The Federation of Telangana Chambers of Commerce and Industry

ISO 9001:2015

Empowering Industry, Commerce & Trade
Registered under the Companies Act, 1956

REGD OFFICE : 11-6-841. Federation House, Federation Marg, Red Hills, Hyderabad - 500004, Telangana. India. Tel : 91-40-23395515, 16, 17 e-Mail : info@ftcci.in ; Website : www.ftcci.in

ESTD:1917

CIN U91110TG1964NPL001030

R. Ravi Kumar
President

K K Maheshwari
Senior Vice President

Srinivas Garimella
Vice President

FTCCI/2025-26/Energy/258

Date: 20.01.2026

The Hon'ble Secretary,
TGERC
Vidyut Niyantran Bhavan
Hyderabad

Dear Sir,

Sub: Comments / Objections of FTCCI on the Determination of Additional Surcharge for H1 of 2026-27…

Please find the comments / objections of the Federation of Telangana Chambers of Commerce and Industry on the Petitions (O.P. No. 65 & 66 of 2025) for determination of Additional Surcharge to be levied on Open Access consumers as per provisions of the Electricity Act, 2003 and National Tariff Policy, 2016 for the H1 of the Financial Year 2026-27 filed by Southern Power Distribution Company of Telangana Limited (TGSPDCL) & Northern Power Distribution Company of Telangana Limited (TGNPDCL) for your consideration.

We request you to give the opportunity to present them in person at the Public Hearing scheduled to be held on 21/01/2026 and submit any additional comments.

Thanking you.

Yours Sincerely,

T. Sujatha
Sr. Director

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The Federation of Telangana Chambers of Commerce and Industry (FTCCI)

Statement of Objections on the Petitions (O.P. No. 65 & 66 of 2025) for determination of Additional Surcharge to be levied on Open Access consumers as per provisions of the Electricity Act, 2003 and National Tariff Policy, 2016 for the H1 of the Financial Year 2026-27

filed by

Southern Power Distribution Company of Telangana Limited (TSSPDCL)

&

Northern Power Distribution Company of Telangana Limited (TSNPDCL)

January, 2026

Contents

Index of Tables

SUBMISSION TO THE STATEMENT OF OBJECTIONS BY THE OBJECTOR

The distribution licensees namely Southern Power Distribution Company of Telangana Limited and Northern Power Distribution Company of Telangana Limited (hereinafter referred to as the 'discoms' or 'TS discoms' or 'Petitioners' or 'distribution companies' or 'Licensees') have filed the Petition for determination of Additional Surcharge (AS) to be levied on Open Access consumers as per provisions of the Electricity Act, 2003 (hereinafter referred to as the 'Act') and National Tariff Policy, 2016 (hereinafter referred to as the 'Tariff Policy, 2016') for the First Half (H1) of the Financial Year 2026-27.

The Statement of Objections is herein being filed on behalf of 'The Federation of Telangana Chambers of Commerce and Industry (FTCCI)', formerly known as The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTAPCCI), (hereinafter also referred to as Objector), an Association which was started in 1917 as a Chamber of Commerce and currently having its office at the Federation House 11-6-841, Red Hills, FTCCI Marg, Hyderabad 500004, Telangana, India (hereinafter called the 'Objector'). The main function of the FTCCI is to promote and protect the interests of trade, commerce, and industry.

FTCCI has been working pro-actively to facilitate issues related to open access for its consumers and in facilitating a competitive power market in the country. The electricity cost significantly to the overall cost of industries and therefore has a significant bearing on the financial viability of these industries. In the past, owing to severe power crises in the erstwhile Andhra Pradesh, the industrial consumers were compelled by force and not by choice to look out for other options of competitive power purchase and the current framework of power purchase through open access route has been helpful in this regard. Another set of industrial consumers had also taken a decision to install captive units and procure power from such units through open access provided under the existing framework of the Act. All such consumers are open access consumers as defined under Section 2(15) of the Act, operating in the area of supply of TS discoms. It is pertinent to mention here that all consumers availing open access through a captive generating plant are exempted from any surcharge in terms Clause 39(2)(d)(ii) of the Act.

The Objector strongly objects to the claim of Additional Surcharge from the Open Access consumers during H1 of FY 2026-27 (herein after referred to as the 'Petitions') and prays that the same may be rejected in limine, in the interest of justice and equity.

The Objector has also submitted the Statement of Objections on the petitions earlier for determination of Additional Surcharge to be levied on Open Access consumers for H1 of FY 2026-27.

The Additional Submission to the Statement of Objections on the Additional Surcharge Petitions for H1 of FY 2026-27 are narrated below:

1. Statutory provisions

1. As per the Section 42 (4) of the Act,

   "Where the State Commission permits a consumer or class of consumers to receive supply of electricity from a person other than the distribution licensee of his area of supply, such consumer shall be liable to pay an additional surcharge on the charges of wheeling, as may be specified by the State Commission, ***to meet the fixed cost of such distribution licensee arising out of his obligation to supply****."*

2. As per Telangana State Electricity Regulatory Commission (Terms and Conditions of Open Access) Regulation, 2024 [Regulation No.1 of 2024],

   "22. Open Access Charges

   22.1 The licensee(s) charges for the use of the transmission and/or distribution system of by an open access user shall be regulated as under:

   d. <u>Additional Surcharge (AS)</u>

   The open access user shall also be liable to pay Additional Surcharge (AS) as may be specified by the Commission from time to time under Section 42(4) of the Act, in case open access is sought for receiving supply from a person other than the distribution licensee of such consumer's area of supply, ***to meet the fixed cost of the distribution licensee arising out of his obligation to supply****:*

   Provided that AS shall not be applicable for GEOA consumer, if fixed charges/demand charges are being paid by such a consumer:

   Provided also that AS shall not be applicable in case power produced from a Waste-to-Energy plant is supplied to the GEOA consumer:

   Provided also that AS shall not be applicable if green energy is utilized for production of green hydrogen and green ammonia:

   Provided also that AS shall not be applicable in case electricity produced from offshore wind projects, which are commissioned upto December, 2032 and supplied to the GEOA consumers.

   Provided also that AS shall not be applicable on such open access consumers to the extent of open access availed for wheeling of power from their own Captive Power Plants (CPPs)."

3. As per National Tariff Policy 2016 (Para 8.5.4),

   "The additional surcharge for obligation to supply as per section 42(4) of the Act should become applicable only if it is ***conclusively demonstrated that the obligation of a licensee, in terms of existing power purchase***

commitments, has been and continues to be stranded*, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract.* ***The fixed costs related to network assets would be recovered through wheeling charges.****"*

4. Basis above Statutory and Regulatory provisions, the Hon'ble Commission in exercise of its powers approved the methodology of computation of Additional Surcharge by way of Order dated 18.09.2020 in O.P No. 23 of 2020 (AS Order). It is observed that the Petitioner in its O.P no 65 & 66 of 2025 has deviated from the methodology approved by the Hon'ble Commission for computation of additional surcharge as per the AS Order and past Orders of the Hon'ble Commission. In addition, the Objector would also point out certain key items that are peculiar to the TG Discoms power procurement portfolio.
5. As per the Order dated 27.09.2025 in O.P.No.38 and 39 of 2025 (AS H2 Order), the Additional Surcharge for H2 of FY 2025-26 which is currently applicable is determined to be NIL.

