchased from Captive Generators and other non conventional energy sources, the cost shall be worked out as per the policy approved by the Commission.

(6) The cost of power generated in the Generating Companies / Units owned by the licensee shall be worked out based on the transfer price determined by the Commission.

(7) In case of short term power shortage, the licensee may procure power from any source at a tariff not exceeding the highest rate approved by the Commission."

16) TNPDCL has even not submitted monthly reports certified by SLDC that Merit Order Despatch has been followed in true spirit while scheduling the power from various generating stations. PFI notes that various other DISCOMS operating in other States submit such information as part of their True-up Petitions and based upon the prudence check exercise of Merit Order Despatch the legitimate Power Purchase Cost is thus allowed by respective SERCs which is in compliance to Section 86 1(b) of the Act wherein one of the major functions of the SERC is to regulate electricity purchase and procurement process of DISCOM including the price at which electricity shall be procured. Further there are numerous judgments of the Hon'ble APTEL wherein MoD principle has been considered as one of the major parameter in deciding the Power Purchase Cost of DISCOM. TNPDCL has not provided any details that whether there was forced scheduling from various costly CSGS as tabulated above or these were received on account of Minimum Technical Limit (MTL) Criteria.

17) In view of above, PFI notes that no suitable measures have been taken by TNPDCL for improving their Power Procurement Planning. Further, details whether Gas based plants or other costly plants were required / scheduled during peak hours has also

not been provided in the Petition which Hon'ble TNERC should seek from TNPDCL and provide in Public Domain. The inefficiency on account of DISCOM is socialized in the ARR and its impact is being loaded to the Honest Consumers of Tamil Nadu in the form of Tariff hike. Also, TNPDCL should ensure surrender of costly PPA post their expiry and increase their portfolio with Round the Clock Renewable Energy coupled with Energy Storage.

18) Thus, as per the Regulatory provisions, mentioned above, the Power Purchase Cost shall be on least cost basis and strictly on merit order despatch. Based on the above mentioned Regulatory Principles, PFI has worked out the avoided Costly Power Purchase Cost which can be procured from the Cheaper sources, keeping the Power Purchase Quantum same as claimed by TNPDCL, as tabulated below. The PLF of Costlier Plants has been taken at Technical Minimum limit, i.e., 55% as prescribed in CERC Regulations.

Table 2: *Power Purchase Cost and Quantum as worked out by PFI for FY 2023-24*

Source	Power Purchase Quantum (MU)	Power Purchase Cost (Rs. Cr.)	Per unit rate	PLF
Costlier Plants				
Short Term Open Access	0	0	0.00	
Kudgi Unit I	1662.28	1266.88	7.62	55%
Simhadri Stage II U III	1079.28	651.14	6.03	55%
SEPC	2546.00	1645.40	6.46	55%
TAQA (STCMS)	1211.32	792.93	6.55	55%
Sub-Total	**6499**	**4356**		
Cheaper Plants				
Talcher	4490.12	1369.07	3.05	100%
Madras APS	2890.63	764.09	2.64	100%
Kaiga APS	2142.68	756.40	3.53	100%
NTPC KBUN	375.50	150.63	4.01	43%
Sub-Total	**9899**	**3040**	**3.07**	
Total	**16,398**	**7,397**		

19) **As observed from above, by considering the Power Purchase Cost as per the Regulatory provisions, the savings through optimized Power Purchase would be Rs. 2,056 Cr. (9453-7397) PFI requests Hon'ble TNERC to determine the Power Purchase Cost for FY 2023-24 as per the Regulatory provisions stipulated for Power Purchase and disallow Rs. 2,056 Cr. on account of costlier Power Purchase procured not following the approved Power Purchase sources**

by the Hon'ble Commission in Tariff Order dtd. 9/09/2022 in ARR of FY 2023-24. Such inefficiencies of TNPDCL to be borne by Tamil Nadu State Government in the form of subsidy.

