

**PFI Comments \_ Telangana DISCOMs' Distribution Business**  
**TRUE-UP FY 2023-24 & ARR FY 2025-26**

***Before: Hon'ble Telangana Electricity Regulatory Commission***  
***Public Hearing***

# Summary: TG DISCOMs' APR Petition for FY 2023-24 (Rs. Cr.)

PFI : Audited Accounts of FY 2023-24 of TGSPDCL not available on website of DISCOM and not even on TGERC's website

Particulars	TGNPDCL	PFI (TGNPDCL)	TGSPDCL	PFI (TGSPDCL)	Proposed Disallowances (North+South)
Operation & Maintenance Expenses	2625.45	2625.45	3560.16	3560.16	0.00
Return on Capital Employed	299.37	298.17	555.75	555.75	(1.20)
Depreciation	368.26	356.24	842.13	842.13	(12.02)
Special Appropriations	21.01	21.01	5.25	5.25	0.00
Other Expenses	0.00	0.00	22.78	0.00	(22.78)
Aggregate Revenue Requirement	3314.09	3300.87	4986.07	4963.29	(35.99)
Less: Other Revenue	167.95	167.95	475.48	475.48	0.00
Net Aggregate Revenue Requirement	3146.13	3132.92	4510.59	4487.81	(35.99)
Revenue Surplus/(Gap) for FY 2023-24	935.28	948.50	263.27	286.05	
Carrying cost rate (at WACC)		10.55%		11.03%	
Carrying Cost for FY 2023-24		100.07		31.85	
Carrying Cost for FY 2024-25		110.62		35.03	
Total Carrying Cost		210.69		66.58	
Revised Revenue Surplus/(Gap) FY 2023-24 with Carrying Cost		1159.19		352.63	

**Additional  
Surplus  
Rs. 313 Cr.**

PFI PROPOSED REVENUE SURPLUS **Rs. 1511 Cr.** against claimed Surplus of **Rs. 1198 Cr.**

# APR Petition FY 2023-24 (1/2)

## A. NO IMPACT OF DECAPITALIZATION AND CONSUMER CONTRIBUTION

### PFI Observations

- **APERC Tariff Regulations 2005: Consider impact of Decapitalization, Capital Assets funded by Consumer Contributions**, Grants, Subsidy, etc. while calculating ARR elements such as Depreciation and RoCE.
- **TGNPDCL: Impact not considered**
- **TGSPDCL: Audited accounts not available**

### REVISED DEPRECIATION

- TGNPDCL: Rs. 12 Cr. depreciation of retired assets not considered, no details of assets funded by consumer/user contributions or through any capital subsidy/grant

### REVISED RETURN ON CAPITAL EMPLOYED (RoCE)

- TG DISCOMs: Considered actual parameters as per Accounts instead of Regulatory Provisions provided in Regulations (accumulated Depreciation and Consumer Contribution approved for FY 2022-23)
- Actual equity not submitted

### TGNPDCL's Response

- Considered depreciation on assets funded through consumer contributions (Deferred Revenue Income) of Rs. 140.71 Cr. under NTI
- Net depreciation of Rs. 356.14 Cr (368.26-12.02 deductions) considered for RoCE computation

### Request to TGERC

- RRB should factor in CC, Grants, Accumulated Dep. and Decapitalization. Approach of TG DISCOMs not as per Tariff Reg.
- **Disallow Rs. 12 Cr.** of decapitalization - TGNPDCL
- RoCE – calculation as per Regulatory Provisions & actual equity (with cap of 30%)

$$RoCE = WACC * RRB_i$$

$$RRB_i = RRB_{i-1} + \Delta RAB_i + WC_i$$

$$RRB_0 = OCFA_0 - AD_0 - CC_0,$$

$$\Delta RAB_i = (Inv_i - D_i - CC_i)/2$$

# APR Petition FY 2023-24 (2/2)

## B. OTHER EXPENDITURE

### PFI Observations

- TGSPDCL: Rs. 23 Cr. of Other Expenditure claimed as per SOP – **COMPENSATION (not pass through u/s 57,59 & 61 of the Act)**
- Any penalties for failure to meet SOP can not be allowed to be recovered through ARR – TGERC MYT Regulations, 2023 same principle
- Further, Hon'ble TGERC disallowed Other Expenditure during APR of FY 2022-23 since it was not approved in MYT Order

### Request to TGERC

**Disallow Rs. 23 Cr.** of Other Expenditure for TGSPDCL

## C. REVISED SURPLUS WITH CARRYING COST

### PFI Observations

- Impact of True-down with carrying cost not considered.
- **Hon'ble DERC Tariff Order dtd. 30/09/2021: even surplus arrived after True-Up is adjusted with Carrying Cost. Various Hon'ble APTEL judgments too in this regard**

3.76 The closing Revenue Surplus for FY 2018-19 as per the Tariff Order dated 28/08/2020 is Rs. 129.47 Cr. The Revenue surplus/(gap) for FY 2019-20 as now approved by the Commission is summarized as follows:

Table 3. 42: Commission Approved Net Revenue Surplus/ (Gap) at the end of FY 2019-20

Sr. No.	Particulars	FY 2019-20
A	Opening Revenue Surplus/(Gap)	129.47
B	Revenue Surplus/(Gap) for the year	92.05
C	Rate of Return on equity	14%
D	Rate of Return on debt	8.00%
E	Rate of Return on Carrying Cost	9.80%
F	Amount of Carrying Cost	17.20
G	Closing Revenue Surplus/(Gap)	238.73

### TGNPDCL's Response

Since the True down for FY 2023-24 is being filed in FY 2024-25, the impact of carrying cost should not be considered.