2. Compliance to Electricity (Amendment) Rules, 2024

6. Vide Notification dated 10.01.2024, Ministry of Power, Government of India issued Electricity (Amendment) Rules, 2024 (hereinafter referred to as "Rules") which provide for the as follows in respect of Additional Surcharge:

"(3) Additional Surcharge – *The additional surcharge levied on any Open Access Consumer shall not be more than the per unit fixed cost of power purchase of the distribution licensee concerned:*

Provided that for a person availing General Network Access or Open Access, the additional surcharge shall be linearly reduced from the value in the year in which General Network Access or Open Access was granted so that, if it is continued to be availed by this person, the additional surcharge shall get eliminated within four years from the date of grant of General Network Access or Open Access:

Provided further that the additional surcharge shall not be applicable for Open Access Consumer to the extent of contract demand being maintained with the distribution licensees:

Provided also that the additional surcharge shall be applicable only for the Open Access Consumers who are or have been consumers of the concerned Distribution licensee.

Explanation.– For the purpose of this rule, General Network Access and Temporary-GNA shall have the same meaning as defined in the Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2022 as amended from time to time."

7. Under the backdrop of the highlighted text as above, the Objector humbly submits that the intent of Open Access is to foster competition, reduce electricity costs for high-load consumers, and promote a clear and market-driven energy environment.

8. It is emphasized that under Section 42(2) of the Electricity Act, 2003, Open Access is a statutory right enabling eligible consumers to procure power from alternate suppliers while using the existing transmission and distribution network.

9. Accordingly, the legislative intent has been to ensure reduction in level of Surcharges (both CSS and Additional Surcharge). In accordance with the Rules, the Additional Surcharge should follow a continuous reducing trajectory leading to elimination of the same in 4 years.

10. While the Additional Surcharge had been high during the previous years, it was determined as NIL in the AS H2 Order. The trend of AS applicable during the last few years is shown below:

Table 1: Additional Surcharge approved over the past years

Period	Additional surcharge
FY 2021-22 – H1	0.52
FY 2021-22 – H2	0.96
FY 2022-23 – H1	1.15
FY 2022-23 – H2	1.38
FY 2023-24 – H1	0.39
FY 2023-24 – H2	0.39
FY 2024-25 – H1	1.40
FY 2024-25 – H2	1.09
FY 2025-26 – H1	1.45
FY 2025-26 – H2	NIL
FY 2026-27 – H1	0.59 (claimed)

11. As observed from the above, the AS determined in the preceding years does not seem to follow a deterministic trend. Notably, the Hon'ble Commission has been determining the AS in accordance with the AS Order. Despite being the case, the AS was determined to be NIL during the H2 of FY 2025-26 (currently applicable).

12. In view of the Rules explicitly providing for the progressive reduction and eventual elimination of Additional Surcharge, the Objector submits that the AS ought to continue to be maintained at NIL for the ensuing control period. Retaining a zero Additional Surcharge will promote open access uptake in the State and enable consumers and generators to participate in a more competitive power market. Such an approach aligns with the statutory objective as mandated under the Act.

3. Stranded Capacity - inefficient Power procurement portfolio

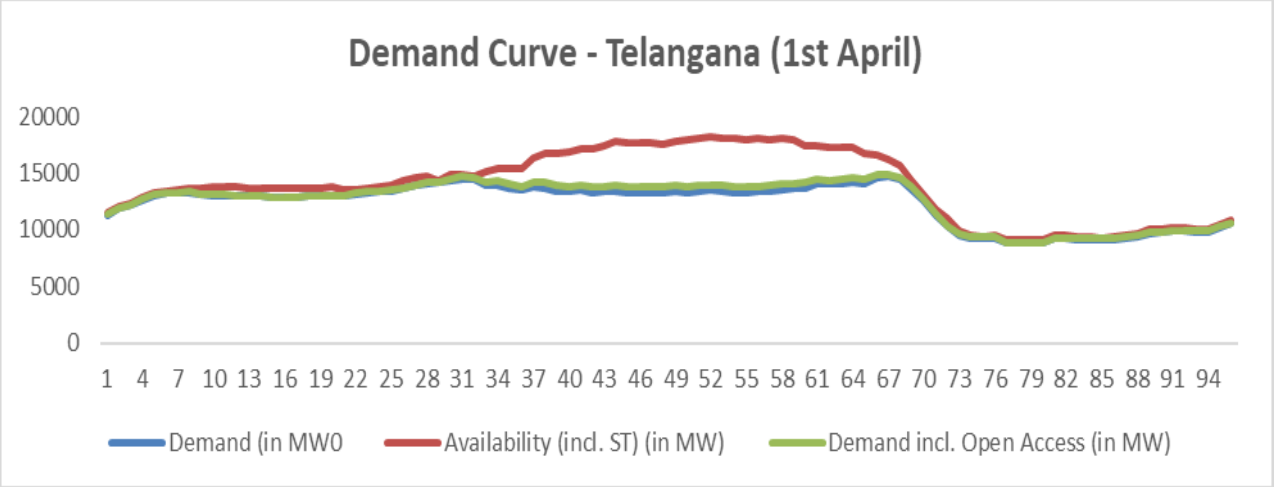
13. Section 42(4) of Electricity Act 2003 permits the DISCOMs to collect the Additional Surcharge as specified by the SERC to meet its fixed cost arising out of its obligation to supply, but such a claim is not unfettered, and is circumscribed by Clause 8.5.4 of National Tariff Policy, 2016 which states as under:

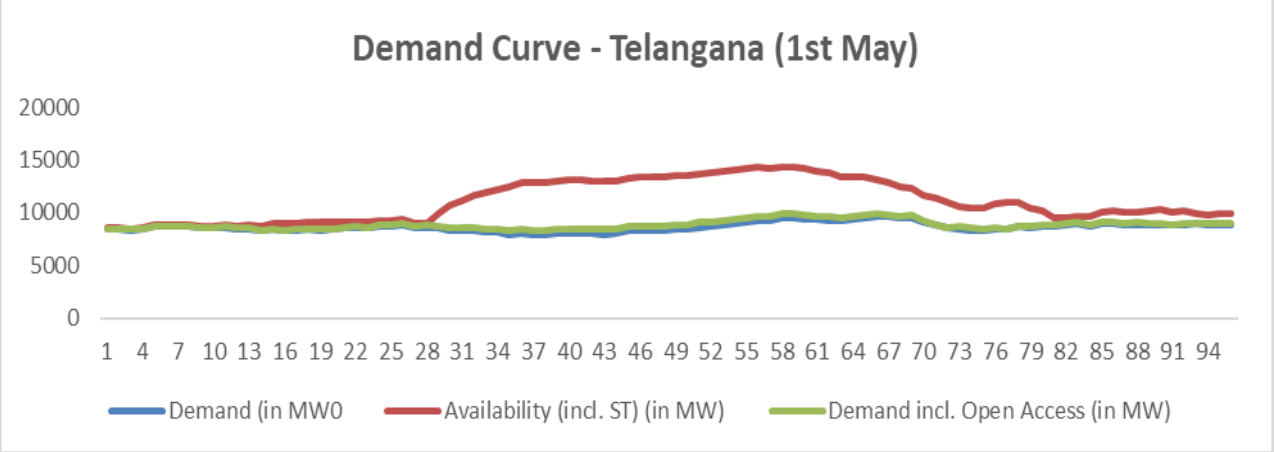
> *"The additional surcharge for obligation to supply as per section 42(4) of the Act should become applicable only if it is* ***conclusively demonstrated*** ***that the obligation of a licensee, in terms of existing power purchase commitments, has been and continues to be stranded****, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract.* ***The fixed costs related to network assets would be recovered through wheeling charges.****"*