C. PENALTY: NOT MET RENEWABLE PURCHASE OBLIGATION TARGET

20) TNPDCL in Table-25 of the Petition has submitted RPO shortfall in FY 2023-24. Relevant extract of the Petition is as follows:

Table 25: Status of RPO Compliance for FY 2023-24

Particulars	FY 2023-24	
	Target	Achieved
RPO – Wind	1.60%	2.10%
RPO – Others	25.47%	19.15%
Total RPO	**27.07%**	**21.25%**

21) PFI notes that the Government of India (GoI) has set a target of non-fossil energy capacity of 500 GW by 2030 and a target of achieving 50% of the cumulative electric power installed capacity from non-fossil fuel-based sources by 2030[1]. These targets also contribute to India's long-term goal of reaching net-zero emissions by 2070. Over the last few years India has experienced significant development in the Renewable Energy (RE) Sector. Progressive National and State level policies have contributed significantly to this development and this contribution is also fulfilled through RPO targets specified by State Electricity Regulatory Commissions (SERCs) under Section 86 (1) (e) of the Electricity Act, 2003. However, TNPDCL has failed to achieve the RPO targets specified by Hon'ble TNERC over the last few years and has submitted a shortfall.

22) It is pertinent to note that ***TNERC (Renewable Energy Purchase Obligation) Regulations, 2023,*** stipulates penalty in case of shortfall in the meeting the specified RE targets. Relevant extract of the TNERC RPO Regulations 2023 is as follows:

"9. Consequence of default.- (1) If the obligated entities does not fulfill the RPO as provided in these Regulations or does not purchase the certificates as the case may be, the State Agency,

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[1] Press Information Bureau
https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2073038#:~:text=As%20part%20of%20the%20updated,fuel%20sources%20by%202030%2C%20and

on being directed by the Commission, shall serve notices to the obligated entities to deposit into a separate fund, to be created and maintained by the State Agency, such amount arrived on the basis of the shortfall in units of the RPO and the maximum REC price traded through the power exchanges during the corresponding year including taxes and levies, besides barring permission to the defaulting entities from availing power through Open Access.

...

Provided also that the distribution licensee shall be in breach of his licence condition if he fails to deposit the amount as directed by the Commission within 15 days of the communication of the direction.

(2) Where any obligated entities fails to comply with the obligation to purchase the required percentage of power from renewable energy sources or to purchase the renewable energy certificates, it shall also be liable for penalty as may be decided by the Commission under section 142 of the Act:"

23) As above, the TNERC RPO Regulations provides for depositing the amount in lieu of Shortfall of RPO @ maximum REC price in that year and levying Penalty u/s 142 of the Act. TNPDCL has achieved 21.25% of RPO while the target was 27.07%. Sales by TNPDCL in FY 2023-24 is 93,380 MU, so, the RPO deficit is 5435 MU. PFI observed that the maximum REC Price reached in FY 2023-24 is Rs 1000 per REC[2], so the amount liable to be deposited by TNPDCL is Rs. 543 Cr.

24) **In view of above, PFI requests Hon'ble TNERC to direct TNPDCL to deposit Rs. 543 Cr. in RPO fund in lieu of RPO Shortfall and also impose penalty on TNDCL for not meeting the RPO target for FY 2023-24. Such deposit in RPO Fund may be reduced from the ARR of FY 2023-24.**

D. HIGHER INTEREST ON TERM LOANS

25) PFI has observed that TNPDCL has claimed Interest on Loan Capital as part of both Distribution and Generation Functions. In Distribution Form 11 of the Tariff Petition, TNPDCL has submitted Rs. 8,129 Cr. of Interest and Finance Charges for Distribution function while the approved Charges for FY 2023-24 were Rs. 4,984 Cr. only. Further, TNPDCL has claimed Rs. 6,658 Cr. of Interest and Finance Charges pertaining to **Generation Business** which summed to Rs. 14,787 Cr. total for Distribution and Generation functions. The claim for Distribution Business from Form 11 is shown below:

[2] https://www.iexindia.com/market-data/REC-market-from-dec22?year=2024&instrumentType=BOTH&viewGraph=false&toDate=3&fromDate=1

Sl No.	Particulars	FY 2023-24	FY 2023-24
		Approved	True Up
1	Opening Loan Balance (Rs. Crores)		64,042.00
2	Loan Addition (Rs. Crores)		35,600.27
3	Repayments (Rs. Crores)		12,105.14
4	Closing Loan Balance (Rs. Crores)		87,537.14
5	Average Loan Balance (Rs. Crores)		75,789.57
6	Average Loan Interest Rate (%)		8.47%
7	Interest Charges (Rs. Crores)	4,984.33	6,422.56
8	Interest on Security Deposit (Rs. Crores)		1,006.17
9	Other finance charges (Rs. Crore)		700.43
	Total Finance Charges (Rs. Crore)	4,984.33	8,129.17

26) PFI has observed that the DISCOM has erred in computing the Interest and Finance Charges as per the Regulatory Provisions which States that the closing GFA approved by the Commission in the true-up for last FY is considered as the opening GFA for the upcoming FY. Further, the loan addition is to be considered equal to the addition in assets during the year excluding the assets capitalized out of the contribution received from consumers for service line and other assets. TNPDCL has considered Rs. 64,042 Cr. as the opening Loan for FY 2023-24 for which no basis/reasoning has been provided. Further, Loan addition has been claimed as Rs. 35,600 Cr. without any rationale.

