To
The Secretary
Telangana Electricity Regulatory Commission
Sy.No.145-P, Vidyut Niyantran Bhavan
Kalyan Nagar, GTS Colony, Hyderabad **February 20, 2025**

Respected sir,

Sub : Submission of objections, suggstions and views in OP No.21 of 2025 and IA No.4 of 2025, and OP No.22 of 2025 and IA No.5 of 2025 filed by TGSPDCL and TGNPDCL, respectively, for their ARR, FPT and CSS for the FY 2025-26

With reference to the public notices dated 7.2.2025, we are submitting the following points for the consideration of the Hon'ble Commission in the subject petitions:

1. **TGSPDCL and TGNPDCL have requested the Hon'ble Commission to condone delay in filing the subject petitions, which should have been submitted by the end of November, 2024, for the reasons submitted by them in the petitions. Experience over the years is that the DISCOMs have been filing, or not filing, their annual ARR and tariff petitions in time, especially for the reason that there has been delay in government of the day permitting them to file the same. It is known that, due to intransigence of the Government of Telangana, the Discoms could not file their ARR and tariff revision proposals for the three consecutive financial years from 2019-20 to 2021-22. Again, there was abnormal delay in filing their ARR and tariff petitions for the year 2024-25, with the DISCOMs submitting the same on 18.9.2024. Needless to say, the DISCOMs do not derive any benefit by delaying filing of their ARR and tariff petitions, or other petitions, as the delay would lead to precipitating the kind of financial crisis they find themselves in, as delays in filing petitions and getting orders of the Commission would lead to delay in getting the amounts due to them, fully or partly. Earlier, the DISCOMs went on record that they "shall obtain formal approval from State Government for filing of ARR & Tariff Proposals for FY 2023-24." Such constraints of the DISCOMs in filing their petitions need to be considered in the right spirit. For dereliction of the government in permitting or directing its power utilities to prepare and file their petitions before the Commission in time, the utilities should not be held responsible.**

2. **Secretary of TSERC, through the circular Lr. No. TSERC/Secy/F-No.ARR2017-18/5/D.No.879/17, dated 17.02.2017, intimated the TS Discoms that, "For the above said reasons, I am directed by the Commission to require you to file tariff proposals on or before 23.02.2017 and in default, the Commission will act suo moto for determination of the tariff for FY 2017-18 in accordance with the directions of the Hon'ble Appellate Tribunal for Electricity in O.P. No.1 of 2011 based on information available with the Commission in the form of ARR/FPTs for FY 2015-16 and FY 2016-17 and ARR for FY 2017-18. The Commission will reckon the information filed by licensees after commencement of the suo moto proceedings for determination of the retail supply tariff for FY 2017-18." However, experience has**

confirmed that the Hon'ble Commission did not take any action suo motu to initiate its regulatory process for determination of ARR and tariffs for the financial years concerned as per law and its own decision, in view of non-submission of ARR and tariff proposals by the DISCOMs in time. There has been no such instance of taking action suo motu accordingly so far.

3. **The DISCOMs have submitted various reasons for delay in filing the subject petitions - "**As per the instructions of Govt. of Telangana, the TGDISCOMs were in the process of preparation and finalization of State Energy Policy for next 10 years. In coordination with TGREDCO, the TGDISCOMs have floated tenders for empanelment of vendors for supply and erection of Solar Power Plants up to 1 MW for self-he1p group (SHG) under "Indira Mahila Shakti Program' of the Govt. of Telarrgana. The TGDISCOMs were in the process of floaling of tenders with RFP for supply ald erection of Solar Power Plants upto 4OOO MW under 'Kusum Component - C.' The information on the status of upcoming new LIS projects in the state of Telangala and their energy requirement for FY 2025-26 from I&CAD is awaited. The revised scheduled CODs of YTPS and NCEs are awaited. Finalization of process for construction of new Power Plant at Ramagundam. Further, the Licensee had submitted the ARR for 5th Control Period under MYT regime from FY 2024-25 to FY 2028-29 in September 2024 and the Hon'ble Comrnission had released the Tariff Order on 24.10.2024. The Licensee had undertaken analysis of the tariff order released by the Hon'ble Commission and further was also developing certain proposals for the subject petition." **Without going into implications of the reasons given by the DISCOMs, it can be said that some of the reasons were submitted for earlier years also and that the impact, if any, of these factors is nil or marginal for the ARR for 2025-26. That the DISCOMs have submitted the subject petitions, without taking impact, if any, of these factors into account, also confirms this position. In any case, the DISCOMs will have the opportunity to seek true-up/true-down on variations in its expenditure and revenues that may arise due to coming into play of these factors, as well as other factors, during the next financial year. Therefore, it can be safely presumed that the government could not devote timely attention to the issue of filing of the subject petitions by the DISCOMs and give its permission or direction to file the same in time, whatever be the reasons, and that the DISCOMs have given the above-mentioned reasons for the delay to avoid the embarrassment of submitting that the delay is caused in getting the permission of the government.**

4. **In the tariff order for 2024-25, the Hon'ble Commission has pointed out 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," **under clause 20.2 of multi-year tariff regulation No.2 of 2023. The Commission has decided to impose penalties on the DISCOMs as per this regulation and directed them to adhere to the timelines as specified in the said regulation in future filing of petitions. The power utilities of GoTS have been habituated to file their petitions before the Commission with abnormal delays, mainly because of the delay in getting permission of the government to finalise and file the same. Despite the Commission imposing penalties on the DISCOMs in the**

form of reducing rate of RoE, as pointed out above, the DISCOMs seem to be helpless in view of dereliction of successive governments in permitting them to file petitions in time.