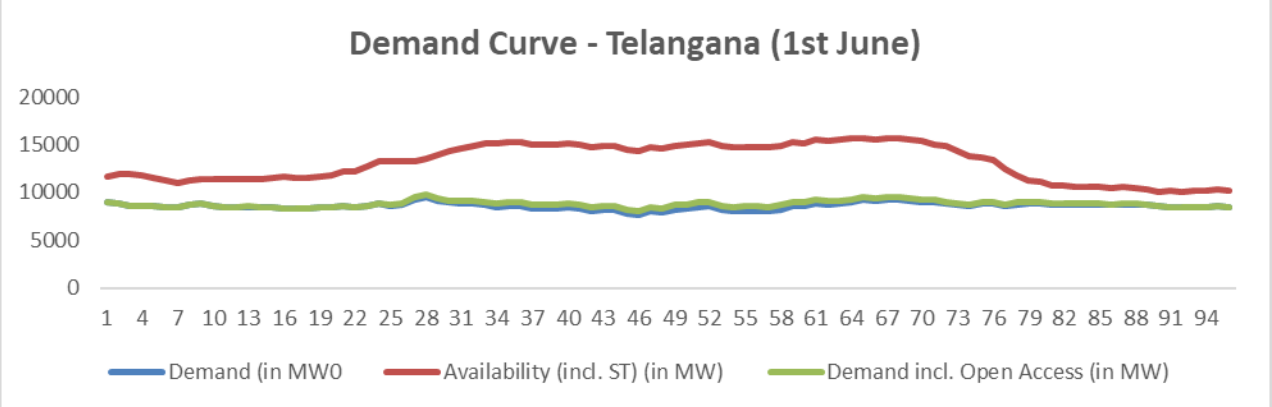
14. The Objector emphasizes on the phrase ***conclusively demonstrated*** and ***continues to be stranded*** mentioned in the above para. The Petitioner has not conclusively demonstrated as to how the migration to Open Access left the Long term tied up capacity continued to be stranded. Rather, the Petitioners continue to apply the methodology specified by the Hon'ble Commission in the AS Order which is shown as under:

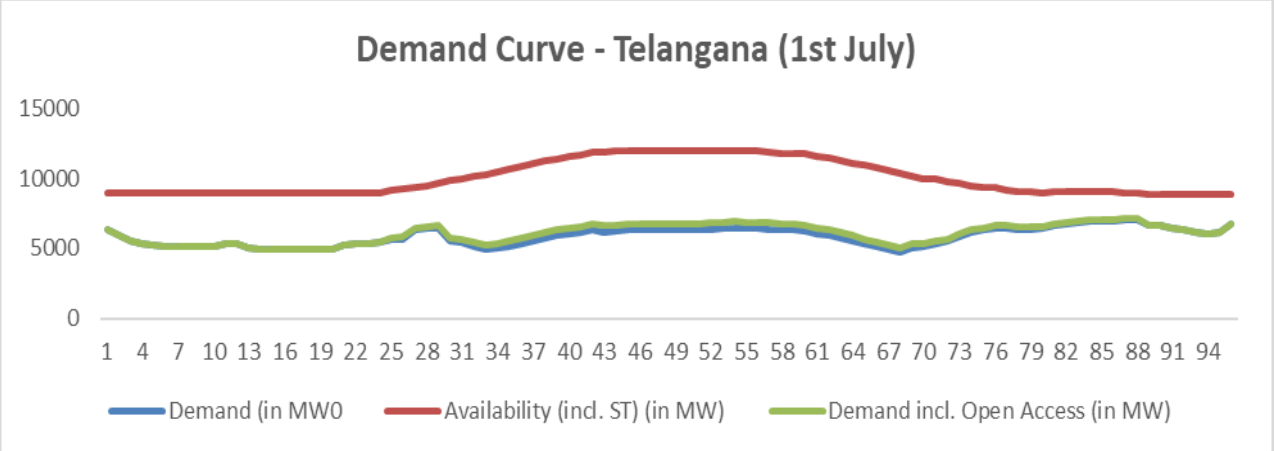
> *"a) Mechanism for Demonstration of Stranded Capacity*
>
> ***i. The 15-minute time-block data of available capacity and scheduled capacity of all generating stations having long term PPAs with the Discoms, and the scheduled capacity of OA consumers of six months period is to be taken.***
>
> *ii. In case of hydel generating stations, the scheduled capacity is to be treated as available capacity in that time block.*
>
> ***iii. The lower of the surplus capacity (i.e., available capacity less scheduled capacity) and capacity scheduled by OA consumers is to be considered as stranded capacity for the 15-minute time block.***
>
> *iv. Accordingly, the average stranded capacity for six-month period due to open access has to be arrived."*

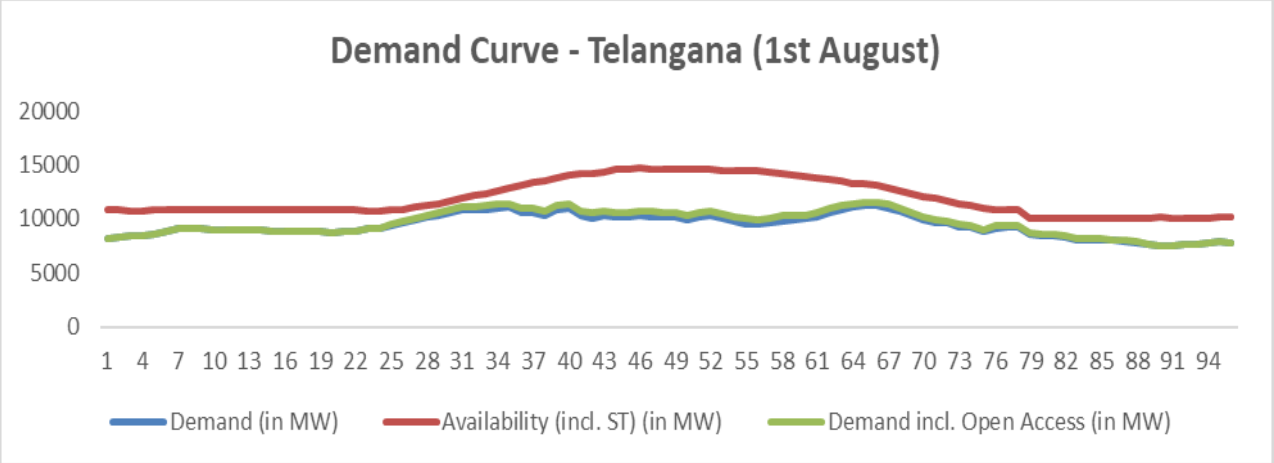
15. It is mentioned that the Petitioner have tied up significant Long-term Renewable energy capacity in its portfolio leading to excess availability during the solar hours resulting into such capacity being stranded. In order to explain such argument, a sample analysis depicting the daily Demand profile of Telangana is shown under (daily demand of the 1st day of each month of H1):

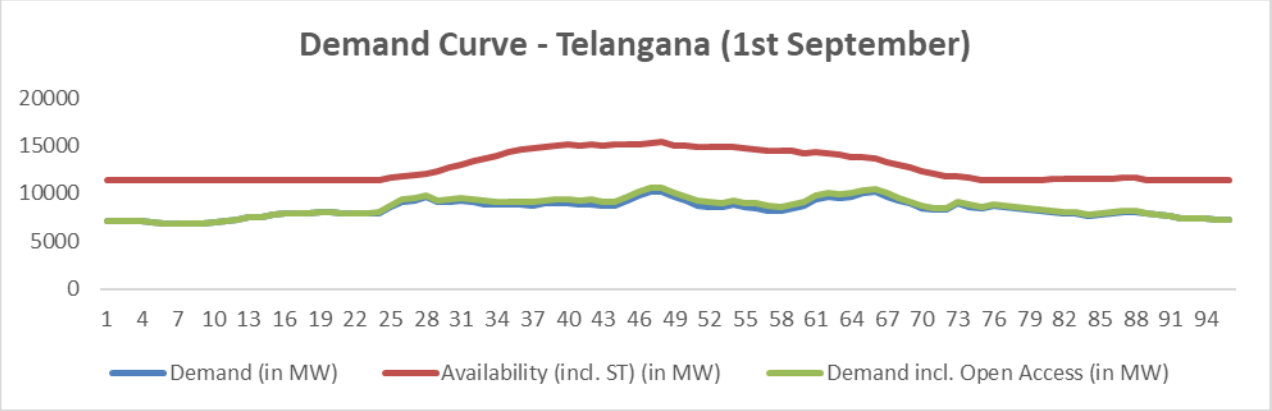

Demand Curve - Telangana (1st April)
20000
15000
10000
5000
0
1 4 7 10 13 16 19 22 25 28 31 34 37 40 43 46 49 52 55 58 61 64 67 70 73 76 79 82 85 88 91 94
Demand (in MW0
Availability (incl. ST) (in MW)
Demand incl. Open Access (in MW)


