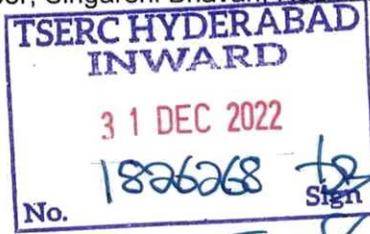


So no. 150/2022

BEFORE THE HONOURABLE TELANGANA STATE ELECTRICITY REGULATORY COMMISSION

Office at 5<sup>th</sup> Floor, Singareni Bhavan, Red Hills, Hyderabad - 500 004



FILING NO. /2022  
P NO. 5/2023  
CASE NO. /2022

In the matter of:

Filing of the Annual Performance Review FY 2021-22 under Multi-Year Tariff principles in accordance with the "Andhra Pradesh Electricity Regulatory Commission (Terms And Conditions For Determination Of Tariff For Wheeling And Retail Sale Of Electricity) Regulation, 4 of 2005" as adopted by Telangana State Electricity Regulatory Commission vide Regulation No. 1 of 2014 by the Northern Power Distribution Company of Telangana Limited ('TSNPDCL' or 'the Company' or 'the Licensee') as the Distribution and Retail Supply Licensee.

In the matter of:

NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED

... Applicant

The Applicant respectfully submits as under: -

This filing is made by the NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED (TSNPDCL) under clause 19 of the "Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 4 of 2005" as adopted by Telangana State Regulatory Commission through its Regulation No. 1 of 2014 for Annual Performance Review 2021-22 in compliance to the directive No. 2 (Annual Performance Review for each year of the 4<sup>th</sup> Control period) issued by the Hon'ble TSERC in the Wheeling Tariff Order dated 29.04.2020 for Distribution Business for 4<sup>th</sup> Control period (FY 2019-20 to FY 2023-24).

## 1 Annual Performance Review for FY 2021-22

### 1.1 Annual Performance Review FY 2021-22 summary

The ARR for the 3<sup>rd</sup> year (2021-22) of 4<sup>th</sup> Control Period approved by the Hon'ble Commission vis-à-vis actuals incurred along with the deviations for respective heads is given in the table below:

(Rs. in Crs)

Aggregate Revenue Requirement			
Particulars	Approved	Actuals	Deviations
<b>FY 2021-22</b>			
Operation & Maintenance expenses	2290.20	1983.87	(306.33)
Return on Capital Employed	465.16	367.50	(97.66)
Depreciation	492.35	328.65	(163.70)
Taxes on Income	31.66	0.00	(31.66)
Special appropriations	20.00	21.66	1.66
<b>Aggregate Revenue Requirement</b>	<b>3299.36</b>	<b>2701.68</b>	<b>(597.69)</b>
Less: Non-Tariff Income	160.85	120.48	40.37
Less: Revenue from OA	0.00	0.00	0.00
<b>Net Aggregate Revenue Requirement</b>	<b>3138.51</b>	<b>2581.19</b>	<b>(557.32)</b>
ARR transferred to RSB	3138.51	3138.51	0.00
<b>Net Regulatory Gap True-up/(true-down)</b>	<b>0.00</b>	<b>(557.32)</b>	<b>(557.32)</b>

There is a deviation in Approved Net Aggregate Revenue Requirement as compared with Actual Net Aggregate Revenue Requirement of Rs. (557.32) crores. The reasons for deviations for all the line items contributing to deviations in Net Aggregate Revenue are explained subsequently in the respected line items below.

### 1.2 Operation and Maintenance (O&M) Expenses

The O&M cost consists the following items:

- Salaries, wages and other employee costs;
- Administrative and General costs including legal charges, audit fees, rent, rates and taxes;
- Repairs and maintenance costs.

