

SOUTH INDIAN CEMENT MANUFACTURERS' ASSOCIATION

Administrative Office: 3rd Floor, 36th Square, Plot no. 481, Road no. 36,
Jubilee Hills, Hyderabad - 500034, Telangana, India
Email: ceo@sicma.in | Landline: 040-35163394 | Mobile: +91 9848099111

Detailed Statement of Objections

on

Petitions for:

**True-up for FY 2024-25 and Determination of ARR & Wheeling Tariff for
Distribution Business for the FY 2026-27**

filed by the

Southern Power Distribution Company of Telangana Limited (TGSPDCL)

&

Northern Power Distribution Company of Telangana Limited (TGNPDCL)

as the

Distribution and Retail Supply Licensee

- **True-up for 1st year of 5th Control Period i.e., FY 2024-25 vide
O.P.No.70 of 2025 of TGSPDCL and O.P.No.71 of 2025 of TGNPDCL.**
- **Revised ARR and tariff proposal for FY 2026-27 vide O.P.No.72 of 2025
of TGSPDCL and O.P.No.73 of 2025 of TGNPDCL**

January, 2026

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THE STATEMENT OF OBJECTIONS BY THE OBJECTOR

1 STATEMENT OF OBJECTIONS

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 '**TG Discom(s)**' or '**Petitioner(s)**' or '**distribution company(s)**' or '**Licensee(s)**') have filed the Petitions for:

- **Determination of True up for the Distribution Business for FY 2024-25**
- **Determination of Aggregate Revenue Requirement (ARR) and Wheeling Tariffs for the Distribution Business for FY 2026-27**

The above Petitions are hereinafter collectively referred to as 'instant Petition(s)' or 'Tariff Petition'.

The above Petitions have been filed in accordance with the Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023 notified in 2023 namely Regulation No. 2 of 2023 (hereinafter referred to as 'Tariff Regulations 2023').

The Statement of Objections is herein being filed on behalf of the 'South Indian Cement Manufacturers Association' (SICMA), an Association registered under the Telangana Societies Registration Act 2001 at Hyderabad, its members being major Cement Manufacturers across South India (hereinafter called the "Objector" or "Association"). The main function of SICMA is to promote and protect the interests of its members in relation to the commerce & industries of India and in particular, the commerce & industries connected with cement.

The South Indian Cement Manufacturers' Association (SICMA) (Objector) strongly objects to the filings of the True up for the FY 2024-25 and ARR for the FY 2026-27 respectively and prays that the submissions and objections made herein may be accepted and approved by the Hon'ble Commission, in the interest of justice and equity.

The Objector also prays that it may be permitted to make additional submissions specific to these Petitions, in the Public Hearings as per the Public Hearing schedule announced by this Hon'ble Commission.

The section-wise brief facts, propositions, analysis, grounds and point wise objections to the Petitions are narrated herein below:

2 Summary of ARR for the True up of Distribution business for the FY 2024-25

1. The Petitioner TGSPDCL and TGNPDCL have claimed the Trued up Revenue Gap for the Distribution business to the tune of Rs. 545 Crore and Rs. 484 Crore respectively for the of FY 2024-25 as shown under. Against the same, the admissible Revenue Surplus as per Objector's assessment is Rs. 670 Crore and 258 Crore respectively as shown under:

Table 1: Summary of admissible ARR and Revenue Gap/ (Surplus) for the True up of Distribution Business for the FY 2024-25

(all figures in Rs. Crores)

Particulars	TGSPDCL		TGNPDCL	
	Claimed	allowable	Claimed	allowable
Operation & Maintenance Expenses	4,025	3,589	2,783	2,592
Depreciation	809	383	414	281
Interest and finance charges on Loan	534	250	328	163
Interest on working capital	126	106	82	70
Return on Equity	302	156	177	97
Other Expenditure (Ex-Gratia)	26	-	25	-
ARR	5,822	4,484	3,808	3,203
Less:				
Income from Open Access charges	17	29	0	29
Non-Tariff income	570	436	175	284
Income from Other Business	-	-	-	-
Net ARR	5,235	4,020	3,633	2,891
Revenue	4,690	4,690	3,149	3,149
Revenue Gap/ (Surplus)	545	(670)	484	(258)

3 Summary of ARR for the ARR of Distribution business for the FY 2026-27

2. The Petitioner TGSPDCL and TGNPDCL have claimed the Revised ARR for the Distribution business to the tune of Rs. 6706 Crore and Rs. 3907 Crore respectively for the of FY 2026-27 as shown under. Against the same, the admissible ARR as per Objector's assessment is Rs. 4564 Crore and Rs. 3339 Crore respectively as shown under:

