

**Replies to the Objections/Suggestions raised on True-up for FY 2024-25 and revised Distribution ARR & Wheeling Tariff Proposals for FY 2026-27 of Distribution Business by M/s. Power Foundation of India, B-28, Qutab Institutional Area, New Delhi – 110 016, +91 11 – 69650004, E mail: [info@powerfoundation.org.in](mailto:info@powerfoundation.org.in) (18.01.2026)**

S.No.	Summary of Objections / Suggestions	Response of the Licensee
1.	<p><b>A. SEPARATE AUDITED ACCOUNTS - WHEELING &amp; RETAIL SUPPLY BUSINESS</b></p> <p>4) PFI has observed that TG DISCOMs file separate True-Up Petitions for Distribution Wheeling &amp; Retail Supply Business. However, segmental reporting for these two businesses is not present in the Audited Accounts of TG DISCOMs. Relevant extract from the Audited Accounts is as follows.  <i>“Note: 38 Segment reporting (AS-17) is not applicable since distribution and retail supply of power comprises primary and reportable segment.”</i></p> <p>5) Regulation 77 of TGERC (Multi Year Tariff) Regulations, 2023 clearly states that separate accounts need to be maintained for Distribution &amp; Retail Supply Busines.  <i>“77 Separation of Accounts of Distribution Licensee 77.1 Every distribution licensee shall maintain separate accounting records for the Wheeling Business and Retail Supply Business and shall prepare an Allocation Statement to enable the Commission to determine the Tariff separately for:  (a) Distribution Wheeling Business;  (b) Retail Supply of electricity:  Provided that in case complete accounting segregation has not been done between the Wheeling Business and Retail Supply Business of the distribution licensee, the Aggregate Revenue Requirement of the distribution licensee shall be apportioned between the Wheeling Business and Retail Supply Business in accordance with the following Allocation Matrix..”</i></p> <p>6) TG DISCOMs have been using pre-defined ratios as per Regulation 77 of TGERC MYT Regulations 2023, for allocating costs between the two businesses, but these ratios are based on assumptions and do not represent the true picture. Such usage of predefined ratios without splitting the costs &amp; revenue into Wheeling &amp; Retail Business leads to non-scientific &amp; non-transparent allocation of costs &amp; revenue to the two businesses.</p> <p><b>7) Open Access, which is one of the main pillars to promote competition in the electricity</b></p>	<p>TGNPDCL respectfully submits that we are preparing Annual Accounts in accordance with Indian Accounting Standards and the same is being segregated for the Distribution Wheeling Business and Retail Supply Business in full compliance with the MYT formats notified by the Hon'ble Commission. The Hon'ble Commission has prescribed an Allocation Matrix under Clause 77.1 of Regulation 2 of 2023 to be used in cases where complete accounting segregation has not yet been achieved. In line with this, TGNPDCL has been adopting the Allocation Matrix exactly as directed by the Hon'ble TGERC.</p>

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	<p>sector, as mandated u/s 42 of the Electricity Act, 2003 (Act) requires determination of Wheeling Charges. These Charges can not be ascertained in an accurate and transparent manner until separate audited accounts are maintained.</p> <p>8) Further, Section 42 of draft Electricity (Amendment) Bill, 2025 states that it is the duty of a distribution licensee to provide non-discriminatory open access of its network to other distribution licensees. Relevant extract is as follows:</p> <p><i>“Section 42 (Duties of distribution licensee and open access)</i></p> <p><i>(1) It shall be the duty of a distribution licensee to:</i></p> <p><i>(a) ensure an efficient, co-ordinated and economic distribution network in his area of supply;</i></p> <p><i>(b) provide non-discriminatory open access to his network to other distribution licensees in their areas of supply on payment of wheeling charges;</i></p> <p><i>(c) supply electricity in accordance with the provisions of this Act, and</i></p> <p><i>(d) develop and maintain distribution system, as required, avoiding duplication, as may be specified by the Appropriate Commission.”</i></p> <p>9) Also, Section 14 of draft <i>Electricity (Amendment) Bill, 2025</i> allows multiple distribution licensees in the same area using shared network. The amendment is proposed to be done in 6th proviso, which is as follows.</p> <p><b><i>“Section 14. (Grant of licence):</i></b></p> <p><i>The Appropriate Commission may, on an application made to it under section 15, grant a license to any person -</i></p> <p><i>(a) to transmit electricity as a transmission licensee; or</i></p> <p><i>(b) to distribute electricity as a distribution licensee; or</i></p> <p><i>(c) to undertake trading in electricity as an electricity trader,</i></p> <p><i>in any area as may be specified in the license:</i></p> <p>.</p> <p><i>Provided also that the Appropriate Commission may grant a license to two or more persons for</i></p>	