27) In line with the above Regulatory Provisions, PFI has reworked Interest on Loans using the interest rates as claimed by TNPDCL in True-Up Petition for FY 2023-24. Opening Loan for FY 2023-24 is considered as the approved closing Loan for FY 2022-23 in True-Up Order for FY 2022-23 dtd. 13/08/2024. Loan Addition of Rs. 735 Cr. is considered same as claimed by TNPDCL in Form 12 (Distribution) of the Tariff Petition. Revised computations are as follows:

Table 3: *Interest and Finance Charges for FY 2023-24*

Particulars	Claimed	PFI Working
Opening Loan	13,080*	89,441
Loan Addition		735.41
Loan Repayment		3,577
Closing Loan		86,599
Average Loan		88,020
Interest Rate		8.47%
Interest on Loan		**7,455**

Particulars	Claimed	PFI Working
Other Finance Charges	1006.17	1006.17
Interest on Consumer Security Deposit	700.43	700.43
Total Interest Charges	**14,787**	**9,162**

**Inc. Generation and Distribution Functions*

28) **As above, PFI requests Hon'ble TNERC to consider the working of PFI and disallow Rs. 5,625 Cr. from the Interest and Finance Charges for TNPDCL for FY 2023-24 as claimed for both Distribution and Generation functions.**

E. DISALLOWANCE OF RETURN ON EQUITY (RoE)

29) TNPDCL have claimed Rs. 797 Cr. of RoE as a Return on their Distribution operations. Further, Rs. 1,068 Cr. of RoE has been claimed for Generation Business.

30) However, PFI has observed that Hon'ble TNERC in Order dtd. 13/08/2024 for True-Up of FY 2022-23 did not allow any RoE for Distribution and Generation Business basis the reason that funding of capital expenditure has been considered entirely through loans and no Equity has been used. Relevant extract of the said Order is as follows:

"2.10.4 In the Suo-Motu Order dated December 11, 2014, the Commission has stated the following reason for disallowing RoE to TANGEDCO:

> *"3.106 In last year order Commission has not considered the equity requirement while approving the funding requirement of capital expenditure. This stand was taken because Commission is of the view that TANGEDCO is mixing the revenue account with capital account and the equity approved may be again diverted to revenue account.*
> *This can also be observed from TANGEDCO audited accounts wherein the actual borrowings for FY 11 and FY 12 are significantly higher than capital expenditure. TNERC Tariff Regulations also allow the Commission for approving the equity below the norms of 30% requirement. The relevant extracts of the regulation are reproduced below:*
>
> ***"21. Debt-Equity Ratio***
> *For the purpose of determination of tariff, debt-equity ratio as on the date of commercial operation of Generating Station and transmission projects, sub-station, distribution lines or capacity expanded after the notification of these Regulations shall be 70:30. Where equity*

employed is more than 30% the amount of equity shall be limited to 30% and the balance amount shall be considered as loans, advanced at the weighted average rate of interest and for weighted average tenor of the long term debt component of the investment"

"Provided that in case of a Generating Company or other licensees, where actual equity employed is less than 30%, the actual debt and equity shall be considered for determination of return on equity in tariff computation."

3.107 Based on the above submissions, Commission has not allowed any return on equity due to the following reasons:

i. Commission has approved interest on total outstanding loans as on November 2010

ii. Based on available sources of funding, equity has been diverted towards revenue account from FY 2003 and hence the addition in equity base as per audited accounts is on account of funding the revenue expenditure and not for creation of capital assets.

iii. Loans approved for funding the capital expenditure for generating stations and distribution business during the control period are without considering the equity

3.108 The Commission continues to take the same stand and is not allowing any return on equity for the current tariff order also."

2.10.5 The Suo-Motu Order of the Commission was challenged by the Tamil Nadu Electricity Consumers Association (TECA) before the Hon'ble APTEL in Appeal No. 62 and 63 of 2015. The Hon'ble APTEL in its Judgment dated March 2, 2016, upheld the Suo-Motu Order in its entirety.