Table 2: Summary of admissible ARR of Distribution Business for the FY 2026-27

Particulars	TGSPDCL		TGNPDCL	
	Claimed	allowable	Claimed	allowable
Operation & Maintenance Expenses	4,524	4,023	2,818	2,904
Depreciation	1,149	416	595	323
Interest and finance charges on Loan	934	241	360	184
Interest on working capital	150	118	100	79
Return on Equity	482	231	220	161
Other Expenditure (Ex-Gratia)	-			
ARR	7,239	5,028	4,093	3,652
Less:	-	-		-
Income from Open Access charges	1	29	3	29
Non-Tariff income	532	436	183	284
Income from Other Business	-	-	-	-
Net ARR	6,706	4,564	3,907	3,339
Revenue	-	-	-	-
Revenue Gap/ (Surplus)	-	-	-	-
PY adjustment	545	(670)	484	(258)
Recoverable ARR	7,251	3,894	4,391	3,081

4 Directives compliance

3. The Hon'ble Commission vide order dt. 28.10.2024 in O.P.No.12 of 2024 & I.A. No.11 of 2024, and I.A. No.23 of 2024 and O.P.No.13 of 2024 & I.A. No.12 of 2024, and I.A. No.20 of 2024 determined the ARR and Wheeling tariffs for the MYT Control period FY 2024-29 (hereinafter referred to as "MYT Order"). Further, the Hon'ble Commission vide Order dated 29.04.2025 in OP No.1 of 2025, O.P. No. 3 of 2025 and O.P.No.31 of 2024 and O.P. No.2 of 2025, O.P.No.4 of 2025 and O.P.No.32 of 2024 determined the True up for FY 2023-24 and Revised ARR/ Wheeling tariffs for the FY 2025-26 (hereinafter referred to as "Tariff Order"). Vide both the aforementioned orders, the Hon'ble Commission issued several directives, a few of which are pertinent to be noted:

"2. Capital Investments

a. The DISCOMs shall seek approval for individual schemes at least 90 days prior to undertaking the investment in accordance with the Guidelines for Investment Approval. The individual schemes/ projects submitted by the DISCOMs for Commission's approval must provide complete details including those relating to the cost and capitalisation for each year of 5th Control Period.

b. Considering the importance of capitalisation of works, the Commission lays down the following requirements to be fulfilled before accepting inclusion of the value of capitalised work in the Original Cost of Fixed Assets (OCFA):

i. On completion of a capital work, a physical completion certificate (PCC) to the effect that the work has been fully executed, physically, and the assets created are put in use, to be issued by the concerned engineer not below the rank of Superintendent Engineer.

ii. The PCC shall be accompanied or followed by a financial completion certificate (FCC) to the effect that the assets created have been duly entered in the fixed assets register by transfer from the Capital Works in Progress (CWIP) register to OCFA. The FCC shall have to be issued by the concerned finance officer not below the rank of Senior Accounts Officer.

iii. The above-mentioned certificates have to be submitted to the Commission within 60 days of completion of work, at the latest. The Commission may also inspect or arrange to inspect, at random, a few of the capitalised works included in the OCFA to confirm that the assets created are actually being used and are useful for the business."

It is humbly submitted that the Petitioner has not submitted the directive compliance report in view of the above direction. Notably, the above direction is a fallout of the Regulation 7.8 and 7.9 of the Tariff Regulations. While the TGSPDCL has submitted the copy of intimation for Q1-Q3 of FY 2024-25 along with the True up petition, TGNPDCL has not submitted any details in compliance of the aforesaid direction.

Since, capital investment contributes significantly to the ARR of the Distribution business, it is pertinent to mention that the non-compliance of the aforesaid directive should be treated seriously and punitive action for non-compliance be taken to ensure that the distribution capex is properly recorded and put to use.

5 Capital Expenditure and Capitalization

4. TGSPDCL and TGNPDCL have claimed Capitalization to the tune of Rs. 1752 Crore and Rs. 889 Crore for the FY 2024-25.
5. The Hon'ble Commission vide MYT Order has approved the Capital Investment Plan for the 5th Control Period (FY 2024-25 to FY 2028-29). Notably, the Petitioner while claiming the Capital Investment Plan for such period had sought the Capex which was in significant departure to the Capex approved in the Business Plan Order. The Hon'ble Commission uninspired by the justification provided by the Discoms disallowed the additional claim made therein and observed as follows:

"4.2.6 The Commission vide its Order dated 29.12.2023, approved the Resource Plan of TGDISCOMs of the Control Period i.e. from FY2024-25 to FY2028-29 after carrying out the detailed analysis of the Capital Expenditure schemes submitted by TGDISCOMs.