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	<p><i>distribution of electricity “through their own <b>or shared</b> distribution system within the same area <b>in accordance with the framework as specified by the Commission</b>”, subject to the conditions that the applicant for grant of license within the same area shall, without prejudice to the other conditions or requirements under this Act, comply with the additional requirements [relating to the capital adequacy, credit-worthiness, or code of conduct] as may be prescribed by the Central Government, and no such applicant, who complies with all the requirements for grant of license, shall be refused grant of license on the ground that there already exists a licensee in the same area for the same purpose.”</i></p> <p>10) In view of above, it can be seen that separate accounts are required for promoting competition and improving efficiency and transparency in the two businesses (Distribution Wheeling &amp; Retail Supply).</p> <p><b>Accordingly, PFI requests the Hon’ble Commission to direct TGNPDCL to provide audited accounts separately for Distribution Wheeling &amp; Retail Supply Business and file revised True-Up Petitions.</b></p>	
2.	<p><b>B. DEPRECIATION</b></p> <p>12) TGNPDCL has claimed Rs. 413.97 Cr. of Depreciation in FY 2024-25, detailed calculations for which have not been provided. However, as per Note 13 of the Audited Accounts of TGNPDCL, the retired Assets in FY 2024-25 are worth Rs. 17.15 Cr. So, the net Depreciation for TGNPDCL for FY 2024-25 should be after reducing the impact of Retired Assets.</p>	<p>The depreciation amount of Rs. 413.97 Cr. is computed as per depreciation schedule in accordance with Annuxure - I of Regulation 2 of 2023. The Deductions/Adjustments of depreciation of Rs. 17.15 Cr. shown in the Note no.13, relating to retired assets, pertain to depreciation on fully depreciated assets. This amount adjusted against accumulated depreciation only so, it has not been reduced in FY 2024-25. The licensee has considered the depreciation on assets funded through consumer contributions as Deferred Revenue Income under non-tariff income (NTI). Since the Net ARR i.e., the Gross ARR minus the NTI is</p>

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	<p style="text-align: center;">NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED Note: 13- PROPERTY, PLANT AND EQUIPMENT &amp; INTANGIBLE ASSETS (In Crores)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">Sl. No.</th> <th rowspan="2">ASSET GROUP</th> <th colspan="3">GROSS BLOCK</th> <th colspan="3">ACCUMULATED DEPRECIATION</th> <th colspan="3">NET BLOCK</th> </tr> <tr> <th>As at 01.04.2024</th> <th>Additions</th> <th>Reductions/ Adjustments</th> <th>As at 31.03.2025</th> <th>As at 01.04.2024</th> <th>For this year</th> <th>Deductions/ Adjustments</th> <th>As at 31.03.2025</th> <th>As at 31.03.2024</th> </tr> </thead> <tbody> <tr> <td colspan="11"><b>I. 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Relevant extract of Regulations 26 of Regulation No. 2 of 2023 (<i>Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023</i>) is as follows:</p> <p><b>“26 Consumer Contribution, Deposit Work, Grant and Capital Subsidy</b></p> <p>...</p> <p><b>26.2 The expenses on such capital works shall be treated as follows:-</b></p> <p>...</p> <p><b>(c) provisions related to depreciation, as specified in clause 28, shall not be applicable to the extent of such financial support received;”</b></p> <p>14) TGNPDCL has submitted that Depreciation amount claimed by them includes amortised depreciation on Consumer Contribution Assets of Rs. 155 Cr. however this has not been adjusted and gross Depreciation has been claimed. The amortised depreciation on Consumer Contribution Assets is instead considered as part of Non-Tariff Income by TGNPDCL, referred to as Deferred Revenue Income.</p> <p>15) PFI submits that Depreciation of Consumer Contributed Assets can not be categorized as “Income”. Moreover, while calculating the Interest &amp; Finance Charges TGNPDCL considers the</p>	Sl. No.	