5. **Regarding tariff order, Electricity Act, 2023, empowers the Hon'ble Commission to** "reject the application for reasons to be recorded in writing if such application is ot in accordance with the provisions of this Act or th rules and regulations made thereunder or the provisions of any other law for the time being in force: Provided that an applicant shall be given a reasonable opportunity of being hard before rejecting his application" (64(4)(b)). **As directed by APTEL, ERCs can take up issue of tariff determination suo motu and issue orders, if the licensees do not submit the same in time for its consideration. When we raised this point in the meeting of state advisory committee of TGERC last year, the then Hon'ble member (technical), Sri M.D. Manohar Raju garu, contended that, without required information, how can the Commission act accordingly. Technically, the Commission's view is correct. Irrespective of the letter and spirit of the Act, orders of APTEL and regulations of the Commission and of the GoI and CEA, how practical problems would cause hindrances can be understood in this matter. Hon'ble Commission has powers to direct the licensees to submit information it requires. Similarly, the DISCOMs and other licensees, being entities regulated by the Commission, technically, can file their petitions in time, without waiting for consent from the government. Experience has confirmed repeatedly that they could not do so, whatever be the reasons.**

6. **That despite penalised by the Commission by way reducing rate of RoE for the period of delay in filing petitions for 2024-25, the DISCOMs are failing to adhere to the applicable regulations for filing their petitions in time is evident. In the past, the Hon'ble Commission permitted the DISCOMs to collect tariffs as per the earlier tariff order for the subsequent years for which they did not file their ARR and tariff petitions till tariff order for the FY concened is issued. Instead of penalising the DISCOMs by way of reducing rate of RoE for delay in submission of petitions, the Hon'ble Commission may consider allowing them to collect tariffs as per the latest past tariff order till tariff order for the FY concerned is issued, with the condition that no true-up claims of the DISCOMs would be entertained for variations in their expenditures and revenue for the period delayed and leaving the freedom to them to seek the amounts required for briding that revenue gap from the government. If there are true-down claims, they shoould be cosidered. If necessary, the Hon'ble Commission may bring about an appropriate amendment to the regulations applicable in this regard.**

7. **We welcome the decision of the DISCOMs, obviously, with the permission of the government, for proposing no change in the tariffs for all categories for the FY 2025-26. The implication of the proposal of the DISCOMs is that the state government would provide subsidy required to bridge their revenue gap determined by the Hon'ble Commission. However, the DISCOMs have requested the Hon'ble Commission to** request the Government of Telangana to fund the proposed revenue gap to enable them to procure power for supply to it's Consumers in view of retention of

existing Retail Tariff. **Their request to the Commission is indicative of the kind of evasive approach they are constrained to adopt, while getting formal approval of the GoTS for filing the subject petitions. Instead of getting a commitment from the GoTS for providing required subsidy to bridge the revenue gap as may be determined by the Commission for 2025-26, as a part and parcel of the formal approval they have got from the Government, that the DISCOMs are requesting the Commission to request the GoTS to provide required subsidy is nothing but shirking their responsibility of submitting their proposals as to how they would bridge the projected revenue gap. How much subsidy is to be provided and to which categories of the consumers is the responsibility and within the purview of discretion of the GoTS, not of the Hon'ble Commission.**

8. Though no tariff hike is proposed by the DISCOMs for 2025-26, the projections made by them indicate that there is scope for imposing burdens on the consumers in the form of claims for fuel surcharge adjustment and true up later for the next financial year. Both the DISCOMs have shown a hefty revenue gap of Rs.20,151 crore for FY 2025-26 - TGSPDCL Rs.9758 crore and TGNDCL Rs.10393 crore. They have projected energy availability, requirement and surplus as hereunder:

DISCOM	Energy availability	Requirement	Surplus
SPDCL	87065 MU	71176	15889
NPDCL	36,566	23951	12615
Total	123631	95127	28504

As a percentage of requirement, surplus power works out to 30%. Even considering a generally accepted 5% for reserve margin or spinning reserve, availability of the projected surplus power is abnormal. The projected surplus includes short-term purchases of 1065 MU - 626 MU by SPDCL and 439 MU by NPDCL. Even after deducting projected short-term purchases, the surplus works out to 28.84%. Despite availability of abnormal quantum of surplus power, that the DISCOMs will have to purchase 1065 MU under short-term shows the kind of imbalance between demand curve and power mix.

9. The projected net revenue gap of Rs.20,151 crore by both the DSCOMs is worked out after deducting Rs.2768 crore claimed to accrue on sale of surplus power to the tune of 17,288 MU for SPDCL and Rs.1155 crore on sale of 7217 MU for NPDCL. Sale of surplus power is projected to be made at an average rate of Rs.5.56 per unit, whereas procurement of surplus power is worked out at a variable cost of Rs.3.96 per unit, which is the weighted average variable cost of the respective generating stations. We request the Hon'ble Commission to examine the following points, among others:

a) Sale of surplus power to the tune of 24,505 MU by both the DISCOMs means purchasing that power paying both fixed and variable costs as determined by the

Hon'ble Commission in the retail supply tariff order. As per merit order dispatch, when surplus power is available and when it cannot be sold in the market, it has to be backed down starting from the station with highest variable cost. The DISCOMs have to pay fixed charges per unit for the power backed down from each thermal power station as applicable. Procurement of surplus power is worked out by the DISCOMs on the basis of variable cost only, without considering fixed cost. In other words, fixed cost paid for procurement of surplus power also, along with variable cost, needs to be deducted from the sale price of surplus power. To that extent, the expected revenue on account of sale of surplus power would come down. The DISCOMs have to show the fixed cost, as well as variable cost, to be paid for procurement of 24,505 MU surplus power station-wise and total.

b) **In a press note dated 6.2.2025, released in the name of the CMD of TGTRANSCO, who is the chairman of TGPCC, which looks after purchase and sale of power in the market, it is claimed that by selling surplus power in the market, from December, 2023 to January, 2025, the DISCOMs have achieved a "savings" of Rs.982.66 crore. Power available under PPAs in force can be considered surplus after meeting demand of the DISCOMs. Power required by the DISCOMs to meet demand cannot be treated as surplus power, as per the principle of merit order dispatch. Therefore, it is to be examined whether power available under PPAs in force and required by the DISCOMs to meet demand can be backed down in order to purchase power in the market and whether it is in consonance with the principle of merit order dispatch and permissible.**