Demand Curve - Telangana (1st May)
20000
15000
10000
5000
0
1 4 7 10 13 16 19 22 25 28 31 34 37 40 43 46 49 52 55 58 61 64 67 70 73 76 79 82 85 88 91 94
Demand (in MW0
Availability (incl. ST) (in MW)
Demand incl. Open Access (in MW)


Demand Curve - Telangana (1st June)
20000
15000
10000
5000
0
1 4 7 10 13 16 19 22 25 28 31 34 37 40 43 46 49 52 55 58 61 64 67 70 73 76 79 82 85 88 91 94
Demand (in MW0
Availability (incl. ST) (in MW)
Demand incl. Open Access (in MW)







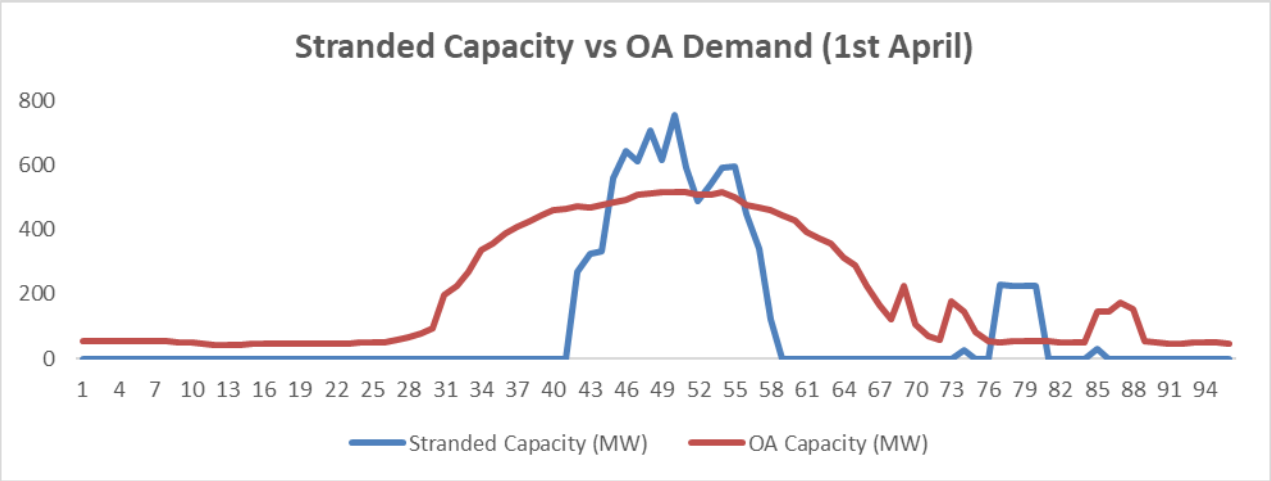
16. The following submissions are advanced in support of the Demand curves as below:

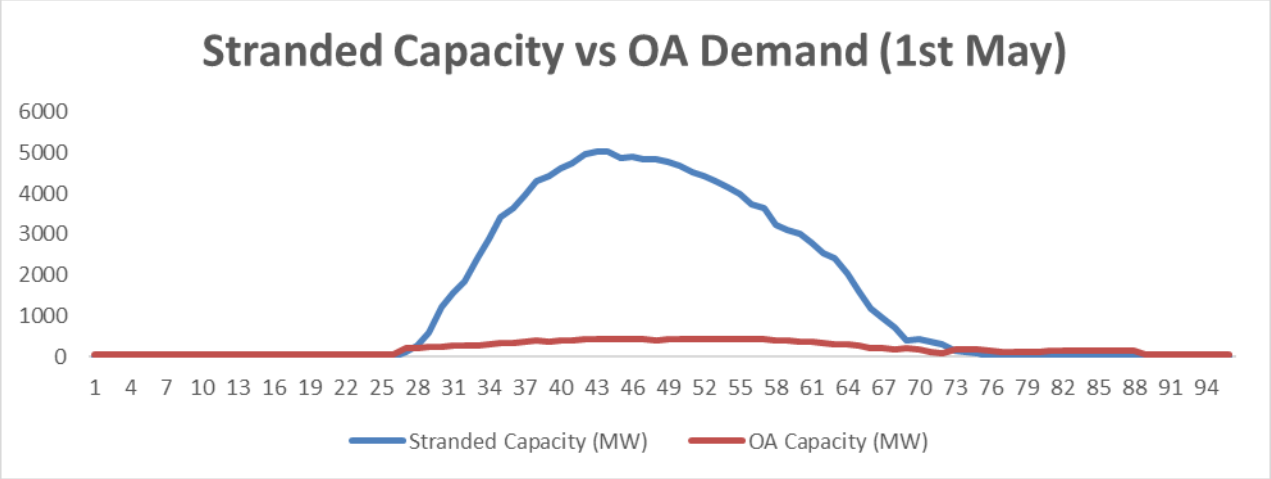
- Available capacity with TG Discoms (incl. Short term) is significantly high compared to the Demand for most months of H1

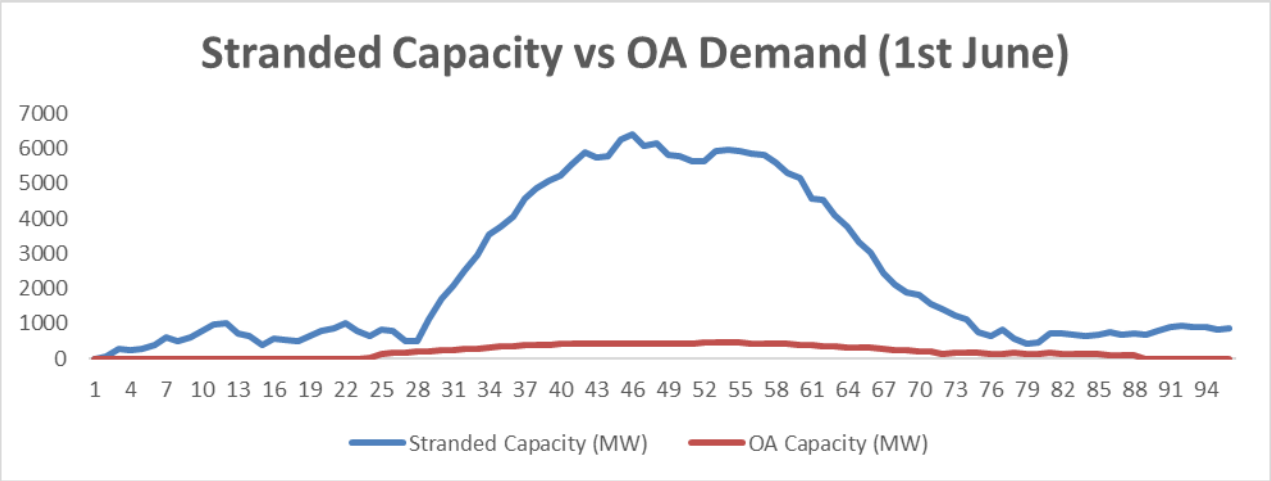
- Day time bulge in the demand curve indicates that surplus RE power is being fed into the grid.
- Demand during the monsoon months goes down resulting into the much higher variance in the demand-supply gap.
- Demand from Open Access do not seem to be bridging the variation in Demand and Supply.