ASSET GROUP	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK			As at 01.04.2024	Additions	Reductions/ Adjustments	As at 31.03.2025	As at 01.04.2024	For this year	Deductions/ Adjustments	As at 31.03.2025	As at 31.03.2024	<b>I. PROPERTY PLANT AND EQUIPMENT:</b>											1)	Freehold Land	1.86	0.01	0.00	1.87	-	-	-	1.87	1.86	2)	Buildings	352.18	10.84	0.02	363.00	89.31	11.68	-	100.99	262.01	3)	Plant and Equipment										a)	Plant and Machinery	4,604.85	311.29	7.53	4,910.41	2,574.31	383.36	5.59	2,699.09	2,211.33	b)	Transmission Cable Network	9,310.22	545.53	-	4,254.76	2,133.56	174.75	-	2,108.32	2,546.46	c)	Meters and Metering equipment	738.86	43.13	14.99	764.15	433.71	23.84	11.04	446.51	317.64	d)	Office Equipment										a)	Office Equipment	19.10	0.65	0.21	19.54	10.00	1.08	0.19	10.89	8.65	b)	Air conditioners	1.08	0.04	-	1.12	0.83	0.02	-	0.85	0.37	5)	Furniture and Fixtures	5.36	0.25	-	5.61	3.95	0.12	-	4.06	1.54	6)	Veicles	2.72	-	0.04	2.58	2.45	0.00	0.03	2.42	0.26	7)	Computers and IT Equipment	84.18	1.73	0.30	85.66	76.49	5.89	0.30	76.06	9.58		Sub Total (a)	10,120.22	911.60	23.00	11,008.82	5,268.62	397.75	17.15	5,649.21	5,359.67	<b>II. 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	<p>Gross Depreciation (Depreciation including Depreciation on Consumer Contributed Assets) &amp; equates it to Repayment of Loan.</p> <p>16) There are three key means of financing Assets – (i) funded through ARR, (ii) Consumer Contribution &amp; (iii) Government Grants. Assets which are finance through Consumer Contribution are handled by the DISCOM on behalf of the consumers and can not be used for claiming Depreciation.</p> <p>17) Nearly all State Electricity Regulatory Commissions adjust the amortised depreciation of consumer contributed assets in the gross depreciation and do not treat it as Non-Tariff Income. Relevant extract from <i>Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2017</i> is as follows.</p> <p><b>“29. Any grant or contribution or facility or financial support received by the Utility from the Central and/or State Government, any statutory body, authority, consumer or any other person, whether in cash or kind, for execution of the project or scheme, which does not involve any servicing of debt or equity or otherwise carry any liability of payment or repayment or charges shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation.”</b></p> <p>Relevant extract from <i>Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution &amp; Retail Supply under Multi Year Tariff Framework) Regulations, 2024</i> is as follows.</p> <p><b>“18. CAPITAL COST</b></p> <p>.</p> <p>.</p> <p><b>(8)The amount of any contribution made by the consumers, open access consumers and Government subsidy towards works for connection to the distribution system or transmission system of the distribution /transmission licensee, shall be deducted from the original cost of the project for the purpose of calculating the amount under debt and equity under these Regulations.”</b></p> <p><b>18) Accordingly, PFI requests the Hon'ble TGERC to approve Depreciation for FY 2024-25 for</b></p>	

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	<p><b>Distribution Business of TGNPDCL taking into account the Retired Assets and the impact of Assets funded by Consumer Contribution or through any Capital subsidy or Grant. In any case, the allowed Depreciation for TGNPDCL for FY 2024-25 should not be more than Rs. 243 Cr. The difference between the claimed Depreciation of Rs. 414 Cr. and Rs. 243 Cr. proposed by PFI should not be passed on to the consumers at large through ARR and should be borne by the Govt. of Telangana in the form of subsidy.</b></p>	
3.	<p><b>C. INTEREST &amp; FINANCE CHARGES</b></p> <p>19) As submitted above, TGNPDCL has calculated the Interest and Finance Charges considering Gross Depreciation (i.e. Depreciation including Depreciation on Consumer Contributed Assets) which is against the Regulatory Provisions.</p> <p>20) Further, Opening Balance of Normative Loan has been considered as per audited accounts and not as per Regulatory Provisions. FY 2024-25 is the first year of the 5th Control Period (FY 2024-25 to FY 2028-29) and the Hon'ble TGERC, in Distribution Wheeling MYT Order dated 28/10/2024 had calculated the Opening Normative Loan for FY 2024-25 based on the Closing Normative Loan at the end of FY 2024-25. Relevant extract from the said Order is as follows.  <i>"4.7.3 The Commission has determined the opening loan base for FY2024-25 by taking the approved Gross Fixed Assets (GFA) as on 01.04.2024, adjusted for accumulated depreciation, consumer contributions, and grants, and apportioning it based on a debt-equity ratio of 75:25. Additionally, in accordance with Clause 27.1 of Regulation No. 2 of 2023, the Commission has applied the same 75:25 debt-equity ratio to the approved capitalisation during the year, net of consumer contributions and grants, to calculate the loan addition for each year of the Control Period"</i></p> <p>21) Accordingly, PFI has recomputed the Interest &amp; Finance Charges after considering the Opening Balance of Normative Loan for FY 2024-25 same as Closing Balance of Normative Loan for FY 2023-24 &amp; deduction of Depreciation on Consumer Contributed Assets from Gross Depreciation.</p>	<p>We have adopted the same methodology applied by the Hon'ble Commission in the MYT Order for computing interest and finance charges on loan, including the treatment of depreciation, which serves as the normative loan repayment as per Regulation 31.3.</p> <p>Specifically, the depreciation considered for loan repayment is exactly as recognised in the ARR computation framework approved by the Commission, including the Commission-prescribed handling of consumer contribution funded assets.</p>

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4.	<p><b>D. OTHER EXPENDITURE</b></p> <p>23) TGNPDCL has claimed Rs. 25.14 Cr. as Other Expenditure for FY 2024-25. Such other expenditure comprises of compensation/ ex-gratia amount paid to Electrical Accidents.</p> <p>24) It is pertinent to note that all penalties and compensation payable by the DISCOM to any party for failure to meet any Standards of Performance or for damages, as a consequence of the orders of the Commission, Courts, Consumer Grievance Redressal Forum, and Ombudsman, etc., should not be allowed to be recovered through the Aggregate Revenue Requirement.</p> <p>25) PFI submits that Section 57 (2) and Section 59 (1) of the Act focus on two key points i.e., Compensation and Furnishing Case-wise information. Relevant sections are as follows:</p> <p><i>“Section 57. (Consumer Protection: Standards of performance of licensee):</i></p> <p><i>(1) The Appropriate Commission may, after consultation with the licensees and persons likely to be affected, specify standards of performance of a licensee or a class of licensees.</i></p> <p><i>(2) If a licensee fails to meet the standards specified under sub-section (1), without prejudice to any penalty which may be imposed or prosecution be initiated, he shall be liable to pay such compensation to the person affected as may be determined by the Appropriate Commission:</i></p> <p><i>Provided that before determination of compensation, the concerned licensee shall be given a</i></p>	<p>Our claim includes (a) statutory and ex-gratia payments arising from force-majeure/public safety events not attributable to the utility; and (b) amounts mandated under lawful directions where no fault of the licensee is established. According to the guidelines of the Hon'ble Commission of Proceedings No. TSERC/Secy/86 of 2015, Dt:28-12-2015, para no.3 is extracted as below.</p> <p><i>“After careful consideration of the information submitted and issues raised by the DISCOMs, the Commission hereby enhances the ex-gratia sum payable, as a safety measure, in the case of a fatal accident resulting in death of a non-departmental person and / or of an animal owing to electrocution and other issues connected therewith are dealt hereunder.”</i></p> <p>Therefore, TGNPDCL is paying the compensation/ex-</p>																																				

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	<p><i>reasonable opportunity of being heard....”</i></p> <p><i>Section 59. (Information with respect to levels of performance):</i></p> <p><i>(1) Every licensee shall, within the period specified by the Appropriate Commission, furnish to the Commission the following information, namely:-</i></p> <p><i>(a) the level of performance achieved under sub-section (1) of the section 57;</i></p> <p><i>(b) the number of cases in which compensation was made under subsection (2) of section 57 and the aggregate amount of the compensation.”</i></p> <p>26) Conjoint reading of Section 57 &amp; Section 59 leads to the conclusion that DISCOMs need to submit case-by-case details to the Commission and the Commission will determine the compensation only after going through the merits of each case.