c) **If we take one of the examples given in the above-mentioned press note, on 17.1.2025, when 43.14 MU are purchased in the exchange at an average rate of Rs.2.82 per unit, obviously, during off peak hours, the principle of merit order dispatch is not followed. The average rate for power backed down is shown as Rs.4.15 per unit. It is claimed in the press note that a sum of Rs.5.75 crore is "saved." It is a case of backing down power required in order to purchase in the market. When power is available from thermal stations, the DISCOMs are constrained to back down it in order to purchase unwarranted, but must-run, power from the renewable energy units under PPAs in force. When surplus power backed down is available to meet demand during the period of backing down, need for purchasing power in the market or exchange, to the extent power under PPAs in force is available, does not arise.**

d) **Fixed charges for power backed down have to be paid, as applicable to the threshold level of capacity of the plant backed down, not average fixed cost. If the fixed cost of such a plant whose capacity is backed down is, say, Rs.1.50 per unit, it has to be added to the cost of Rs.2.82 per unit for which power is purchased in the market. It works out to Rs.4.32 (2.82+1.50). Compared to Rs.4.15 per unit to be paid for power backed down, an additional expenditure of Re.0.17 per unit is incurred. As such, there is no saving. When DISCOMs purchase power backed down, the question of paying additional fixed charge does not arise. Backing down a thermal power plant**

in order to purchase power in the market is nothing but creating avoidable surplus power.

e) **In addition to the above, for purchasing power in the market or exchange, if that power is supplied from outside the state, cost of inter-state transmission charges and transmission losses will be extra. Moreover, problems of ramp up and ramp down of the thermal plant backed down, consumption of additional oil associated with ramp up, decrease in useful life span of the plant backed down, etc., will be there.**

f) **If the DISCOMs cannot sell surplus power as projected, or if sale price projected varies, it will lead to variations in the cost of power purchase estimated by them.**

g) **The DISCOMs have not submitted the details pertaining to thermal plants to be backed down under the principle of merit order dispatch based on their projections in the subject petitions and the fixed charges to be paid for the capacities to be backed down. They have also not submitted month-wise availability of surplus/deficit of power based on projected demand and its fluctuations and total availability of power. If availability of energy and surplus power, as projected by the DISCOMs, vary during the next financial year, it would lead to variations in the cost of power purchase estimated by them.**

h) **The DISCOMs have not shown costs of inter-state transmission charges and transmission losses for short-term purchases proposed, when that power is to be supplied from outside the state. Taking them into account would lead to variations in the cost of power purchase estimated by the DISCOMs.**

i) **The statistical legerdemain of the licensees, as explained above, distorts factual position and shows additional expenditure or loss as "savings." If the savings are achieved, as claimed in the above-mentioned press note, or can be achieved as projected in the submissions in the subject petitions, they will have to be shown in the claims of fuel surcharge adjustment for true-down later.**

j) **This kind of statistical legerdemain, even if the DISCOMs are able to sell the projected surplus power in the market, would lead to increase in cost of power purchase and revenue gap of the DISCOMs and claiming the same under FSA for true-up. Conversely, revenue gap shown in the subject petitions is deflated, thereby artificially reducing need for subsidy from the government or tariff hike or both. In other words, no tariff hike now, but true-up burdens later.**

10. **We request the Hon'ble Commission to direct the DISCOMs to submit the following information, examine and provide us the same, pertaining to the 4th control period and the current financial year, to enable us to study and make further submissions:**

i) **Surplus power available and fixed charges paid for backing down the same.**

ii) **Thermal power backed down in order to purchase must-run renewable energy and fixed charges paid for power backed down accordingly.**

iii) **RE backed down and payments made for power backed down, if any.**

iv) **Sales of power projected, permitted and actual.**

v) **Surplus power sold, if any, and the profit or loss thereof and how it is calculated.**

vi) **Additional power purchased in the market and exchanges and the tariffs paid for that vis a vis average cost of power purchase under PPAs in force and as permitted by the Commission.**

vii) **True-up or true-down claims made and to be made under FSA.**

viii) **Amounts collected by the DISCOMs not exceeding Re.0.30 per unit per month under FSA, as permitted by the Commission, and without considering the need for it and without public consultation.**

ix) **Examination of the above factors, among others, would facilitate making a near realistic assessment and projections for the next financial year and analysing objectively remedial measures to be taken within the limitations of the regulatory role of the Hon'ble Commission and binding obligations in terms of law.**

11. In their responses to our submissions on their annual performance review of their distribution business for 2023-24 and for the 4th control period, etc., TGDISCOMs have given their accumulated losses for their retail supply business. We request the Hon'ble Commission to examine the following points, among others:

a) SPDCL has shown a cumulative loss of Rs.47,239.15 crore at the end of FY 2023-24 - up to 2019 Rs.24362.30 crore, Rs.4933.41 crore for 2019-20, Rs.4245.96 crore for 2020-21, Rs.629.80 crore for 2021-22, Rs.8147.48 crore for 2022-23 and Rs. 4909.53 crore for 2023-24. It has shown a revenue gap of Rs.6215.47 crore for 2023-24, after adjusting government subsidy of Rs.1349.52 crore and loss taken over by govenment under UDAY of Rs.4073 crore.

b) NPDCL has shown an accumulated loss of Rs.20,036.92 crore up to FY 2023-24. It has also shown a revenue deficit of Rs.2062.59 crore for the FY 2023-24.

c) Both the DISCOMs have explained that the huge losses incurred by them are mainly due to increase in power purchase cost for extension of uninterrupted quality power supply to the consumers to meet the rapid load growth. SPDCL has informed that it has to receive the arrears from the government department service connections towards energy drawl. NPDCL has claimed that the

cumulative loss will be overcome by getting the grants or schemes from the government as additional support.

d) **Regarding arrears, as on 30.9.2024, the DISCOMs have shown accumulated arrears to be collected to the tune of Rs.30,777.65 crore. Both the DISCOMs have not shown arrears to be collected from the departments of the government and local bodies separately.**

e) **That the accumulated losses and arrears to be collected by the DISCOMs have reached an astronomical figure of Rs.98,053.72 crore confirms the lukewarm approach and failure of the government during the last more than one decade to take remedial measures in time and adequately and nurse the DISCOMs back to financial health. This ever-intensifying precarious position of the DISCOMs also confirms the limitations and deficiencies of the regulatory role of the Commission in terms of law and practice.**