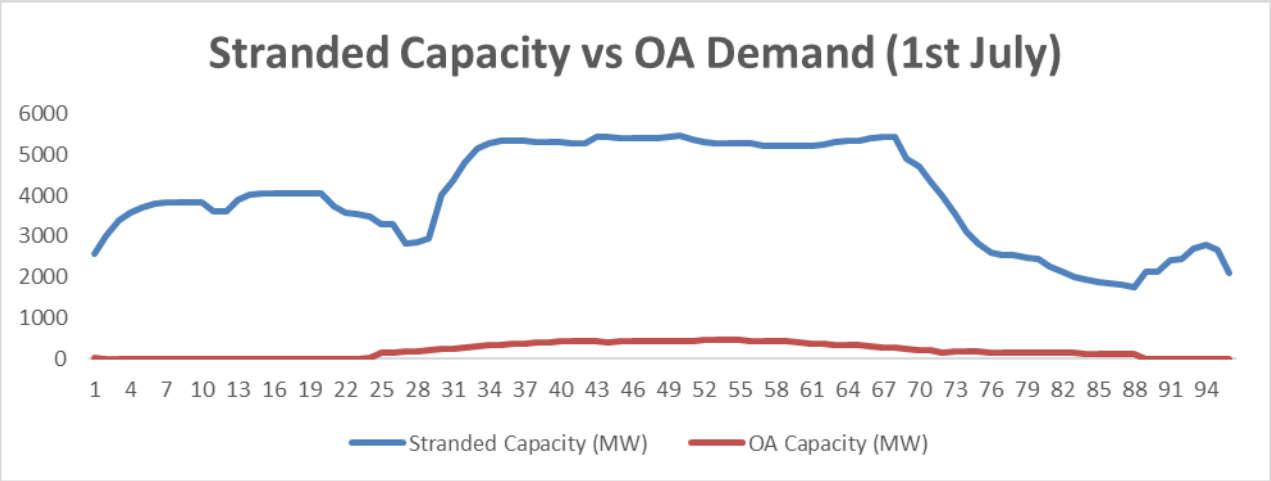
17. Except for the month of April, the power-purchase portfolio remains highly skewed and warrants a structural realignment of the LT:MT:ST capacity mix. For most months, the quantum of stranded capacity is almost equivalent to the Open Access demand, which is not a result of deliberate optimisation but rather an incidental outcome of excessive surplus capacity, including short-term tie-ups. This indicates inefficiency in portfolio planning and highlights the need for a calibrated rebalancing of long-, medium- and short-term procurement to avoid persistent over-contracting and under-utilisation.

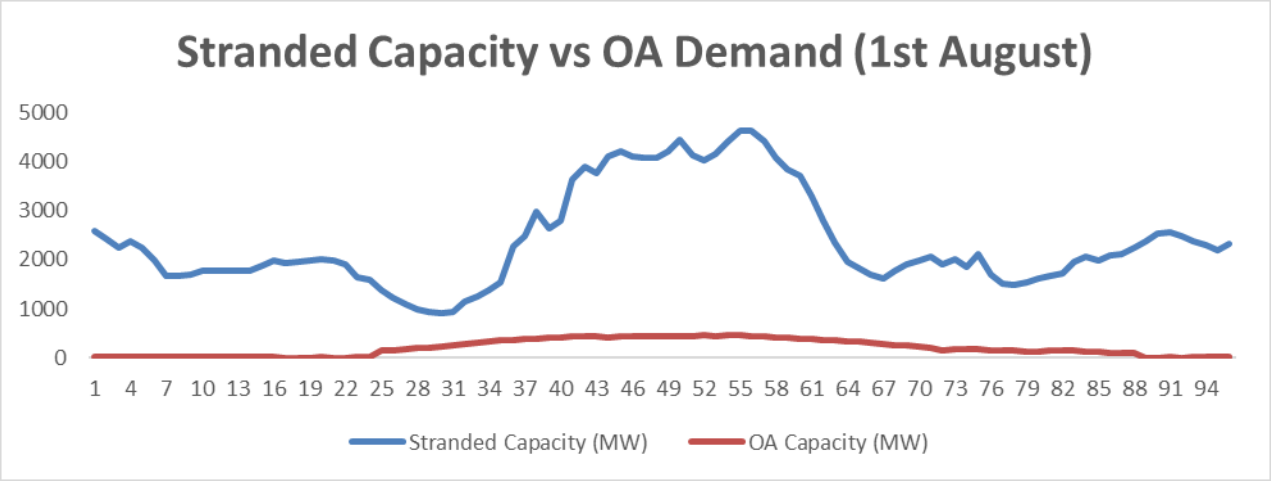
18. A like to like comparison of the Stranded Capacity vis-vis Open Access Demand depicting the above contention is shown below:

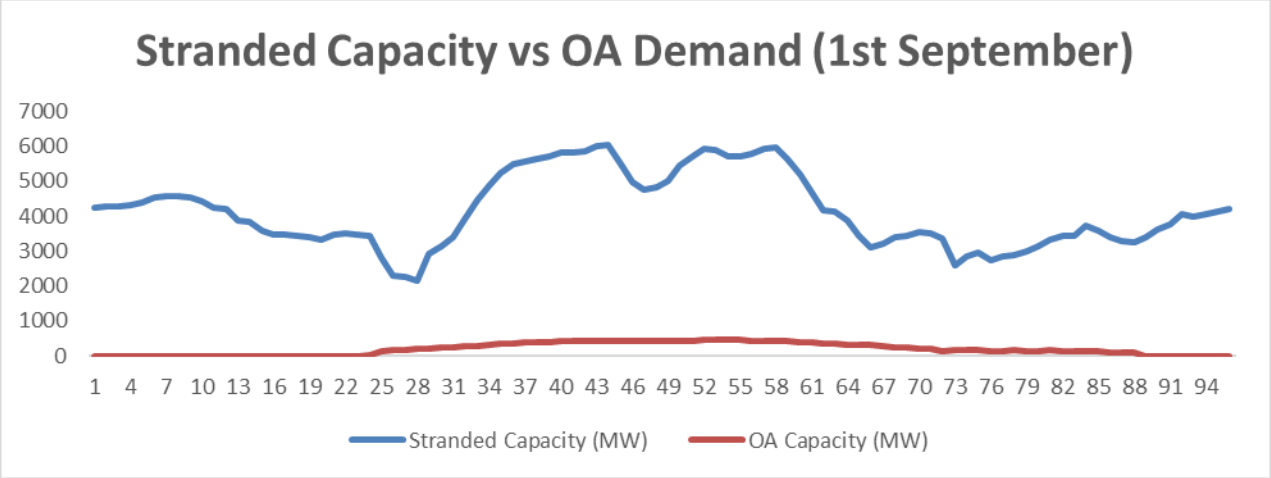





Stranded Capacity vs OA Demand (1st June)
7000
6000
5000
4000
3000
2000
1000
0
1 4 7 10 13 16 19 22 25 28 31 34 37 40 43 46 49 52 55 58 61 64 67 70 73 76 79 82 85 88 91 94
Stranded Capacity (MW)
OA Capacity (MW)


Stranded Capacity vs OA Demand (1st July)
6000
5000
4000
3000
2000
1000
0
1 4 7 10 13 16 19 22 25 28 31 34 37 40 43 46 49 52 55 58 61 64 67 70 73 76 79 82 85 88 91 94
Stranded Capacity (MW)
OA Capacity (MW)


Stranded Capacity vs OA Demand (1st August)
5000
4000
3000
2000
1000
0
1 4 7 10 13 16 19 22 25 28 31 34 37 40 43 46 49 52 55 58 61 64 67 70 73 76 79 82 85 88 91 94
Stranded Capacity (MW)
OA Capacity (MW)



19. As observed, the pronounced bulge during solar hours reflects surplus RE injection into the grid, resulting in conventional capacity remaining idle or stranded across most months. Accordingly, it is not the migration of consumers to Open Access that leaves capacity unutilised; rather, it is the inherent intermittency of RE—surplus during solar hours and negligible generation during non-solar hours—that leads to stranding of long-term capacity.