*"15. The present Appeals, being Appeal Nos. 62 of 2015 and 63 of 2015, are hereby dismissed and **the impugned suo-motu tariff orders, being SMT Order Nos. 8 of 2014 and 9 of 2014, each dated 11.12.2014, passed by the Tamil Nadu Electricity Regulatory Commission, are hereby upheld**. There shall be no order as to costs."*

2.10.6 As the Suo-Motu Order of the Commission has not been further appealed before any higher authority, it has attained finality. Hence, the Commission has adopted the same approach while approving RoE as adopted in the earlier Orders. However, TANGEDCO has filed an Appeal before the Hon'ble APTEL on this issue in the Tariff Order dated September 9, 2022. Since the funding of capital expenditure has been considered entirely through loans and hence, no RoE has been approved in the truing up for FY 2022-23, subject to the outcome of the Appeal."

31) **In view of above, PFI requests the Hon'ble Commission to not allow any Return on Equity (RoE) as per the Regulatory principles adopted by Hon'ble TNERC. So, Rs. 1,865 Cr. (Rs. 1,068 Cr. for Generation and Rs. 797 Cr. for Distribution) of RoE as claimed by TANGEDCO for FY 2023-24 as a Return on their operations may kindly be disallowed by the Hon'ble Commission.**

F. OPERATING EXPENSES

32) PFI notes that TANGEDCO has claimed Rs. 150 Cr. as operating expenses for Generating Business for FY 2023-24 (Table-21 of the True-Up Petition).

33) However, PFI notes that Hon'ble TNERC in Order dtd. 13/08/2024 for True-Up of FY 2022-23 did not allow any Operating Expenses for Generating Business of TANGEDCO. Relevant extract of the said Order is as follows:

"2.12.3 It is clarified that the Operating Charges and Extra-Ordinary Items claimed by TANGEDCO separately, are actually a part of the normative O&M expenses, and have been considered there, as discussed earlier in this Chapter. Hence, the Operating Charges and Extra-Ordinary Items have not been allowed separately."

34) **In view of above, PFI requests the Hon'ble Commission to not allow any Operating Expenses as per the Regulatory principles adopted by Hon'ble TNERC. So, Rs. 150 Cr. for Generation Business may kindly be disallowed by the Hon'ble Commission in True-Up of FY 2023-24.**

G. REVENUE FROM TARIFF AND OTHER INCOME

35) TNPDCL has claimed Rs. 97,758 Cr. of Total Revenue (Revenue from Tariff + Other Income + Grant, if any) for FY 2023-24 as given in Table-29 of the Tariff Petition as follows:

***Table 4:** Revenue from Tariff and other sources as claimed for FY 2023-24*

Particulars	Claimed (Rs. Cr.)
Revenue at Existing Tariff	71,614
Non-Tariff Revenue	6,228
Other Income	2,786

Particulars	Claimed (Rs. Cr.)
Govt. Grant loss Funding	17,117
Other Govt. Grant	13
Total	**97,758**

36) However, PFI has observed that Audited Accounts of the DISCOM provides Rs. 98,884 Cr. of total Revenue (Revenue from Tariff + Other Income + Grant, if any) for FY 2023-24. Snapshot of Note-25 and 26 of the Audited Accounts is given below which shows that Tariff from Tariff and Govt. Grants is Rs. 95,781 Cr. and Other income is Rs. 3,102 Cr. summing to Rs. 98,884 Cr. which is Rs. 1,126 Cr. higher than that submitted by DISCOM.

25 Revenue from operations

	Year ended 31 March 2024
Sale of power - Low tension ('LT') supply	34,213.33
Sale of power - High tension ('HT') supply	24,875.53
Government grants	
- Tariff subsidy from government	14,976.46
- Other revenue grants received from government	17,129.76
Wheeling charges	994.72
Other operational income	
- Income from other services provided to customers	1,876.75
- Estimate charges	198.43
- Reconnection charges	82.88
- Meter rent charges	49.61
- Service connection charges	46.70
- Miscellaneous revenue	1,337.26
	95,781.42

26 Other income

	Year ended 31 March 2024
Interest income	188.02
Dividend Income	282.43
Income from sale of scrap	230.39
Recoveries from consumers	107.39
Amortization of capital grants	44.56
Net gain on foreign exchange transactions	0.01
Miscellaneous receipts	2,249.57
	3,102.39