</p> <p>27) Further, Hon’ble APTEL vide its Judgment dated 27/09/2012 in Appeal No.141 of 2012 provided clarification of Section 57(2) stating that SERCs will determine compensation on a case-by-case basis after analyzing the failure in meeting standard of performance and other details, relevant extract from said judgement is as follows:</p> <p><i>“Section 57(2) provides for a case-by-case determination of compensation. Such compensation has to be paid to the affected person. This will make it clear that the State Commission will have to determine on the basis of allegation that a particular standard of performance had been violated, as to how and what extent the person has been affected due to such violation.”</i></p> <p>28) PFI observes that TGNPDCL has not submitted any details or reference of communications forwarded to the Hon’ble Commission w.r.t. electrical accidents and action taken and have only claimed the compensation amount in the Petition.</p> <p><b>29) In view of above, PFI proposes the Hon’ble Commission to direct DISCOMs to submit case-by-case reason of accident and allow pass through of compensation only in cases where the reason is not attributable to the DISCOM.</b></p>	<p>gratia amount to every Electrical accident to non-departmental person and / or of an animal with Department fault or without Department fault in every year and this expenditure is booked under compensations account under A&amp;G expenses in the licensee books of accounts. The details of case-by-case cause of accident and the payments made against each case are already submitted to the Hon’ble Commission.</p>
5.	<p><b>E. SUMMARY OF TRUE-UP FY 2024-25</b></p> <p>30) As stipulated above, summary of PFI Comments on True-up of FY 2024-25 for TGNPDCL</p>	<p>The replies related to Depreciation, interest and finance charges on loan, and other expenditure are</p>

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<b>TGNPDCL ARR Petition FY 2026-27 for Distribution Wheeling Business</b>																																																																																																											
6.	<p><b>A. DEPRECIATION</b></p> <p>31) TGNPDCL has claimed Depreciation pertaining to FY 2026-27 for Distribution Business including the Depreciation on Consumer Contributed Assets. However, as per the Regulatory Provisions, Depreciation on assets funded by consumer/user contributions shall not be allowed in the revenue requirement of the DISCOM. Relevant extract of Regulations 26 of Regulation No. 2 of 2023 (<i>Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023</i>) is as follows:</p>	<p>The licensee has considered the depreciation on assets funded through consumer contributions as Deferred Revenue Income under non-tariff income (NTI). Since the Net ARR i.e., the Gross ARR minus the NTI is considered for the purpose of computation of wheeling charges, the licensee prays that the Hon'ble Commission may consider the depreciation figures as</p>																																																																																																									

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	<p>“26 Consumer Contribution, Deposit Work, Grant and Capital Subsidy</p> <p>...</p> <p>26.2 The expenses on such capital works shall be treated as follows:-</p> <p>...</p> <p>(c) provisions related to depreciation, as specified in clause 28, shall not be applicable to the extent of such financial support received;”</p> <p>32) TGNPDCL has claimed Rs. 12 Cr. of Depreciation through Consumer Contribution. <b>Accordingly, PFI requests the Hon’ble TGERC to reduce the Depreciation as claimed by TGNPDCL for FY 2026-27 by Rs. 12 Cr. The difference of Rs. 12 Cr. should be borne by the Govt. of Telangana in the form of subsidy.</b></p>	<p>filed by the licensee.</p>
7.	<p><b>B. REVISED RETURN ON EQUITY (RoE)</b></p> <p>33) TGNPDCL in ARR Petition has claimed 16% RoE including additional 2% RoE for performance towards meeting Standards of Performance (SOP) for FY 2026-27. PFI has observed that as per the applicable Regulatory provisions, RoE is to be allowed at 14% and additional RoE up to 2% which is linked to Licensee’s performance towards meeting SOP is to be allowed at the time of True-Up provided the DISCOM has met overall SOP as specified by the Hon’ble TGERC. In this regard, relevant extract of <i>Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023</i> is as follows:</p> <p>29 Return on Equity</p> <p>29.2 Return on Equity shall be computed at the following base rates:</p> <p>.....