20. In this context, while the methodology prescribed by the Hon'ble Commission considers stranded capacity as the lower of (i) surplus capacity (available minus scheduled) and (ii) capacity scheduled by OA consumers, it overlooks two critical aspects: first, deficiencies in power-procurement planning by the DISCOMs, and second, the impact of RE intermittency that structurally displaces and strands long-term tied-up capacity. Consequently, the present approach attributes stranding to OA consumers without adequately accounting for portfolio design and RE-driven operational constraints.

21. Notably, a significant chunk of RE power had been added/ proposed to be added in the TG discoms portfolio in the recent years as shown below:

Table 2: Quantum of RE power being allowed by the Hon'ble Commission over the years

Particulars	Quantum of RE power approved (MUs)	% increase w.r.t. PY
RST Order FY 2022-23	7,699.34	NA
RST Order FY 2023-24	11,896.01	54.51%
RST Order FY 2024-25	13103.93	10.15%
RST Order FY 2025-26	16,604.75	26.72%

22. As discussed, excessive injection of RE power during solar hours materially contributes to long-term capacity remaining stranded. Consequently, loading the cost of such idle capacity onto consumers does not constitute a fit case for the TG DISCOMs to treat this capacity as a ***continued to be stranded*** under the mandate of the National Tariff Policy, 2016. Stranding arising from RE

intermittency and procurement planning choices cannot be passed through to consumers as a justification for recovery of long-term capacity charges.

23. Notably, while RE intermittency is the principal driver of capacity stranding, RE power does not carry a fixed-cost recovery obligation unlike conventional generation. Therefore, it is appropriate that the fixed costs considered for Additional Surcharge computation be duly adjusted to account for the displacement effect of RE power, so as to insulate consumers from bearing costs arising from RE-induced stranding of conventional capacity. In effect, consumers should not be burdened with fixed charges attributable to capacity rendered idle due to RE variability rather than Open Access migration.

24. Notwithstanding to the above submissions, the Objector also submits item wise objections on various other items leading to AS computation as mentioned hereinafter:

4. Fixed Costs - Power purchase costs

25. The petitioners have claimed Fixed Costs to the tune of Rs. 6737 Crore for the period April to September 2025 towards the power procured from the tied up sources.

26. The Hon'ble Commission vide AS H2 Order has relied upon the Quarterly Audited Accounts of the Petitioners to arrive at the admissible Fixed costs for consideration towards AS computation. Relevant extracts of the Hon'ble Commission approach of determining Fixed costs is shown below:

"3.4 FIXED CHARGES FOR STRANDED CAPACITY

3.4.1 TGDISCOMs have claimed that the fixed charges paid for the period from 01.10.2024 to 31.03.2025 amount as Rs.5884.78 crore.

3.4.2 ***The Commission after prudent check, after examining quarterly& annual audited accounts submitted by both TGSPDCL & TGNPDCL*** *and after deducting the fixed charges of Rs 5686.80 crore considered in determination of Additional Surcharge for the H2 of 2025-26 from the total fixed charges of Rs 11217.60 crore of financial year 2024-25, has considered the fixed charges of Rs 5530.80 crore for determination of Additional Surcharge for H2 of 2025-26. The long-term available capacity is 9633.01 MW, resulting in average fixed charges of Rs.0.574 Crore/MW. Accordingly, the fixed charges for stranded capacity have been computed as Rs.53.37 Crores (i.e,.92.96 MW x Rs.0.574 crore/MW)."*

27. In accordance with the above, the Objector perused the Quarterly Accounts of both the Discoms for the FY 2025-26 (Q2 and Q2), the relevant extracts of the which is shown as under:

TGSPDCL (Q2 – FY 2025-26)

23 - POWER PURCHASE COST

Particulars	Q2 of 2025-26	Q1 of 2025-26	Q2 of 2024-25	2024-25
Purchase of Power - Fixed Cost	2,463.62	2,084.44	1,796.58	7,931.25
Purchase of Power - Variable Cost	5,701.62	5,756.32	6,032.50	24,157.36
Transmission Charges	653.07	707.24	1,021.02	3,905.28
Other Power Purchase Costs	(2.48)	(9.25)	8.79	16.54
Total	8,815.83	8,538.75	8,858.89	36,010.43

TGNPDCL (Q2 – FY 2025-26)

Note: 25 -POWER PURCHASE COST (Rs. In Crore)

Particulars	Quarter Ended 30.09.2025	Quarter Ended 30.06.2025	Year ended 31st March, 2025
Fixed component	1,035.60	870.07	3,286.84
Variable component	1,713.08	2331.39	9,420.54
Transmission & SLDC charges (STU)	141.65	172.91	1,058.16
Transmission charges (CTU)	129.83	123.93	623.43
Total	3,020.16	3,498.30	14,388.97

28. Based on the above, it is apparent that there is mismatch in the Fixed costs claimed by the Petitioner (Rs. 6737.11 Crore) vs Audited Fixed costs (Rs. 6453.73 Crore). The Petitioner has not submitted any reasons substantiating such deviations and neither it has submitted reconciliation statement exhibiting the reasons of such variance. In the absence of any demonstrable evidence, the Objector argues that the Audited Fixed costs must be considered for the purposes of determination of AS.

Additional Pension Liabilities (or Interest on Pension bonds)

29. In addition to the foregoing mismatch in the Fixed costs, the Petitioner also argues that the Additional Pension Liabilities does not pertain to TGGENCO but is a liability transferred to TGGENCO (post unbundling of erstwhile Andhra Pradesh) and also the ruling of the erstwhile APERC in order dated 24.03.2003 in O.P.No.402 of 2002.

30. This issue is a legacy of the unbundling of the erstwhile APSEB in undivided Andhra Pradesh pursuant to power sector reforms, followed by the tripartite agreements for allocation of assets, liabilities, and personnel among generation, transmission, and distribution entities, and the consistent regulatory practice of

allowing interest on pension bonds as a pass-through. Post-bifurcation of erstwhile A.P., the pension-related liabilities of erstwhile APGENCO were transferred to newly formed APGENCO and TGGENCO, and the same approach has continued in both the States.

31. Conventionally, the contribution to the pension funds of erstwhile APSEB pensioners was to be taken over by State Govt. however, as an interim arrangement, the responsibility was to be handled by the successor Utility of APSEB. Consequently, under the first transfer scheme and post asset revaluation, the then APERC permitted recovery of interest on pension bonds from consumers, a practice followed by subsequent Commissions. Although APERC had earlier requested the Government to take over pension liabilities, no action ensued. Following bifurcation, Telangana utilities inherited these arrangements and TGERC has continued the same approach.

32. Allowing recovery of interest on pension bonds from consumers effectively penalises them for historical failures of the erstwhile APSEB and the Government. Even otherwise, the tripartite agreement envisages that the Government should assume such pension liabilities.