12. **For net energy availability, the DISCOMs have considered a PLF of 85% and availability of hydel power as 5742 MU. However, the PLF achieved by the thermal plants of TGGENCO was very much lesser for 2023-24. We request the Hon'ble Commission to consider the following points, among others:**

a) **The DISCOMs have to provide actual PLF achieved by thermal plants of TGGENCO for 2024-25 so far against 85% considered. For reasons like non-availability or non-procurement of coal to the extent allocated, actual PLF and availability of power would come down.**

b) **The DISCOMs have submitted that,** for NTECL Vallur and NLC Tamil Nadu Power Limited, to reduce the financial burden upon TGDISCOMs, the Licensees had submitted a requisition to MoP, GoI expressing their willingness to surrender the share of Telangana from NTECL Vallur and NLC Tamil Nadu Power Limited. However, MoP continues to schedule energy to Telangana from the above mentioned plants and therefore, availability for the same has been considered. **From both these stations, both the DISCOMs have shown an availability of 1844 MU. In view of availability of the projected abnormal quantum of surplus power for 2025-26, with similar trend likely to continue for subsequent years, we request the Hon'ble Commission to direct the DISCOMs not to take this power from these two central generation stations, but complete the process for surrendering the same forthwith.**

c) **For 4000 MW Yadadri Thermal Power Station, both the DISCOMs have shown availability of 28,295 MU and fixed charges of Rs.6858 crore for the FY 2025-26. Though the Hon'ble Commission directed TGGENCO twice, in its MYT order dated 22.3.2022 and its order dated 29.12.2023, to submit its proposal for determination of capital cost and tariff for YTPS, GENCO has not done so, so far. On what basis the DISCOMs have projected fixed charges for YTPS for the FY 2025-26 and claimed the same in the subject petitions, without getting determination of, and consent for, capital cost and tariff for the project by the Commission? What**

is the latest revised capital cost of YTPS? What has been hampering TGGENCO and the DISCOMs to file a petition for determination of capital cost and tariff for YTPS by the Commission and the latter's consent for the PPA over the years?

d) The DISCOMs have not shown availability of power (or resuming supply of power) from 1000 MW Marwa project through Chattisgarh State Power Distribution Company Limited (CSPDCL) for 2025-26. Had supply of power from Chattisgarh resumed, it would have added substantially to the already available abnormal quantum of surplus power projected for 2025-26. What is the latest position of the petitions pending before appellate authorities against tariff determined by CSERC and dispute on tariffs shown in the bills for supplies made to TGDISCOMs and disputed by the latter? That the TGDISCOMs could not get till date consent of TGERC to the PPA they had signed with Chattisgarh Discom even after supply of power started in 2017-18 indicates the problematic nature of the issue. TGERC gave only interim orders dated 31.3.2017 and 23.3.2023. Are the DISCOMs paying transmission charges to PGCIL for the capacity they contracted for supply of the said power by CSPDCL, even after supply of power is stopped by the latter? If so, how much is being paid by TGDISCOMs every year towards transmission charges to PGCIL for transmission capacity contracted, but continues to be unutilised?

e) Despite the directive given by the Hon'ble Commission to avail the share of the state in Machkund PH and Tungabhadra PH, the efforts of the DISCOMs to get PPA extended and scheduling of power from these two inter-state projects have not come to fruition.

f) Apart from these factors, for other factors that may come into play during the next financial year - vagaries of nature like heavy rains, floods, drought, inadequate availability of coal, problems of transportation of coal, unscheduled or forced shut-down of plants due to unforeseen technical or other reasons - projected availability of power from different stations may vary.

13. The DISCOMs have projected availability of renewable energy to the tune of 18803.77 MU for 2025-26. As per RPPO order dated 27.2.2024, issued by the Hon'ble Commission, for the FY 2025-26, the DISCOMs have to purchase a minimum of 13% of RE as a percentage of total consumption of energy, excluding consumption met from RE and large hydel energy. Against projected sales of 87383 MU of both the DISCOMs, availability of RE and hydel energy projected is 24545.77 MU (NCE 18803.77 MU and hydel energy 5743 MU), which works out to 28.08%. In other words, both the DISCOMs will be exceeding their RPPO for next financial year by 15.08%, or by 116% of the target under RPPO fixed by the Commission. This is one of the reasons for availability of abnormal quantum of surplus power and the burden of paying fixed charges for the capacities backed down.

14. Availability of NCE increased from 8907 MU for 2022-23, 11006 MU for 2023-24, 13399.15 MU for 2024-25 to the projected 18803.17 MU for 2025-26. Entering into

long-term power purchase agreements to purchase unwarranted RE by the DISCOMs, obviously, at the behest of the government, and giving of consents to the same by TGERC are questionable and detrimental to larger consumer interest for various reasons. One, the DISCOMs continue to far exceed their obligations under RPPO. Two, continuation of the trend of availability of abnormal quantum of surplus power. Three, the DISCOMs have to purchase must-run RE generated under PPAs in force, whether they require it or not. Four, In order to purchase must run RE, the DISCOMs have to back down thermal power and pay fixed charges for the capacities backed down. Five, since RE cannot meet peak demand, the DISCOMs have to purchase power in the market or through exchanges at higher prices to meet peak demand to the extent required. Six, there are several technical and financial problems of grid integration and to thermal stations backed down.