The O&M expenses for the 3<sup>rd</sup> year (2021-22) of 4<sup>th</sup> Control Period approved by the Hon'ble Commission vis-à-vis actuals incurred along with the deviations for respective heads is given in the table below:

Operation & Maintenance expense Gross			Rs. in crore
Particulars	Approved	Actuals	Deviations
FY 2021-22			
<b>O&amp;M Gross</b>	<b>2428.86</b>	<b>2031.17</b>	<b>(397.69)</b>
Employee cost	2204.37	1790.14	(414.23)
Admin & General expenses	114.25	137.86	23.62
Repairs & Maintenance	110.25	103.16	(7.08)
Expense capitalized	138.66	47.30	(91.36)
<b>Net O&amp;M expense</b>	<b>2290.20</b>	<b>1983.87</b>	<b>(306.33)</b>
Operation & Maintenance expense Capitalized			Rs. in crore
Particulars	Approved	Actuals	Deviations
FY 2021-22			
Employee Expenses	131.83	40.21	(91.62)
A&G Expenses	6.83	7.10	0.26
<b>Total expense capitalized</b>	<b>138.66</b>	<b>47.30</b>	<b>(91.36)</b>
Operation & Maintenance expense (Net of expense capitalized)			Rs. in crore
Particulars	Approved	Actuals	Deviations
FY 2021-22			
Employee cost	2072.54	1749.93	(322.60)
Admin & General expenses	107.41	130.77	23.36
Repairs & Maintenance	110.25	103.16	(7.08)
<b>Net O&amp;M expense</b>	<b>2290.20</b>	<b>1983.87</b>	<b>(306.33)</b>

From the above table, it is observed that the Operations and Maintenance expenses are lower than the approval of the Hon'ble Commission by Rs.306.33 crores for the FY 2021-22 of 4<sup>th</sup> Control period. In the Tariff Order for the 4<sup>th</sup> Control period, the Hon'ble Commission approved the normative O&M expenses based on the methodology as approved in the 3<sup>rd</sup> control period.

### 1.3 Depreciation Expenses

The depreciation expenses for the 3<sup>rd</sup> year (2021-22) of 4<sup>th</sup> Control Period approved by the Hon'ble Commission vis-à-vis actuals incurred along with the deviations is given in the table below:

Depreciation expenses as per books of account (CERC rates) is given below:

Depreciation			Rs. in crore
Particulars	Approved	Actuals	Deviations
FY 2021-22			
Depreciation during the year	492.35	328.65	(163.70)

\*Amortised dep. On CC assets is Rs. 101.84 Crore as per books of account

#### 1.4 Return on Capital Employed (RoCE)

The RoCE for the 3<sup>rd</sup> year (2021-22) of 4<sup>th</sup> Control Period approved by the Hon'ble Commission vis-à-vis actuals incurred along with the deviations for respective heads is given in the table below:

WACC Calculations				Rs. Crore
Particulars	Opening Balance	Closing Balance	Interest Expenditure	Cost of Debt
FY 2021-22				
Long term capex loans	3525.02	2886.89	378.86	11.82%
Particulars	Approved	Actuals	Deviations	
FY 2021-22				
Debt	75.00%	75.00%	0.00%	
Equity	25.00%	25.00%	0.00%	
Cost of Debt	9.85%	11.82%	1.97%	
Return on Equity	14.00%	14.00%	0.00%	
<b>WACC</b>	<b>10.89%</b>	<b>12.36%</b>	<b>1.48%</b>	

Regulated rate base calculations			Rs.in crore
Particulars	Approved	Actuals	Deviations
FY 2021-22			
<b>Assets</b>	<b>10709.48</b>	<b>9054.74</b>	<b>(1654.74)</b>
OCFA Opening Balance	9264.62	8606.74	(657.88)
Additions to OCFA	1444.86	448.01	(996.85)
<b>Depreciation</b>	<b>4838.90</b>	<b>4603.28</b>	<b>(235.62)</b>
Opening Balance	4346.55	4279.59	(66.96)
Depreciation during the Year	492.35	323.69	(168.66)
<b>Consumer Contributions</b>	<b>1348.90</b>	<b>1784.69</b>	<b>435.79</b>
Cons Contributions Opening Balance	1276.76	1379.44	102.68