37) **Thus, Hon'ble TNERC is requested to consider the actual Revenue as per the audited accounts i.e., Rs. 98,884 Cr. while approving the True-Up of FY 2023-24 which is which is Rs. 1,126 Cr. higher than that submitted by DISCOM.**

H. SUMMARY OF DISALLOWANCES

38) As stipulated in above Sections, summary of disallowances worked out by PFI is as follows. Hon'ble TNERC is requested to kindly consider the same while disposing of the True-up Petition for FY 2023-24 and inefficiencies of TNPDCL may not be passed on to the consumers rather it should be borne by Govt. of Tamil Nadu, if any:

Table 5: *Summary of Disallowances for FY 2023-24 (Rs. Cr.)*

Particulars	Claimed	PFI working	Total Disallowance
Power Purchase Cost excluding State Sector	48,130	46,074	(2,056)
State Sector Generation Cost	24,920	20,839	(4,081)
Return on Equity	797	0	(797)
Interest on Loan Capital	8,129	5,367	(2,762)
Penalty for not meeting RPO	-	(543)	(543)
Other Expenses	22,701	22,701	0
Aggregate Revenue Requirement	**1,04,677**	**94,438**	**(10,239)**
Less: Revenue	**97,758**	**98,884**	**(1,126)**
(Gap)/Surplus	**(6919)**	**4,446**	**(11,365)**

PRAYERS BEFORE HON'BLE TNERC :-

1) To consider the comments / suggestions of Power Foundation of India on True-Up Petition M.P. No. 18/2025 of TNPDCL.

2) To verify the Unmetered Agricultural Energy Sales as claimed for FY 2023-24 and check that whether such Sales are as per the approved norms. Further, take suitable measures for non-compliance of Rules/Directions and non-performance by TNPDCL in terms of the provisions stipulated under Section 142 of the Electricity Act, 2003 (Act).

3) TNPDCL may be directed to submit action plan for metering 100% Agricultural Distribution Transformers and the approval of such action plan by Hon'ble TNERC should be within the target date of maximum two years. TNPDCL may be directed to submit Action Taken Report (ATR) to the Hon'ble Commission, with a copy to REC and MoP.

4) To consider disallowing provisionally 50% of the claimed unmetered Energy Sales and its corresponding Power Purchase Cost in the ARR of 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.

5) To consider Power Purchase Cost as per the Regulatory provisions, wherein the savings through optimized Power Purchase would be Rs. 2,056 Cr. as per PFI working. Accordingly, to disallow Rs. 2,056 Cr. on account of costlier Power Purchase procured by not following the approved Power Purchase sources by the Hon'ble Commission in Tariff Order dtd. 9/09/2022 in ARR of FY 2023-24. Such inefficiencies of TNPDCL to be borne by Tamil Nadu State Government in the form of subsidy.

6) To direct TNPDCL to deposit Rs. 543 Cr. in RPO fund in lieu of RPO Shortfall and also impose penalty on TNDCL for not meeting the RPO target for FY 2023-24. Such deposit in RPO Fund may be reduced from the ARR of FY 2023-24.

7) **To consider the Interest and Finance Charges as per Regulatory Provisions and disallow Rs. 5,625 Cr. from the Interest and Finance Charges for TNPDCL for FY 2023-24 as claimed for both Distribution and Generation functions.**

8) **To not allow any Return on Equity (RoE) as per the Regulatory principles adopted by Hon'ble TNERC. Accordingly, Rs. 1,865 Cr. (Rs. 1,068 Cr. for Generation and Rs. 797 Cr. for Distribution) of RoE as claimed by TANGEDCO for FY 2023-24 as a Return on their operations may kindly be disallowed in line with the approach adopted by Hon'ble TNERC in previous True-Up Orders.**

9) **To not allow any Operating Expenses as per the Regulatory principles adopted by Hon'ble TNERC. Accordingly, Rs. 150 Cr. as claimed for Generation Business may kindly be disallowed by the Hon'ble Commission in True-Up of FY 2023-24**

10) **To consider the prudent Total Revenue, i.e., Rs. 98,884 Cr. as per the Audited Accounts while approving the True-Up of FY 2023-24.**

11) **Any inefficiencies of TNPDCL to be borne by Tamil Nadu State Government in the form of subsidy and not be socialized to the consumers of the State.**

12) **To consider the additional submissions, if any, made by PFI for TNPDCL on True-up Petition for FY 2023-24.**

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