15. **The DISCOMs can sell renewable energy certificates (RECs) for the additional RE they purchase, exceeding the minimum targets fixed under RPPO order issued by the Commission. However, the DISCOMs have not shown any revenue on sale of RECs for the current and next financial years. The DISCOMs have to explain the factual position relating to sale of RECs and the revenue accrues and likely to accrue to them on account of the same.**

16. **The DISCOMs have submitted that "**in coordination with TGREDCO, the TGDISCOMs have floated tenders for empanelment of vendors for supply and erection of Solar Power Plants up to 1 MW for self-help group (SHG) under "Indira Mahila Shakti Program'' of the Govt. of Telangana. c. The TGDISCOMs were in the process of floating of tenders with RFP for supply and erection of Solar Power Plants upto 4000 MW under 'Kusum Component – C." **Without going into the merits of the schemes, suffice it to say, in the context of availability of abnormal quantum of surplus for the next financial year and later, that addition of the proposed generation capacities would add to the availability of surplus power, with attendant adverse consequences. If the proposed power is to be used by the consumers or groups concerned, it would lead to reduction of demand for power and increase availability of surplus power to that extent to the DISCOMs. If the proposed power is to be purchased by the DISCOMs, it, too, would add to availability of surplus power to that extent. These moves have to be seen as a part and parcel of Telangana Clean and Green Energy Policy, 2025 issued by the government on 11.1.2025 wherein a target of adding 20,000 MW renewable energy and storage capacity by 2030 is fixed. The DISCOMs have also submitted that** "as per the instructions of Govt. of Telangana, the TGDISCOMs were in the process of preparation and finalization of State Energy Policy for next 10 years." **If the DISCOMs or TGTRANSCO approach the Commission, seeking revision of state electricity plan, resource plan, load forecast, etc., already approved by it for the 5th control period, by incorporating the targets of clean and green energy policy or state energy policy to be prepared, we request the Hon'ble Commission to invite objections and suggestions from interested public and hold public hearings, before taking a final decision.**

17. The DISCOMs have proposed no revision in time-of-day tariffs, thereby requested the Hon'ble Commission to continue the present time-of-day charges for the next financial year. The present ToD charges are extra by Re.1 per unit for consumption from 6 AM to 10 AM and 6 PM to 10 PM and less by Rs.1.50 per unit for consumption from 10 PM to 6 AM for the categories of consumers specified in the retail supply tariff order of the Commission. We request the Hon'ble Commission to examine the following points, among others:

a) If an industry is being run in three shifts of 8 hours each, there is simply no scope for it to shift its running to off peak hours. ToD cannot achieve that objective, except imposing additional burden on such industries. Such industries are already achieving a good power factor. Power intensive and continuous process industries are already in doldrums, unable to compete, with the kind of costs of inputs, including power tariffs. What would be the impact of imposition of ToD on such industries, depending on the rates of ToD, higher during peak hours and lower during off peak hours, needs to be studied. If ToD imposes additional burden on such industries, it will be the last straw on the camel's back.

b) The DISCOM's proposal is based on the notification of the MoP, GoI, for specifying ToD tariffs to all consumers having a maximum demand of more than ten Kilowatt, except agricultural consumers. As such, overwhelming majority of the domestic consumers will not come under its purview. But, if MoP issues another notification later for reducing the maximum demand step by step to impose ToD tariffs on domestic consumers, and if the DISCOMs meekly follow it and if the Commission applies ToD tariffs to domestic consumers, it will penalise such consumers. Determination of tariffs is within the regulatory purview of the Commission. Therefore, notifications of the MoP, GoI, should not be the basis for imposing ToD charges. The way notifications, directions and guidelines are being issued by MoP, GoI, even with mutually contradictory stances, it is evident that the overall approach of the Modi government is to ensure undue benefits to the corporate entities in power sector and impose more and more burdens on the consumers.

c) The tariffs for consumers having a demand of more than ten Kilowatt are already exceeding their cost of service, with a provision for cross subsidy surcharge.

d) Depending upon nature of activity, commercial or manufacturing, and time of such activity, power is being consumed. To what extent time of consumption of power for such activities can be changed to reduce power consumption during peak hours or seasons and increase it during off peak hours or seasons, without affecting such activities and requirement of common man consumers, needs to be studied. Simply because MoP, GoI, has issued a notification, the states and their DISCOMs need not follow it mechanically, unmindful of consequences of

its implementation, and the regulatory Commissions should not issue their orders mechanically.

e) Imposition of additional burdens on industry and commerce in the form of ToD tariffs would lead to imposition of all such burdens on the consumers at large in the form of escalation of prices of commodities and services. Increase in tariffs in the form of ToD tariffs would affect purchasing power and living standards of the people at large, and, as such, they are retrogressive.

f) The basis, as well as justification, for imposing ToD tariffs is not explained, because it only imposes additional burdens on the people at large, either directly or indirectly. Moreover, it is simply a measure to garner additional revenue for the DISCOMs; it need not be additional profit. Imposition of ToD tariffs on higher side would lead to reduction of need for subsidy to be provided by the government. ToD is a variant of cross-subsidy surcharge.

g) Irrespective of timings of consumption of power by various categories of consumers, the entire cost from the point of generation to supply to the end consumer, including profits of generators of power, transmission and distribution utilities and umpteen taxes, cess, etc., being imposed by the GoI and state governments and innumerable charges, especially FSA charges, being allowed by regulatory Commissions to be collected from the consumers, are being imposed on the consumers at large. As such, timings of consumption of power by different categories of consumers are not affecting the interests of the generators of power and transmission and distribution utilities.

h) Peak or off-peak consumption of power depends on requirement of power by various categories of consumers during specific hours and periods, not on any abstract principle. Hypothetically, if time of consumption varies, due to imposition of measures like ToD tariffs, so substantially that the earlier peak becomes off-peak or off-peak becomes peak, the situation would be back to square one. Of course, it is an extreme proposition.

i) The real problem is availability of abnormal quantum of surplus power, obviously, during off-peak hours and seasons. This is a result of the irrational decisions of entering into long-term PPAs with generators of power, especially of RE, to purchase unwarranted power. This is a result of the failure of the powers-that-be to take prudent decisions to ensure a harmonious balance between fluctuating demand for power and power mix to the extent technically possible. Instead of addressing this issue, protagonists of lopsided reforms are bringing forth measures like ToD tariffs.

j) To the extent period of consumption of power can be shifted from peak hours to off-peak hours by industries and commerce, need for backing down surplus power during off-peak hours and need for purchasing costly power in the market would come down. Both ways, it results in saving fixed charges which

would otherwise have to be paid for backing down and higher costs which would otherwise have to be paid for purchasing power in the market on short-term basis. If applicable tariffs are reduced in the form of ToD tariffs to such industries and commerce, to the extent they can shift their timings of consumption of power from peak hours to off-peak hours, it would be beneficial to all consumers. It is a direct benefit to such industries and commerce in terms of reducing their power bill to the extent their consumption of power is shifted to off-peak hours to the extent practicable in technical, social and economical terms. It would be a benefit to other consumers also in the form of avoidance of need for backing down surplus power and paying fixed charges to that extent and of purchase of power in the market on short-term basis at higher prices to the possible extent. Therefore, we request the Hon'ble Commission not to impose additional burden in the form of ToD, but to confine to reducing the tariff to the consumers who shift their time of consumption from peak to off peak hours, at least, to certain extent that can be met from the savings in the form of reducing need for paying fixed charges for backing down and higher tariffs for purchasing power in the market on short-term basis. It would result in prudent management of demand and supply and avoidance of additional burdens on the consumers in the form of FSA claims to the extent possible.