Additions to Cons Contributions	72.14	405.25	333.11
Deductions to Cons Contributions			0.00
<b>Working Capital</b>	<b>190.85</b>	<b>165.32</b>	<b>(25.53)</b>
<b>Change in Rate Base</b>	<b>440.19</b>	<b>-140.47</b>	<b>(580.65)</b>
<b>Regulated Rate Base</b>	<b>4272.34</b>	<b>2972.56</b>	<b>(1299.78)</b>
<b>Return on Capital Employed</b>			<b>Rs. in crore</b>
<b>Particulars</b>	<b>Approved</b>	<b>Actuals (CERC)</b>	<b>Deviations</b>
FY 2021-22			
RoCE	465.15	367.50	-97.65

The deviations in Regulated Rate Base (actuals against approved) is due to less capitalization in fixed assets compared to approved numbers. i.e., Rs. 448.01 crores against approved amount of Rs. 1,444.86 crores.

### 1.5 Tax on Income

The Taxes on Income for the 3<sup>rd</sup> year (2021-22) of 4<sup>th</sup> Control Period approved by the Hon'ble Commission vis-à-vis actuals incurred along with the deviations is given in the table below:

<b>Tax on Income</b>			<b>Rs. in crore</b>
<b>Particulars</b>	<b>Approved</b>	<b>Actuals</b>	<b>Deviations</b>
FY 2021-22			
Tax on Income	31.66	0.00	(31.66)

The deviations in Taxes on Income (actuals against approved) are due to following reasons:

- TSNPDCL incurred a loss of Rs. 2441 crores for financial year 2021-22 due to which attracts no Income Tax.

### 1.6 Special Appropriations

The Hon'ble Commission approved Rs. 20 Crs. towards Special Appropriation for Safety Measures the 3<sup>rd</sup> year (2021-22) of 4<sup>th</sup> Control Period. The Licensee has incurred the following capital works expenses towards safety measures. Accordingly, the Licensee has spent an amount of Rs. 5.81 Crores towards the above safety measures. As the expenditure incurred towards safety measures is considered in the capital expenditure, the same has not reflected under this head, the licensee has incurred the following capital works expenses towards safety measures.

- i. Erection of Intermediate poles for proper clearance
- ii. Providing of Earthing
- iii. Providing of fencing
- iv. Reconstruction of damaged DTR plinth
- v. Plinth Raisings
- vi. Providing of SMC Distribution boxes
- vii. Providing of foot Cross arms
- viii. Rectification of DTR structures
- ix. Replacement of damaged AB cable
- x. Providing of safety materials viz. Gum boots, Helmets, Safety belt, Earth rods, Gloves etc.

As per the guidelines of the Hon'ble Commission, the compensation paid towards electrical accidents is shown under this head of Special Appropriation. The Special Appropriations for the 3<sup>rd</sup> year (2021-22) of 4<sup>th</sup> Control Period approved by the Hon'ble Commission vis-à-vis actuals incurred along with the deviations is given in the table below:

Special appropriations			Rs. in crore
Particulars	Approved	Actuals	Deviations
FY 2021-22			
Special appropriations (Compensation amount paid)	20.00	21.66	1.66

#### 1.7 Non-tariff income:

The Non-Tariff income for the 3<sup>rd</sup> year (2021-22) of 4<sup>th</sup> Control Period approved by the Hon'ble Commission vis-à-vis actuals incurred along with the deviations is given in the table below:

Non-Tariff Income			Rs. in crore
Particulars	Approved	Actuals	Deviations
FY 2021-22			
Non-Tariff Income	160.85	120.48	40.37

Detailed break up of Non-Tariff Income is as follows (Rs. in Crore)

Sr. No.	Particulars	2021-22
1	Deferred Revenue Income	101.84
2	Interest on Staff Loans and Advances	0.73
3	Income from Investments	5.10
4	Interest on Advances to Suppliers/Contractors	0.00

5	Security deposits / Bank Guarantee forfeited	0.10
6	Fines/Penalties from Suppliers/Mat Cust.	4.90
7	Other Miscellaneous Income	7.07
8	Wheeling Charges Revenue(SCCL)	0.74
	<b>NTI Total</b>	<b>120.48</b>