</p> <p>(e) Distribution licensee: Base Return on Equity of 14% and additional Return on Equity up to 2% linked to Licensee’s performance towards meeting standards of performance:</p> <p>Provided that the Commission at the time of true-up shall allow the additional Return on Equity up to 2% based on Licensee meeting the summary of overall performance standards as specified in Clause 1.11 of Schedule III of TSERC (Licensees’ Standards of Performance) Regulations, 2016.</p>	<p>TGNPDCL respectfully submit that the additional 2% RoE linked to Standards of Performance (SoP), as provided under Regulation 29.2(e), should not be deferred entirely to the true-up stage. If this component is allowed only during true-up, DISCOM will lose revenue through wheeling charges because the higher RoE will not be factored into the wheeling tariff computation for the year. This creates a structural disadvantage despite compliance with SoP targets. TGNPDCL have implemented robust measures to meet SoP requirements, including reliability improvements, timely consumer service delivery, and safety initiatives. We therefore request the Hon’ble</p>

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	<p>34) In view of above, PFI has recomputed the RoE pertaining to FY 2026-27 based on applicable Regulatory principles, as tabulated below:</p> <table border="1" data-bbox="259 316 963 638"> <thead> <tr> <th>Particulars</th> <th>Claimed by TGNPDCL</th> <th>PFI Working</th> <th>Difference</th> </tr> </thead> <tbody> <tr><td>Regulatory Equity at the beginning of the year</td><td>1375</td><td>1375</td><td></td></tr> <tr><td>Capitalization during the year</td><td>1400</td><td>1400</td><td></td></tr> <tr><td>Equity portion of capitalization during the year</td><td>350</td><td>350</td><td></td></tr> <tr><td>Equity portion of fully depreciated assets (incremental)</td><td>43</td><td>43</td><td></td></tr> <tr><td>Regulatory Equity at the end of the year</td><td>1682</td><td>1682</td><td></td></tr> <tr><td><b>Rate of Return on Equity</b></td><td></td><td></td><td></td></tr> <tr><td>Base rate of Return on Equity</td><td>16%</td><td>14%</td><td></td></tr> <tr><td>Effective Income Tax rate</td><td>0%</td><td>0%</td><td></td></tr> <tr><td>Rate of Return on Equity</td><td>16%</td><td>14%</td><td></td></tr> <tr><td><b>Return on Equity Computation</b></td><td></td><td></td><td></td></tr> <tr><td>Return on Regulatory Equity at the beginning of the year</td><td>220</td><td>193</td><td></td></tr> <tr><td>Return on Regulatory Equity addition during the year</td><td>25</td><td>21</td><td></td></tr> <tr><td><b>Total Return on Equity</b></td><td>245</td><td>214</td><td></td></tr> <tr><td><b>Total Return on Equity to Distribution business (90%)</b></td><td>220</td><td>193</td><td>(28)</td></tr> </tbody> </table> <p>35) In view of above, PFI submits before the Hon'ble TGERC to consider PFI working as shown above for RoE and kindly reduce Rs. 28 Cr. from RoE claimed by TGNPDCL for FY 2026-27. The difference of Rs. 28 Cr. should be borne by the Govt. of Telangana in the form of Subsidy.</p>	Particulars	Claimed by TGNPDCL	PFI Working	Difference	Regulatory Equity at the beginning of the year	1375	1375		Capitalization during the year	1400	1400		Equity portion of capitalization during the year	350	350		Equity portion of fully depreciated assets (incremental)	43	43		Regulatory Equity at the end of the year	1682	1682		<b>Rate of Return on Equity</b>				Base rate of Return on Equity	16%	14%		Effective Income Tax rate	0%	0%		Rate of Return on Equity	16%	14%		<b>Return on Equity Computation</b>				Return on Regulatory Equity at the beginning of the year	220	193		Return on Regulatory Equity addition during the year	25	21		<b>Total Return on Equity</b>	245	214		<b>Total Return on Equity to Distribution business (90%)</b>	220	193	(28)	<p>Commission to consider allowing the additional 2% RoE provisionally in the ARR, subject to post-year verification, so that wheeling charges reflect the correct cost structure and DISCOM is not penalized for timely compliance.</p>															