k) As per the timings specified for applicability of ToD charges, if a consumer consumes power during the 8 hours of peak demand and during the 8 hours of off peak, he can get the benefit of reduction of tariff @Rs.0.50 per unit, provided consumption of quantum of power during both the periods is equal. It is without shifting consumption of power from peak hours to off peak hours. How is the remaining period of 8 hours from 10 AM to 6 PM is treated - neither peak, nor off peak? Since ToD charges are already being implemented, its impact in terms of shifting of time of power consumption from peak hours to off peak hours, reduction of revenue to the DISCOMs on account of reducing ToD charges to consumers for consumption during off peak hours and additional revenue to the DISCOMs on account of imposing ToD charges to consumers for consumption during peak hours needs to be examined. I request the Hon'ble Commission to direct the DISCOMs to provide the information and examine the same and make it public.

18. The DISCOMs have shown 3% escalation in variable charges and 3% escalation in fixed charges for some of the power plants for calculating cost of power purchase for the FY 2025-26. If any changes take place in variable costs and fixed costs, after the Hon'ble Commission issues retail supply tariff order, the difference can be claimed under true-up or true-down. The DISCOMs are being permitted to collect not more than 30 paise per unit per month and permissible FSA claims for true-up. Escalation of variable and fixed costs presumed in advance is not permissible. We request the Hon'ble Commission to reject the 3% escalation in variable and fixed costs in advance proposed by the Discoms. As a result, the projected cost of power purchase, revenue requirement and revenue gap of the Discoms would come down.

19. SPDCL and NPDCL have shown T&D losses of 10.88% (7744 MU) and 11.76% (3192 MU), respectively, for the next financial year. Average cost of power purchase per unit is Rs.5.13 for SPDCL (with power purchase cost of Rs.36530 crore for 71,176 MU) and Rs.5.17 for NPDCL (with power purchase cost of Rs.14,042 crorefor 27,143 MU). The cost of T&D losses works out to Rs.5622.94 crore - Rs.3972.672 crore for SPDCL and Rs.1650.264 for NPDCL. This shows the magnitude of, and scope for, savings that can be achieved by reducing distribution losses. Over the years there has been considerable reduction in T&D losses, with the efforts being made by TGTRANSCO and TGDISCOMs. However, distribution losses of SPDCL have been increased from 8.40% in 2022-23 to 8.55% in 2023-24. The DISCOM has explained that the increase in distribution losses is due to increase in unmetered agricultural consumption from 12126 MU in 2022-23 to 15,616 MU in 2023-24. For H1 of 2024-25, SPDCL has shown distribution losses of 8.49%. For FY 2025-26, SPDCL has projected distribution losses of 8.08% (5573 MU), against a projected growth rate of 4.41% for LT V agriculture sales.

20. Distribution losses of NPDCL increased from 8.71% in 2022-23 to 9.44% in 2023-24. The DISCOM has explained that this increase is due to increase in LT V agriculture sales from 7868 MU to 9447 MU. It has projected a growth rate of 6.56% for LT V agriculture for 2025-26 and distribution loss of 8.93%. It has projected LT V agriculture sale of 10,457 MU for 2025-26 against projected 9812 MU for 2024-25 and actual of 9447 MU for 2023-24. For H1 of 2024-25, NPDCL has not shown the actual distribution losses. Going by the logic of increase in distribution losses due to increase in agriculture sale, with all the measures proposed to be taken by the DISCOMs for reduction of distribution losses, to what extent they can reduce distribution losses for the next financial year in the face of projection of increases in LT V agriculture sales is to be seen.

21. The DISCOMs have given intra-state transmission charges of TGTRANSCO for three years as given below:

Year	**SPDCL**	**NPDCL**	**TOTAL**
2023-24 actuals	**2670 cr.**	**1126**	**3796**
2024-25 approved	**2202**	**919**	**3121**
2025-26 projections	**1468**	**613**	**2081**

The DISCOMs have not explained the reasons for substantial reduction in intra-state transmission charges for 2025-26, in the light of increasing contracted transmission capacity. Does this mean, for the current and last financial years, the DISCOMs have paid excess charges to TGTRANSCO? Has this vast variation anything to do with the inter-state transmission charges being fixed by CERC irrationally and unfairly under GNA? If the intra-state transmission charges paid for the last and current financial years are inflated, are the excess amounts refunded to the DISCOMs? SLDC charges also are projected to increase substantially. SPDCL has projected SLDC charges to increase from Rs.39 crore for 2024-25 to Rs.54 crore for 2025-26 and NPDCL from Rs.16 crore to Rs.22 crore for the same years. We are sure the Hon'ble Commission would examine these and other relevant

factors, while considering petitions of TRANSCO and SLDC for their ARR and tariffs for their transmission and SLDC business for 2025-26 and submissions made and to be made during public hearing scheduled next month and take appropriate decisions to factor the permissible amounts in the ARR of the DISCOMs for the next financial year.