### Request to TGERC

Determine Revenue surplus for TG DISCOMs **along with Carrying Cost considered at WACC rate (10.55%). Additional surplus of Rs. 313 Cr.**

# Electricity Act, 2003: Standards of Performance & Tariff

## *Consumer protection: Standards of performance*

57. (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 to 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.

(3) The compensation determined under sub-section (2) shall be paid by the concerned licensee within ninety days of such determination.

59. (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 sub-section (2) of section 57 and the aggregate amount of the compensation.

## TARIFF

61. The Appropriate Commission shall, subject to the provisions of this Act, specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the following, namely:-

(a) the principles and methodologies specified by the Central Commission for determination of the tariff applicable to generating companies and transmission licensees;

(b) the generation, transmission, distribution and supply of electricity are conducted on commercial principles;

(c) the factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments;

(d) safeguarding of consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner;

(e) the principles rewarding efficiency in performance;

(f) multi year tariff principles;

(g) that the tariff progressively reflects the cost of supply of electricity and also, reduces and eliminates cross-subsidies within the period to be specified by the Appropriate Commission;

# Summary: TG DISCOMs' ARR Petition for FY 2025-26 (Rs. Cr.)

Particulars	TGNPDCL			TGSPDCL			Total (N+S) Disallowances
	Claimed	PFI	Diff.	Claimed	PFI	Diff.	
O&M Expenses	3003	2516	(487)	3822	3432	(390)	(878)
Depreciation	414	399	(15)	831	725	(106)	(121)
Interest on Loan	383	292	(91)	453	453	0	(91)
Interest on Work. Capital	98	98	0	128	128	0	0
Return on Equity	209	144	(65)	307	258	(49)	(113)
Total Expenditure	4,106	3,476	(631)	5,541	4,996	(545)	(1,203)
Less:							0
OA Income (Wheeling Ch)	3.19	3.19	0	1.19	1.19	0	0
Non- Tariff Income	175	175	0	125	475	(350)	(350)
Net Distribution ARR	3,928	3,298	(631)	5,414	4,520	(895)	(1,553)

PFI PROPOSED DISALLOWANCES: **Rs. 1,553 Cr.** ARR PETITION OF FY 2025-26 FOR TG DISCOMS.



# ARR & Wheeling Petition FY 2025-26 (1/3)

## A. REVISED O&M EXPENSES

### PFI Observations

Significant increase (12%) from approved O&M Expenses for FY 2025-26 in MYT Order dtd. 28/08/2024

### TGNPDCL's Response

O&M is a recurring expenses and is subject to yearly changes due to escalation basis WPI and CPI inflation along with recruitment drives.

### Request to TGERC

Disallow Rs. 878 Cr. of additional claim

## B. CAPITAL EXPENDITURE PLAN AND RDSS

### PFI Observations

- Not availing RDSS – flagship scheme of MoP(GoI)
- RDSS guidelines: all Government Departments' Dues of current electricity dues for the year must be paid – criterion not met
- TGSPDCL: Claimed additional Rs. 50 Cr. from approved CAPEX

### Request to TGERC

**TG DISCOMs should participate in RDSS, attempt to increase metering levels**

## C. DEPRECIATION

### PFI Observations

TGERC MYT Regulations, 2023: Depreciation on assets funded by consumer/user contributions not be allowed

### TGNPDCL's Response

Considered as Deferred Revenue Income under non-tariff income (NTI)

### Request to TGERC

Disallow Rs. 121 Cr. in Depreciation claim

# ARR & Wheeling Petition FY 2025-26 (2/3)

## D. REVISED INTEREST AND FINANCE CHARGES ON LOANS

### PFI Observations

- Not as per Regulatory Provisions.
- Approved interest rate in MYT Order and approved closing balance for FY 2024-25 to be considered.

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

### TGNPDCL's Response

Considered projected balance of long-term loans at end of FY 2024-25 as the opening balance for FY 2025-26. Rate of interest based WACC of existing and new loans

**Request to TGERC**  
**Disallow Rs. 91 Cr.**

## E. REVISED RETURN ON EQUITY (RoE)

### PFI Observations

- As per Regulatory Provisions, additional RoE up to 2% to be allowed at the time of True-Up provided the DISCOM has met overall SOP.
- Further, opening balance of Equity for FY 2025-26 should equal to approved closing balance for FY 2024-25.

### TGNPDCL's Response

- Well positioned to meet the SOP
- Net fixed assets considered after removing impact of consumer contribution from accumulated depreciation and also removing impact of consumer contribution from fully depreciated assets.

### Request to TGERC

- Disallow Rs. 114 Cr.
- Direct TG DISCOMs to furnish actual equity infused in FY 2023-24

## F. REVISED NON- TARIFF INCOME

### PFI Observations

TGSPDCL: Actual NTI for FY 2023-24: Rs. 456 Cr., however claimed Rs. 125 Cr. of NTI in FY 2025-26.

### Request to TGERC

**Consider Rs. 475 Cr. NTI (2% y-o-y growth)**



# ARR & Wheeling Petition FY 2025-26 (3/3)

## G. WHEELING CHARGES

### **PFI Observations**

Considered Contracted Capacities and Voltage wise losses approved in MYT Distribution Order dtd. 28/10/2024

### **TGNPDCL's Response**

Tariff order was recently approved by the Commission on 28/10/2024 and hence these figures serve as a better reference point.

### **Request to TGERC**

**Consider actual data of FY 2023-24**

**Power Foundation of India requests Hon'ble TGERC to consider our prayers which we have submitted as comments/suggestions related to APR Petition for FY 2023-24 & ARR Petition for FY 2025-26 vide our letter dtd. 31/01/2025**

# Thank You!