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8.	<p><b>A. SUMMARY OF ARR FY 2026-27</b></p> <p>1) As stipulated above, summary of PFI Comments on ARR of FY 2026-27 for TGNPDCL Distribution Wheeling Business is as follows, Hon'ble Commission is requested to kindly consider the same.</p> <table border="1" data-bbox="259 979 958 1321"> <thead> <tr> <th>Sr. No.</th> <th>Particulars</th> <th>Claimed by DISCOM</th> <th>Proposed by PFI</th> <th>Difference</th> </tr> </thead> <tbody> <tr><td>1</td><td>Operation &amp; Maintenance (O&amp;M) Expenses (1a+1b+1c)</td><td>2818</td><td>2818</td><td>0</td></tr> <tr><td>1a</td><td>Employee Expenses</td><td>2514</td><td>2514</td><td></td></tr> <tr><td>1b</td><td>Administrative &amp; General (A&amp;G) Expenses</td><td>152</td><td>152</td><td></td></tr> <tr><td>1c</td><td>Repair &amp; Maintenance (R&amp;M) Expenses</td><td>152</td><td>152</td><td></td></tr> <tr><td>2</td><td>Return on Equity</td><td>220</td><td>192</td><td>(28)</td></tr> <tr><td>2a</td><td>Less: Additional 2% RoE on account of SOP</td><td></td><td>28</td><td></td></tr> <tr><td>3</td><td>Interest on Loan</td><td>360</td><td>360</td><td>0</td></tr> <tr><td>4</td><td>Interest on Working Capital</td><td>100</td><td>100</td><td>0</td></tr> <tr><td>5</td><td>Depreciation</td><td>595</td><td>583</td><td>(12)</td></tr> <tr><td>5b</td><td>Amortized Depreciation from Consumer Contributed Assets</td><td></td><td>12</td><td></td></tr> <tr><td>6</td><td>Aggregate Revenue Requirement (ARR)</td><td>4,093</td><td>4,053</td><td>(40)</td></tr> <tr><td>7</td><td>Less: Non-Tariff Income</td><td>183</td><td>183</td><td>0</td></tr> <tr><td>8</td><td>Other Income</td><td>3</td><td>3</td><td></td></tr> <tr><td>9</td><td>Net ARR</td><td>3,907</td><td>3,867</td><td>(40)</td></tr> </tbody> </table> <p>In view of above, elements of ARR which are not as per Regulatory provisions may not be</p>	Sr. No.	Particulars	Claimed by DISCOM	Proposed by PFI	Difference	1	Operation & Maintenance (O&M) Expenses (1a+1b+1c)	2818	2818	0	1a	Employee Expenses	2514	2514		1b	Administrative & General (A&G) Expenses	152	152		1c	Repair & Maintenance (R&M) Expenses	152	152		2	Return on Equity	220	192	(28)	2a	Less: Additional 2% RoE on account of SOP		28		3	Interest on Loan	360	360	0	4	Interest on Working Capital	100	100	0	5	Depreciation	595	583	(12)	5b	Amortized Depreciation from Consumer Contributed Assets		12		6	Aggregate Revenue Requirement (ARR)	4,093	4,053	(40)	7	Less: Non-Tariff Income	183	183	0	8	Other Income	3	3		9	Net ARR	3,907	3,867	(40)	<p>The replies related to Depreciation and Return on Equity are provided in the above related sections. Therefore, it is requested to that the Hon'ble Commission to kindly approve the figures as per filings and methodology followed by TGDISCOMs.</p>
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S.No.	Summary of Objections / Suggestions	Response of the Licensee
	<p>passed on to the consumers, rather it should be borne by Govt. of Telangana in the form of subsidy. Accordingly, the subsidy to be decided by Govt. of Telangana for FY 2026-27 should include Rs. 40 Cr. additionally.</p>	
9.	<p><b>B. O&amp;M EXPENSES EFFICENCY FACTOR</b></p> <p>36) PFI has observed that as per <i>TGERC (Multi Year Tariff) Regulations, 2023</i>, Operations &amp; Maintenance Expenses calculation does not take into account any efficiency factor. Relevant extract from the said Regulations is as follows.</p> <p><i>“81 Operation and Maintenance Expenses</i></p> <p><i>81.1 The O&amp;M expenses for distribution licensee shall comprise of:</i></p> <ul style="list-style-type: none"> <li>• <i>Employee cost including unfunded past liabilities of pension and gratuity;</i></li> <li>• <i>Repairs and Maintenance (R&amp;M) expenses; and</i></li> <li>• <i>Administrative and Generation (A&amp;G) expenses.</i></li> </ul> <p><i>81.2 The O&amp;M expenses for distribution licensee for each year of the Control Period shall be approved based on the formula shown below:</i></p> <p><i>O&amp;M<sub>n</sub> = EMP<sub>n</sub> + R&amp;M<sub>n</sub> + A&amp;G<sub>n</sub></i></p> <p><i>Where,</i></p> <ul style="list-style-type: none"> <li>• <i>O&amp;M<sub>n</sub> – Operation and Maintenance expense for the nth year;</i></li> <li>• <i>EMP<sub>n</sub> – Employee Costs for the nth year;</i></li> <li>• <i>R&amp;M<sub>n</sub> – Repair and Maintenance Costs for the nth year;</i></li> <li>• <i>A&amp;G<sub>n</sub> – Administrative and General Costs for the nth year;</i></li> </ul> <p><i>81.3 The above components shall be computed in the manner specified below:</i></p> <p><i>EMP<sub>n</sub> = (EMP<sub>n-1</sub>) x (CPI Inflation);</i></p> <p><i>R&amp;M<sub>n</sub> = K x (GFAn) x (WPI Inflation) and</i></p> <p><i>A&amp;G<sub>n</sub> = (A&amp;G<sub>n-1</sub>) x (WPI Inflation)”</i></p> <p>37) It is submitted that under a performance based regulatory regime, regulated entities are incentivized to improve their efficiency level. This improved efficiency is expected to decrease the</p>	<p>TGNPDCL respectfully submits that we are strictly following the same O&amp;M computation methodology adopted by the Hon’ble Commission in the MYT Order and as prescribed in Clause No. 81 of Regulation No. 2 of 2023.</p> <p>Hon’ble Commission to kindly approve the O&amp;M expenses as per filings and methodology followed by TGDISCOMs.</p>