33. Notably, the Hon'ble Commission directed the Petitioner on multiple occasions to take the matter up with State Govt. however, pending Govt. taking up such responsibility, this Hon'ble Commission has been admitting such expenses as a pass through in tariff. Relevant extracts of the Hon'ble Commission Order dated 29.04.2025 in the matter of Retail Supply Tariff determination of FY 2025-26 observed as under:

"Commission's analysis & findings

Interest on Pension Bonds

3.8.65 This issue of interest on pension bonds has been subject matter for every tariff order. It is submitted by DISCOMS during the course of public hearing that allocation of funds towards additional liability on pension bonds is on account of unsettled dispute between the Government of Andhra Pradesh and Government of Telangana in respect of sharing of additional liability of pension of the retired employees of the erstwhile APSEB and subsequent retirements.

3.8.66 After enactment of Andhra Pradesh Electricity Reform Act, 1998 subsequent to unbundling of APSEB into various companies the liability of the pensions of the retired employees of the APSEB was taken over by GENCO, TRANSCO and four DISCOMs. ***Neither the government in the combined state nor the government after bifurcation of the state of Telangana has come forward to accept the liabilities in respect of pensions of the retired employees. Thereby until alternative arrangements are made,***

this Commission is of the opinion that additional liability on pension of retired employees shall be allowed to be continued as approved in MYT order.

……..”

34. As noted above, the Hon’ble Commission itself has observed that the State Government’s reluctance to assume the liabilities does not absolve them of its statutory obligations. However, permitting recovery of such liabilities through tariff, in disregard of the statutory framework and solely to protect the financial interests of the utilities, places an undue burden on consumers, who are made to absorb avoidable costs for no fault of their own.

35. While the case is something similar for Karnataka as well, it is argued that the Ld. KERC has not allowed pass through of such liabilities to the retail consumers depite the State Govt. attempted to amend the Transfer scheme through Govt. Order. Relevant extracts of the ld. KERC Order dt. 12.05.2023 (Tariff Order for FY 2023-24) is shown below:

*“**Commission’s Analysis and Decision:***

P & G Contributions payable by Government:** The Commission notes that at the time of filing the APR application by KPTCL dated 30.11.2022, for revision of transmission tariff for FY24, the Government was expected to pay the P & G contribution as per the existing Rules. **The decision to claim the same in retail supply tariff was based on the Government Order dated 15.11.2022, which was not supported by any Rules.

Rule 4 (13) (1) of the “Karnataka Electricity Reforms (Transfer of Undertakings of KPTCL and its personnel to Electricity Distribution and Retail Supply Companies) Rules, 2002” stipulates as under:

> *“(13)(1) **The State Government, and not the Escoms, shall be liable for and shall make appropriate arrangements in regard to, the funding of the pension funds and all the statutory and other personnel related funds for the services rendered by the Specified Personnel to Karnataka Electricity Board and KPTCL prior to the Effective Date of Second Transfer of the Specified Personnel and to the extent they are unfunded as at the respective Effective Date of the Specified Personnel.** Until such arrangements are made by the State Government, the discharge of all such unfunded liabilities for Specified Personnel who retire after the Effective Date of Second Transfer of such Specified personnel shall be arranged by KPTCL”.*

The Commission also notes that, the GoK has added a proviso to the above Rule, vide Notification dated 31.12.2022, which was published in the official Gazette on 6th January, 2023, which reads as follows:

> ***"Provided that the Government whenever deems it fit, may by an order direct KPTCL to claim the Government portion of Pension Contribution through tariff by filing an application before the State Regulatory Commission".***

As per the clause-1 sub-rule 2) of the Notification dated 31.12.2022, the amended Rules shall come into force from the date of its publication in the Official Gazette of Karnataka. The amended rules were published in the Official Gazette on 06.01.2023.

Further, as per Rule 4(13(1)), which is an absolute Rule, it is the State Government, and not the Escoms which is responsible for funding the Pension and Gratuity payment of the Specified Personnel. The Government's responsibility cannot be shifted to the KPTCL by issue of a Proviso to the 'Absolute Rule'.

Hence, the Commission is unable to accept the claim of KPTCL to pass on a sum of Rs. 2,734.10 Crores in the tariff. The Commission reiterates that the said amount shall be provided by the Government."

36. According to publicly available information, the above finding of the Ld. KERC has not been stayed by any court of law. In view of the same, it is argued that the Additional Pension Liabilities should not be allowed as a pass through in Fixed costs.

37. It is also worth mentioning that Additional Pension Liabilities does not form the part of Annual Fixed cost approved by the Hon'ble Commission in accordance with the Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023 (Tariff Regulations). Such expenses are allowed to be recovered in totality without subjecting the same to operational performance of TGGenco. Therefore, the Additional Pension Liabilities claimed by the Petitioner as part of the Fixed costs do not essentially qualify under the ***fixed cost of such distribution licensee arising out of his obligation to supply*** as mandated under the Act.

Water Charges

38. Furthermore, the Petitioner have also claimed the Water charges to be part of the Fixed charges. As discussed above, such charges do not fit into the realm of Annual Fixed Charges mandated under the Tariff Regulations. Accordingly, the Objector argues that the Water charges should not form the part of fixed costs.

Since, such expenses are to fulfill the operational needs of the power plant, the same are variable in nature and subject to plant being operational.

39. Notably, the Petitioner has not shown the detailed breakup of Fixed costs which are one time in nature and fall beyond the domain of Annual Fixed charges like Late Payment surcharge or otherwise. The Hon'ble Commission is humbly submitted that such exceptional expenses be removed while approving the Fixed costs for the purposes of AS determination.

Fixed Charges towards Yadadri Thermal Power plant (YTPS) 1 and 2

40. The Objector respectfully submits that the Petitioner has claimed Fixed Costs of Rs. 717 Crore towards power sourced from YTPS Units-1 and 2. It is pertinent to note that both units are owned and operated by TGGenco, and the provisional tariff for YTPS is yet to be determined by the Hon'ble Commission.

41. Further, the Petitions seeking provisional tariff determination for YTPS (O.P. Nos. 76 and 77 of 2025) are presently pending adjudication. In the absence of determination of capital cost and provisional tariff, it is unclear on what regulatory basis the Fixed Costs attributable to YTPS have been booked and recovered.

42. Notably, the Hon'ble Commission, vide Orders dated 22.03.2022 and 29.12.2023, had already directed TGGenco to file tariff petitions; however, the same were filed only in 2025 and remain pending. The Petitioner has failed to demonstrate the prudence or regulatory sanction for incurring and passing through such costs without tariff adoption. It goes without saying that any provisioning with regard to such claims must be disallowed, the costs actually incurred must only be admitted.

43. Accordingly, in the absence of capital cost approval and tariff determination, the Objector submits that the Fixed Costs pertaining to YTPS Units-1 and 2 are premature and unsupported, and therefore merit disallowance by the Hon'ble Commission.

44. Basis above discussions, the admissible Fixed costs as per Objector's submissions is as under:

Table 3: Admissible Fixed charges as per Objector's assessment

(all figures in Rs. Crore)

Particulars	Petitioner's Claim	Admissible as per Objector's assessment
Power purchase FC		6453.73
Less: Additional Pension Liabilities		734.59

Particulars	Petitioner's Claim	Admissible as per Objector's assessment
Less: Water Charges		16.81
Less: Fixed Costs attributable to YTPS		717.19
Net Power purchase FC	**6737.11**	**4985.14**

5. Transmission and Distribution Charges

45. The Petitioners have claimed Transmission charges to the tune of Rs. 2098 Crore for the period April to September 2025 towards the power procured from the tied up sources.

