

Replies to the Objections/Suggestions raised on Annual Performance Review of FY 2021-22 for the 3rd year of 4th Control Period (FY 2019-20 to FY 2023-24) of ARR & Wheeling Tariffs of Distribution Business by Sri M. Venugopal Rao, Senior Journalist & Convener, Centre for Power Studies, H.No.1-100mp/101 Monarch Prestige, Journalist's Colony, Serilingampally Mandal, Hyderabad -500032

S.No.	Summary of Objections / Suggestions	Response of the Licensee
	<p>With reference to the public notices dated 7.1.2023, inviting objections and suggestions on the proposals of the TSDISCOMs for review of their performance for the year 2021-22, am submitting the following points for the consideration of the Hon'ble Commission in the subject petitions:</p>	<p>No Comments</p>
<p>1.</p>	<p>In the subject petitions both the TS DISCOMs have made true-down claims for their distribution business for the year 2021-22 - Rs.723.08 crore by TSSPDCL and Rs.557.32 crore by TSNPDCL. At the same time, they have shown losses of Rs.626.80 crore and Rs.2441 crore, respectively, without explaining the reasons for incurring the losses. Claiming true-down, on the one hand, and showing losses, on the other, are mutually contradictory. Under what heads the DISCOMs have incurred losses and what do they propose to do with the same?</p>	<p>The Annual Performance Review (Distribution Business) for FY 2021-22 consists of the Particulars/Items related to the Distribution Business only viz., O & M Expenses, RoCE, Depreciation etc., It doesn't contain the particulars/items relating to Power Purchase and Transmission costs which covers a major component of costs in the Financials of the TSDISCOMs and the true-up arrived between the approved and actual Power Purchase Costs are explained in the Power Purchase Ture-up petitions filed by the TSDISCOMs.</p> <p>The Loss projected in the Audited Financial Accounts is arrived by considering each and every component viz., Costs & Revenues of the TSDISCOMs transacted during FY 2021-22.</p>

2.	<p>They have explained that, since they have incurred losses for the said year, there is no need to pay income tax.</p>	<p>The Losses depicted in the Financials of TSDISCOMs are based on the Audited Accounts only and the item wise analysis of loss incurred is provided in the Audited Financial Reports and the petitions filed by the TSDISCOMs.</p> <p>Moreover, the tariff approved in the Retail Supply Tariff Order for FY 2018-19 was retained till FY 2021-22 but in the said duration, all the costs incurred by TS Discoms in terms of Power purchase cost, Transmission and Distribution cost etc. have increased significantly, leading to a constant increasing of revenue gap. Covid Pandemic and also subsequent second wave has highly impacted the finances of Discoms leading to the loss of Rs. 626.80 crores for TSSPDCL and Rs.204 crores for TSNPDCL.</p> <p>The loss of Rs. 2,441 crores (as claimed by objector) of TSNPDCL is the loss for FY 2020-21 and not FY 2021-22.</p> <p>Hence, TS Discoms have not paid income tax for FY 2021-22 as they have incurred financial loss for the year.</p>
3.	<p>SPDCL has shown investment capitalized lesser by Rs.492.64 crore - R.1450.89 crore against approved Rs.1942.53 crore - and NPDCL has shown the same lesser by Rs.997 crore - Rs.448 crore against Rs.1445 crore approved - for the year 2021-22. As a result, they have shown regulated rate base lesser by Rs.1249.25 crore by TSPDCL (Rs.5405.57 crore against the approved Rs.6654.81 crore) and lesser by Rs.1299.78 crore (Rs.2972.56 crore against the approved Rs.4272.34 crore) by TSNPDCL for the year 2021-22. As a result, the DISCOMs have shown expenditures lesser than what were approved, except administration and general expenditures. The DISCOMs have failed to explain the reasons for their failure to incur</p>	<p>Due to the unforeseen factors, impact of the Covid pandemic and subsequent Second wave which are beyond the control of TSDISCOMs in the FY 2021-22, the TS Discoms have not taken up any major schemes involving major financial investments.</p> <p>Hence, the investment capitalized by TS Discoms is lower than the amount approved by Hon'ble Commission.</p> <p>Further, it is to submit that an amount of Rs. 503.39 crores is in Capital Work in Progress (CWIP) of TSNPDCL which will be capitalized on completion of the said works.</p>

	<p>investment expenditure for approved works and the impact thereof. Did the DISCOMs fail to incur the approved expenditure because of the financial crisis they have been facing? To what extent did the DISCOMs fail to implement approved works and what has been the impact thereof on their distribution business during the said year? Or, is it that the DISCOMs overstated the need for taking up works and investments required for the FY 2021-22? Or, is it that they did not take up works approved for reasons of reduction in estimated load growth in agriculture, lift irrigation schemes, etc., for the year 2021-22? The reduction in their expenditures, except A&G expenditure, is relative and when compared to investment capitalized and RRB, as a percentage of investments made, the expenditures are relatively higher. They should be subjected to prudence check as per applicable regulations. In other words, there may be scope for further surplus to be trued down.</p>	
4.	<p>That the DISCOMs have made claims for true-down, in the face of their failure to achieve the approved targets in terms of investments capitalized and RRB, shows that they had collected distribution charges approved in the MYT order as per the originally proposed and approved investments. In other words, they had collected excess distribution charges relative to their actual investments capitalized and RRB. The MYT system shows deficiency or lack of scope for redetermining distribution charges as a part and parcel of review of annual performance of the DISCOMs by the Hon'ble Commission. The deficiencies of the MYT system are also evident from the fact that it does not provide opportunity for redetermining distribution charges for the remaining years of the control period concerned, based on review of performance of the utilities for a particular financial year and</p>	<p>The item wise reasons for the True-down for the Annual Performance Report (Distribution Business) for FY 2021-22 are explained in the petition filed.</p> <p>The Distribution Business MYT order passed by the Hon'ble Commission based on the projections made in Distribution Business filings for the 4th control period with an assumption that normal circumstances will prevail.</p> <p>The unforeseen and uncontrollable factors/situations raised due to Covid Pandemic, the TSNPDCL has not initiated any new Schemes during FY 2021-22. So, the depreciation during the year and ROCE amount decreased compare to approved values and</p>

	<p>ongoing trends. The more glaring deficiency of the MYT system is that it does not provide for true-up/true-down based on review of performance of the utility for a particular financial year, even while the utility making claims for the same and the Hon'ble Commission determining permissible claims. For true-up amount, the utilities are claiming carrying costs till the same is allowed as pass through by the Commission after completion of the control period concerned and final determination, thereby imposing avoidable burden on the consumers, but no interest is being paid to the consumers for excess payment paid by them which crops in the form of true-down claim till the same is allowed as pass through after completion of the control period concerned and final determination by the Commission. All these, among other points which we had submitted to the Hon'ble Commission on earlier occasions, underline need for reviewing and modifying the MYT regulations in a rational way.</p>	<p>also expenditure incurred on Repairs & Maintenance of the Distribution business is Rs. 7.08 crores lessar than the approved values. Further, the major difference in the Employee cost is due to the amounts paid towards 'Terminal Benefits' & 'EL Encashment' were decreased based on Actuarial Valuation Report.</p>
5.	<p>I request the Hon'ble Commission to examine the above-mentioned points, among others, and take appropriate decisions.</p> <p>I request the Hon'ble Commission to provide me an opportunity to make further submissions during the public hearing on the subject petitions, after receiving and studying responses of the utilities.</p>	No Comments