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	<p>costs and hence many State Electricity Regulatory Commissions, like Delhi &amp; Haryana, have incorporated an efficiency factor in the calculation of O&amp;M Expenses.</p> <p>Relevant extract from <i>HERC (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution &amp; Retail Supply under Multi Year Tariff Framework) Regulations, 2024</i> is as follows.</p> <p><i>“47.3. Operation and maintenance expenses The actual audited Employee cost (excluding terminal liabilities) and A&amp;G expenses for the financial year preceding the base year, subject to prudence check, shall be escalated at the escalation factor of 5.47% to arrive at the Employee cost (excluding terminal liabilities) and A&amp;G expenses for the base year of the control period. The O&amp;M expenses for the nth year of the control period shall be approved based on the formula given below:</i></p> $O\&M_n = (R\&M_n + EMP_n + A\&G_n) * (1 - X_n) + Terminal\ Liabilities$ <p><i>Where,</i></p> <ul style="list-style-type: none"> <li>• <i>R&amp;M<sub>n</sub> – Repair and maintenance costs of the transmission licensee for the nth year;</i></li> <li>• <i>EMP<sub>n</sub> – Employee costs of the transmission licensee for the nth year excluding terminal liabilities;</i></li> <li>• <i>A&amp;G<sub>n</sub> – Administrative and general costs of the transmission licensee for the nth year;</i></li> <li>•</li> <li>•</li> </ul> <p><i>(c) X<sub>n</sub> is an efficiency factor for nth year X<sub>n</sub> will be calculated by the Commission by analyzing the change in the total operating expenditure i.e. expenditure before depreciation, interest and taxes (i) Per unit of circuit km over last three years; and (ii) Per unit of transformation capacity over last three years. The Value of X<sub>n</sub> will be determined by the Commission in the MYT order for the control period...”</i></p> <p>38) Further, Honble APTEL in its judgement dated 31/05/2011 in Appeal No. 52 of 2008 has upheld the concept of Efficiency Factor in O&amp;M expenses in the case of TPDDL, as follows.</p> <p><i>“60. The last issue is erroneous computation of efficiency factor. ..</i></p>	

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	<p>64. Since O&amp;M expenses of the Appellant were compared with the similar urban distribution companies in other States, the Commission found the expenses of the Appellant were on the higher side and therefore MYT Regulations were framed to bring the requisite efficiency in the system. According to the Commission, the Commission is of the opinion that O &amp;M expenses trajectory for the Control Period shall be decided on the basis of annual efficiency improvement factor and as such O&amp;M cost of the Appellant is on the higher side....</p> <p>65. In view of the above reasoning's, the State Commission was constrained from allowing them to continue to operate in such a manner and pass on the higher costs to the consumers. The increase in the O&amp;M cost is supplemented by the increase in the efficiency level and cost of saving/cost of reductions/other economies being available to the Appellant. Therefore, there is no merit in this contention raised by the Appellant.</p> <p>66. The Learned Counsel for the Appellant has relied on the findings of the Tribunal in its judgment dated 29.9.2010 in Appeal No. 28 of 2008 in the matter of Delhi Transco Ltd. vs. DERC and Others wherein in paragraph 25 of the judgment the Tribunal set aside the order of the State Commission in respect of efficiency factor for Delhi Transco decided by the State Commission on ad-hoc basis without any benchmarking or any analysis and identification of area of efficiency. However, in the present case the State Commission has compared the O&amp;M expenses of the Appellant with other utilities and given a reasoned order. Thus, the findings of the Tribunal in Appeal No. 28 of 2008 will not apply to the present case. Accordingly, this issue is answered as against the Appellant.”</p> <p>39) Therefore, <b>PFI requests Hon’ble TGERC to approve O&amp;M Expenses only after incorporating an appropriate efficiency factor.</b></p>	