22. **The DISCOMs have projected transmission losses under PGCIL network external to state transmission network to the tune of 3.54% for FY 2025-26, as is the case for 2024-25, as per the ARR of retail supply business order approved for the 5th control period by the Commission. We request the Hon'ble Commission to examine the following points, among others:**

    a) **Purchases in the market or through exchanges are coming down, as given by the DISCOMs, for the last, current and next financial years:**

Year	SPDCL	NPDCL	TOTAL
2023-24	11,200 MU	4798	15,998
2024-25	520	1405	1925
2025-26	626	439	1065

PGCIL transmission losses were 3.58% for the FY 2023-24, when market purchases made by both the DISCOMs were 15,998 MU. In view of market purchases claimed to be coming down drastically – a welcome feature - for the current and next financial years, reduction of PGCIL transmission losses to the tune of just 0.04% is unrealistic and needs to be reduced further. Actual PGCIL losses for the current financial year may be examined.

    b) **Out of the 24,505 MU both the DISCOMs have proposed to sell in the market for 2025-26, to the extent such sales are made from their share in the central generation stations outside the state, PGCIL losses for TGDISCOMs would come down, as the same will have to be borne by the purchasers.**

    c) **If scheduling of 1844 MU from NTECL Vallur and NLC Tamil Nadu Power Ltd. to TGDISCOMs is stopped, PGCIL losses would come down proportionately.**

23. **The DISCOMs have given their distribution network cost for the current and next financial years as given hereunder:**

Year	SPDCL	NPDCL
2024-25 approved	Rs.4690 cr	3148
2025-26 projections	6015	4373

While the distribution cost of SPDCL increases by 28.25%, that of NPDCL increases by 38.19%. These increases are higher, much more so in the case of NPDCL compared to SPDCL. Since the Hon'ble Commission has completed public hearings on the ARR and wheeling charges for the distribution business of the

DISCOMs for 2025-26, we are sure it would make a realistic assessment of permissible wheeling charges and factor the same in the ARR for retail supply business. Going by allocation of power between SPDCL and NPDCL in the ratio of 70.55:29.45 and proportions of sub-stations, DTRs, extent of lines laid, etc., and their expenditures for the same, the projected increases in distribution costs of the two DISCOMs and between the DISCOMs should be subjected to rigorous prudence check in terms of various relevant parameters like load at various levels of voltage, number of sub-stations, DTRs, extent of lines, number of consumers under various categories, their demand for power, scope and magnitude for getting cross subsidy and paying subsidy, geographical extent, rates at which various materials of same nature are being purchased, expenditure being incurred for execution of various works of similar nature, number of employees, costs of employees, etc.

24. **SPDCL and NPDCL have worked out cost of service for 2025-26 as Rs.7.27 and Rs.8.29 per unit and weighted average cost of power purchase as Rs.5.13 and Rs.5.17 per unit, respectively. The network costs for transmission and distribution work out to Rs.2.14 and Rs.3.12 per unit for SPDCL and NPDCL, and they constitute 29.44% and 37.64%, respectively, of their cost of service. Cost of power purchase and cost of transmission and distribution networks used to be 80:20, respectively, in the past in the ARR of DISCOMs. The ratio of cost of transmission and distribution networks in the ARR of the DISCOMs has been increasing alarmingly. Apart from this, a comparative examination of various factors between the two DISCOMs is required, in view of highly disproportionate costs of transmission and distribution networks.**

25. **The DISCOMs have given the PGCIL charges for inter-state transmission for 2025-26, as approved by the Commission in the order dated 28.10.2024 for ARR of retail supply business for the 5th control period, as given hereunder:**

Year	**SPDCL**	**NPDCL**
2023-24 actual	**Rs.1714 cr.**	**716**
2024-25 approved	**1624**	**678**
2025-26 projected	**1702**	**711**

TGDISCOMs had pointed out earlier that, due to change in regime from long-term access (LTA) to general network access (GNA), the monthly inter-state transmission charges of PGCIL have been increased in December, 2023. GNA is an irrational arrangement and arbitrary and the DISCOMs are expected to resort to legal recourse questioning such arbitrary regulations and orders issued by the Central Electricity Regulatory Commission. On earlier occasions, we raised the issues relating to GNA and are not repeating the same now. DISCOMs of some of the states, especially of Tamil Nadu, have been pursuing the petitions filed in appellate authorities against the GNA orders given by CERC. What is the role of TGDISCOMs in these legal matters to protect the interests of their consumers in the light of imposing avoidable burdens in the form of increased ISTS charges under GNA by CERC?

26. **Contracting an additional transmission capacity of 1000 MW from the central transmission utility, Power Grid Corporation of India Ltd. (PGCIL), in advance on presumed purchase of another 1000 MW from Chattisgarh is hasty and improper. Normally, transmission capacity needs to be contracted after coming to an agreement for purchase of power and getting a no objection certificate from the State Transmission Utility concerned, not before. In this case, there was no agreement for purchase of additional 1000 MW from Chattisgarh. To our query earlier -** How much was the penalty paid by the DISCOMs to the CTU for cancelling the additional 1000 MW transmission capacity contracted by them and under what head the DISCOMs have shown the penalty amount? **– the TGDISCOMs replied that they filed petition against PGCIL on levy of relinquishment charges for the additional 1000 MW transmission capacity and the same is pending. It is learnt from reliable sources that PGCIL claimed relinquishment charges of Rs.261.31 crores, and that the petition filed by TGDISCOMs, questioning the claim of PGCIL, is pending before the Central Electricity Regulatory Commission. What is the latest position?**

27. **In response to the directive given by the Hon'ble Commission relating to cases of electrical accidents, NPDCL has shown that during the first half of the current financial year, against 217 electrical accidents to people, ex-gratia is sanctioned in 113 cases to the tune of Rs.5,85 crore. In 554 accidents involving animals, ex-gratia is sanctioned in 239 cases to the tune of Rs.1.1883 crore. SPDCL has not provided any information on electrical accidents and ex-gratia paid; it has simply referred to the reports it submitted to the Commission on a special drive taken up by it for removal of auto starters. Under their distribution business, too, the DISCOMs have paid Rs.192.82 crore towards ex-gratia/compensation in cases of electrical accidents during the 4th control period. It is fair that the amounts paid towards compensation/ex-gratia to victims of electrical accidents should be borne by the DISCOMs, whether they are caused due to fault of the department or otherwise. Allowing such payment of ex-gratia paid by the DISCOMs as pass-through to be collected from all their consumers by including the same in their ARR or under true-up is misplaced, as it would be tantamount to shifting the said liability of the DISCOM concerned to all its consumers. Such a stance, in practice, absolves the DISCOMs of their responsibility and liability. The successive Commissions continue to disagree with such a view expressed earlier during public hearings. Going by the hefty ARR, FSA, true-up and other charges being allowed by the Commission to be collected by the DISCOMs from their consumers, the ex-gratia/compensation being paid in cases of electrical accidents may be marginal. Nevertheless, as a matter of principle, it should not be difficult for the DISCOMs to bear the amount for paying ex-gratia/compensation in cases of electrical accidents. The consumers of the DISCOMs have been paying the expenditure being allowed by the Commission for taking safety measures to prevent electrical accidents. Despite that, compensation/ex-gratia paid and to be paid in cases of electrical accidents is being imposed on the consumers at large, without any justification. In fact, the DISCOMs used to bear such compensation from their internal resources and rightly so. For example, in their replies, APDISCOMs stated that "the ex-gratia paid towards**