46. The Hon'ble Commission vide AS H2 Order has relied upon the Quarterly Audited Accounts of the Petitioners to arrive at the admissible Transmission charges for consideration towards AS computation. Relevant extracts of the Hon'ble Commission approach of determining Transmission cost is shown below:

> *"3.6 TRANSMISSION CHARGES AND ACTUAL ENERGY SCHEDULED*
>
> *3.6.1 The Petitoners have claimed the transmission charges of Rs.2674.53 Crores for the period from 01.10.2024 to 31.03.2025 and scheduled energy for that period is 45108.03 MU.* ***The Commission after prudent check and after examining quarterly& annual audited accounts submitted by both TGSPDCL & TGNPDCL, has revised the Transmission charges paid by TGDISCOMs for H2 of FY 2024-25 to Rs.2671.84 crores*** *and considered the scheduled energy as 47345.03 MU after deducting energy sold in the market of 285.36 MU from the total energy purchase of 47,630.39 MU. Accordingly, the transmission charges per unit have been worked out as Rs.0.56/kWh."*

47. As discussed in the preceding section of Fixed costs, the Objector perused the Quarterly Accounts of both the Discoms for the FY 2025-26 (Q1 and Q2) and has observed that the actual transmission charges are booked to be Rs. 1929 Crore for the H1 of 2025-26 (Q1 and Q2). Accordingly, in the absence of substantiating evidence justifying deviation and reconciliation, it is argued that the claim made by the Petitioner lacks merit. Basis, Audited Accounts, the Transmission charges should be approved at Rs. 1929 Crore resulting into per unit charge of Rs. 0.46/ unit (against Petitioner's claim of Rs. 0.50/ unit).

6. Demand charges recovered by the DISCOM from open access consumers

48. The Petitioners have submitted that Rs. 195.51 Crore has been recovered as Demand Charges from OA consumers. The breakup of the claim is as shown below:

Table 4: Net demand charges recovered as per Petitioner's submission

SN.	Particulars	%		Claim
(A)	Total Demand Charges Recovered		INR Cr	261.42
(B)=29.10%(A)	Distribution Cost recovery percentage in demand Charges as per Tariff Order values	29.10%	INR Cr	76.08
(C)=86.62%(B)	LT Network cost recovery percentage in Distribution cost	86.62%	INR Cr	65.91
(D)=(A-C)	**Net demand charges (Excluding LT network cost recovery) considered in Additional Surcharge calculations**		**INR Cr**	**195.51**

49. It is most humble submitted that the ratio of *Distribution Cost recovery percentage in demand Charges* as per Tariff Order values and *LT Network cost recovery percentage in Distribution cost* claimed by the Petitioner's are incorrect. The Hon'ble Commission while delving on the above topic in respect of the Distribution cost observed as follows:

> ***"3.7 DISTRIBUTION CHARGES***
>
> *3.7.1 The **TGDISCOMs have considered the HT distribution cost** of Rs 1054.03 crores for FY 2024-25 and Distribution ARR less NTI for H2 of 2024-25 at **Rs 3923.19 Crore which is inclusive of Distribution ARR transferred to Retail Supply business** also in arriving at the Distribution Charges of HT network as Rs 0.1316/kWh in their filings. **The Commission having gone through the data** furnished by the TGDISCOMs in their filings **has considered the HT distribution cost** of 2024-25 as Rs 1054.03 crores and **Distribution ARR less NTI** at for H2 of 2024-25 as Rs 3521.63 Crore **allocated to Distribution Business only** in considering the Distribution Charges of HT network as Rs 0.1122/kWh and the computations are shown below:"*

50. Accordingly, it is argued that the *Distribution Cost recovery percentage in demand Charges* must also be computed keeping into consideration the Distribution business related costs only. Accordingly, against the Petitioner's claim of 29.10% towards *Distribution Cost recovery percentage in demand Charges,* the admissible should be 25.78% as shown under:

Table 5: Distribution Cost recovery percentage in demand Charges as per Objector's assessment

SN.	Particulars (from RST Order FY 2025-26)	Petitioner's claim	As per Objector's assessment
1	Demand - G	16705.28	16705.28
2	Demand - T	4324.77	4324.77
3	**Demand - D**	**7644.85**	**7644.85**
4	Demand - R	988.51	988.51
5	Total Demand	29663.41	29663.41
	Distribution Cost recovery percentage in demand Charges	**29.10%** **(7644.85+988.51)** **29663.41**	**25.77%** **(7644.85)** **29663.41**

51. Basis thereof, the admissible Net demand charges recovered as per Objector's assessment is Rs. 205.51 Crore against the Petitioner's claim of Rs. 195.51 Crore as shown below:

Table 6: Net demand charges recovered as per Objector's assessment

(all figures in Rs. Crore)

SN.	Particulars	Petitioner's claim	As per Objector's assessment
(A)	Total Demand Charges Recovered	261.42	261.42
(B)=29.10%(A)	Distribution Cost recovery percentage in demand Charges as per Tariff Order values	76.08 (@29.10%)	67.37 (@25.77%)
(C)=86.62%(B)	LT Network cost recovery percentage in Distribution cost	65.91(@86.62 %)	55.92 (@84.84%)
(D)=(A-C)	**Net demand charges (Excluding LT network cost recovery) considered in Additional Surcharge calculations**	**195.51**	**205.51**

7. Summary of Additional Surcharge for the H1 of FY 2026-27

52. Based on the available data on record for the perusal of general stakeholders, the Objector has computed the allowable Additional Surcharge for H1 of FY 2026-27, as follows:

Table 7: Additional Surcharge as per Objector's Assessment

SN.	Particulars	Unit	Petitioner claim	As per Objector's assessment
{A}	Long term available capacity	MW	10,841.39	10841.39
{B}	Capacity stranded due to open access	MW	161.61	161.61
{C}	**Fixed Charges paid**	**Rs. crore**	**6,737.11**	**4985.14**
{D}={C}÷{A}	Fixed Charges per MW	Rs. crore/MW	0.62	0.46
{E}={D}x{B}	**Fixed Charges for stranded capacity**	**Rs. crore**	**100.43**	**74.31**
{F}	**Transmission charges paid**	**Rs. crore**	**2,098.39**	**1928.63**
{G}	Actual Energy scheduled	MU	41,965.33	41965.33
{H}={F}÷{G}	Transmission charges per unit	Rs./kWh	0.50	0.46
I	Distribution charges as per Tariff Order	Rs./kWh	0.14	0.14
{J}={H}+{I}	Total transmission and distribution charges per unit	Rs./kWh	0.64	0.60
{K}	Energy consumed by open access consumers from the DISCOMs	MU	1,909.22	1909.22
{L}={K}x	Transmission and distribution	Rs. crore	121.75	114.03

SN.	Particulars	Unit	Petitioner claim	As per Objector's assessment
{J}	charges to payable by open access consumers			
{M}	**Demand charges recovered by the DISCOM from open access consumers**	**Rs. crore**	**195.51**	**205.51**
{N}={M}-{L}	Demand charges to be adjusted	Rs. crore	73.76	91.48
{O}={E}-{N}	Net stranded charges recoverable	Rs. crore	26.67	-17.16
{P}	Open access sales	MU	451.21	451.21
{Q}={O}÷{P}	**Additional Surcharge computed**	**Rs./kWh**	**0.59**	**-**

53. The Objector humbly submits that there is no Case for the levy of Additional Surcharge on Open Access Consumers in the state as the Demand charges to be adjusted i.e. Rs. 91.48 Crores is already being in excess as compared to the computed Fixed Charges for stranded capacity i.e. Rs. 74.31 Crore.

For The Federation of Telangana Chambers of Commerce and Industry (FTCCI),

Place: Hyderabad
Date: 20.01.2026

T Sujatha
Sr. Director, FTCCI