Amortized Depreciation on CC assets = Rs.101.84 crores

### 1.8 Capital Investments and Capitalization:

The capital investments for the 3<sup>rd</sup> year (2021-22) of 4<sup>th</sup> Control Period approved by the Hon'ble Commission vis-à-vis actuals incurred along with the deviations is given in the table below:

Capitalization			Rs. in crore
Particulars	Approved	Actuals	Deviations
FY 2021-22			
<b>Capitalization</b>	<b>1625</b>	<b>573</b>	<b>(1051)</b>
New Investment	1387	504	(882)
O&M Expenses Capitalised	139	47	(91)
Interest During Construction capitalised	99	22	(78)
<b>Investment capitalized</b>	<b>1445</b>	<b>448</b>	<b>(997)</b>

The capital investments during the year are lower than the approved during FY 2021-22 by Rs. 1,051 crores.

### 1.9 Prayer

The Petitioner (Distribution Licensee) prays that the Hon'ble Commission may:

- Approve Net ARR of **Rs. 2581.19 Crores** for the Distribution Business for the 3<sup>rd</sup> year (2021-22) of 4<sup>th</sup> Control Period.
- Approve Revenue gap of **Rs. (557.32) Crores** for the Distribution Business for the 3<sup>rd</sup> year (2021-22) of 4<sup>th</sup> Control Period.

**NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED**  
(APPLICANT)

Through

  
CHIEF GENERAL MANAGER  
IPC&RAC/TSNPDCL

Place: Hanumakonda

Dated: 30-12-2022.

Chief General Manager  
IPC & RAC TSNPDCL  
The Hyderabad

BEFORE THE HONOURABLE TELANGANA STATE ELECTRICITY  
REGULATORY COMMISSION

Office at 5<sup>th</sup> FLOOR, SINGARENI BHAVAN, RED HILLS, HYDERABAD 500004

FILING NO. \_\_\_\_\_/2022

CASE NO. \_\_\_\_\_/2022

In the matter of:

Filing of the Annual Performance Review FY 2021-22 under Multi-Year Tariff principles in accordance with the "Andhra Pradesh Electricity Regulatory Commission (Terms And Conditions For Determination Of Tariff For Wheeling And Retail Sale Of Electricity) Regulation, 4 of 2005" as adopted by Telangana State Electricity Regulatory Commission vide Regulation No. 1 of 2014 by the Northern Power Distribution Company of Telangana Limited ('TSNPDCL' or 'the Company' or 'the Licensee') as the Distribution and Retail Supply Licensee.

In the matter of:

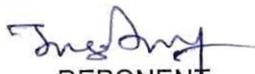
NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED

... Applicant

**AFFIDAVIT OF APPLICANT VERIFYING THE ACCOMPANYING PETITION**

I, T. Madhusudhan, S/o T. Laxmipathi, aged 57 years, Occupation: Chief General Manager (IPC&RAC), TSNPDCL, Hanumakonda, R/o Hanumakonda do solemnly affirm and say as follows:

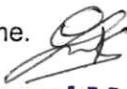
1. I am Chief General Manager (IPC & RAC)/ TSNPDCL, I am competent and duly authorized by TSNPDCL to affirm, swear, execute and file this petition.
2. I have read and understood the contents of the accompanying Affidavit drafted pursuant to my instructions. The statements made in the accompanying Affidavit now shown to me are true to my knowledge derived from the official records made available to me and are based on information and advice received which I believe to be true and correct

  
DEPONENT  
**Chief General Manager**  
IPC & RAC TSNPDCL,  
warangal.

VERIFICATION:

I, the above named Deponent solemnly affirm at Hanumakonda on this 30<sup>th</sup> day of December, 2022 that the contents of the above affidavit are true to my knowledge, no part of it is false and nothing material has been concealed there from.

  
DEPONENT  
**Chief General Manager**  
**IPC & RAC TSNPDCL,**  
**Warangal.**

Solemnly affirmed and signed before me. 

**General Manager**  
**IPC & RAC, TSNPDCL**  
**Warangal.**