victims due to electrocution is being met from the internal resources of the DISCOM which is not recovered from ARR" (page 110 of RSTO for 2017-18 issued by APERC). Subsequently, APERC has been allowing the DISCOMs to collect the ex-gratia or compensation paid to victims of electrical accidents as a part and parcel of tariff and true-up, without any justification. The same position continues in Telangana also. Expenditure incurred for safety measures to prevent electrical accidents is one thing and payment of ex-gratia/compensation towards electrical accidents cannot be treated as a safety measure is quite another, because, the need for such a payment arises as a result of deficiency or failure of safety measures to prevent electrical accidents. The amounts paid year-wise indicates that there has been no perceptible improvement in reduction of electrical accidents. The data given by NPDCL also shows that in nearly 50% of cases of electrical accidents, no compensation/ex-gratia is sanctioned. The reasons for not sanctioning the same are not explained. Moreover, the number of electrical accidents in which compensation/ex-gratia is paid or not paid also needs to be examined to understand the real magnitude and nature of such accidents and responsibility for the same. We request the Hon'ble Commission to re-examine this issue and take an appropriate decision so as not to impose such compensation/ex-gratia on consumers who are not responsible for electrical accidents.

28. **I request the Hon'ble Commission to provide me an opportunity to make further submissions on some more issues before due date and during the scheduled public hearings after receiving and studying responses of the DISCOMs to my submissions.**

Thanking you,

Yours sincerely,

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Encl : Copy of press note issued by TGTRANSCO dt. 7.2.2025

Copies to : 1. Chief Engineer (RAC), TGSPDCL
2. Chief Engineer (IPC & RAC), TGNPDCL

TRANSMISSION CORPORATION OF TELANGANA LIMITED

TELANGANA RECORDS HIGHEST EVER PEAK DEMAND OF 15752 MW ON 06.02.2025

POWER PURCHASES IN TELANGANA – A SAVING OF 1000 CRORES IN 13 MONTHS

- Telangana power utilities have met highest ever peak demand of 15752 MW on 06.02.2025. The previous highest demand met was 15623 MW on 08.03.2024.

- In the last fourteen months, all measures have been taken by the Government to ensure sustained and reliable supply of quality power to all categories of consumers including agriculture/industry/domestic.

- There has been a significant increase in demand when compared to earlier years. For example, in the recent months of December and January, the growth in peak demand met has been 13.49% and 10.10% respectively, when compared to the same months a year earlier. These are significant increases that, to be serviced, require careful planning of both purchase of power as well as its supply.

PEAK DEMAND MET (Fig in MW)				AVERAGE ENERGY SUPPLIED (Fig. in MU/day)			
Month	**Last Year**	**This Year**	**% of Growth**	**Month**	**Last Year**	**This Year**	**% of Growth**
Dec’24	12666	14375	13.49	Dec’24	207.68	235.25	13.28
Jan’25	13810	15205	10.10	Jan’25	243.12	260.56	7.17

- Given these trends, the distribution companies have taken steps to meet demand exceeding 17000 MW for the upcoming peak of the summer season.

- To meet this demand, the distribution companies (SPDCL, NPDCL) have planned to procure the power from existing long-term contracts as well as from the power exchanges.

- The rates for all power purchased from all the long term agreements are decided by the Regulatory Commission. Any shortage is met through purchases from Power Exchange, the working of which is as per the regulations of Central Electricity Regulatory Commission.

- The distribution companies purchase power from the exchanges not only to meet the short-term deficit, but also to reduce the power purchase cost through power purchase optimization.

- Power purchase is required because the base availability of power in the state(through long term contracted agreements) is 9134 MW, requiring the State to plan for market purchases during non-solar hours(in fact, also during solar hours, when the total solar power augmentation does not fill in the total gap with peak demand).

- This concept of power purchase optimization is explained below:

    - Whenever the rates in the exchange are less than the variable cost of thermal power plants, during certain period of the day it makes economic sense to purchase power from the market and back down the (at that moment) more expensive thermal power stations.

    - For example, in the recent months of December and January, the distribution companies have purchased power at an average rate of Rs.2.69/- and Rs.2.82/- per unit, backing down the thermal stations, the average rates for which were Rs.3.97/- per unit and Rs.4.18/- per unit. The saving that accrued to the distribution companies through their judicious choice of choosing to procure from the exchanges in particular time periods(when the exchange rates were low) has resulted in savings amount of Rs.196.68 crores in December and Rs.185.27 crores in January.

    - An example of power purchase cost optimization in some Time Blocks in two days is shown below :-

Date	Purchases from Power Exchanges			Average cost of purchase for cost optimization (Rs.per unit)	Average cost of Back down (Rs.per unit)	Savings in Crores
	Total Purchase (MU)	To meet Demand (MU)	For cost optimisation (MU)			
18.12.24	87.68	39.02	48.66	2.72	4.50	8.70
17.01.25	84.02	40.90	43.14	2.82	4.15	5.75

- In fact, from December 2023 to January 2025, the total savings that accrued to the distribution companies because of this optimization is Rs. 982.66 crores – that is, nearly a thousand crores. Had this amount not been saved, it would have, led to an additional burden upon the consumers of the State.

- In fact, this efficient usage of the exchange markets to optimize power purchase spending was recognized by the Government of India, which adjudged Telangana SLDC as the best in the country for large states. This award was presented on December 14th, in IIT Indore.

Chairman & Managing Director
TGTransco