.....
4.2.8 It is observed that TGDISCOMs have not submitted any details regarding the capital investment proposed for the period FY2024-25 to FY2028-29. The Commission has sought information from TGDISCOMs to provide the scheme details of capex proposed, its preparedness along with proposed source of

financing for each scheme. **Further, the Commission also sought information from TGDISCOMs to provide the justification of variance in figures from Resource Plan Order dated 29.12.2023 approved by the Commission.**

4.2.9 TGSPDCL in its reply submitted that the base capex approved under Resource Plan is not adequate to meet the increased demand of Telangana as the base capex for FY2023-24 has already crossed the base capex (FY2024-25), approved in the Resource Plan for FY2024-25 to FY2028-29. Therefore, TGSPDCL has recomputed its base capex requirement and projected requirement based on actual figures available till date. Further, there is also variance in capex, due to introduction of smart meter capex requirements which was not envisaged earlier during Resource Plan approval. The other capex is proposed in line to Resource Plan approval.

4.2.10 TGNPDCL in its reply submitted that the base capex and other capex is projected as per approved Resource Plan Order dated 29.12.2023. The difference in the capex investment plan is only due to addition of capex proposed towards installation of smart meters.

4.2.11 The Commission observed that TGSPDCL has not provided appropriate justification for the variance in the capex investment plan (Base Capex) from the approved Resource Plan Order dated 29.12.2023. Further, TGDISCOMs have not complied with Clause 80 of Regulation No. 2 of 2023 and has not provide the details of schemes proposed. Thus, in the light of limited information made available to the Commission by TGDISCOMs, the Commission has considered the base capex and other capex for both the TGDISCOMs as approved by the Commission in Resource Plan Order dated 29.12.2023.

4.2.12 With regard to smart meters, TGDISCOMs submitted that the proposal is put forward before the State Government for the approval. In view of uncertainty in the capex investment towards the smart meters and directives issued by the Commission regarding smart meter implementations, the Commission defers the investment proposed towards smart meters. The Petitioner may approach the Commission for approval of capex investment towards smart meters, after the approval of proposal submitted to the GoTG.

6. In a similar manner, the Petitioners have claimed additional Capex to what had already been approved in the Tariff determination proceedings for the FY 2025-26. The Hon'ble Commission vide Tariff order observed likewise as under:

"3.17.16 The Commission vide its Order dated 28.10.2024, approved the Distribution MYT tariff for the Control Period i.e. from FY2024-25 to FY2028-29.

3.17.17 It is observed that TGSPDCL has not submitted any details regarding the additional smart meter capital investment proposed for the period FY2025-26. The Commission has sought information from

TGSPDCL to provide the scheme details of the additional smart meter capital investment proposed for the period FY2025-26, its preparedness along with proposed source of financing for each scheme.

3.17.18 TGSPDCL in its reply submitted that the proposal for smart meter capex is put forward before the State Government for approval.

3.17.19 In view of uncertainty in the capex investment towards the smart meters, the Commission defers the investment proposed towards smart meters. The Petitioner may approach the Commission for approval of capex investment towards smart meters, after the approval of proposal submitted to the GoTG.

3.17.20 The Commission has considered the base capex and other capex for both the TGDISCOMs for FY2025-26 as approved by the Commission in Distribution MYT Order dated 28.10.2024."

7. Based on the above precedent, it is humbly submitted that the Hon'ble Commission has not admitted the variation in Capital Investment in both the MYT and Tariff Order and held that the approval would be restricted to approved Capex as per the Resource Plan Order dt. 29.12.2023. Further to the above, it is humbly submitted that the Capital investment towards Smart meters is not yet approved.
8. Given that FY 2024-25 (true-up year) is the first year of the 5th Control Period, any claims ought to be admitted strictly in accordance with the MYT Order dated 28.10.2024. In this regard, attention is invited to the Capex and Capitalization claimed by the Petitioners, for which essential particulars—such as scheme-wise break-up, nature of works, and funding details—have not been furnished.
9. Further, while the Petitioners have sought additional capex in the MYT and Tariff Orders, no evidence has been provided to establish that such expenditure pertains only to approved schemes. Instead, the claims are merely stated as "as per Accounts" without any regulatory correlation or justification.
10. Since distribution tariff is predominantly driven by Capex and Capitalization, the absence of substantiating and documentary evidence warrants strict regulatory scrutiny. Accordingly, the Objector submits that only 75% of the claimed

Capex/Capitalization be provisionally admitted and the balance 25% be withheld, subject to submission and verification of complete scheme-wise details.

11. The allowable Capex and Capitalization for the True up of FY 2024-25 as per the Objector's assessment is as under:

Table 3: Summary of allowable Capex and Capitalization for the FY 2024-25

(All figures in Rs. Crores)

Particulars	Claimed		Allowable	
	Capex	Capitalization	Capex	Capitalization
TGSPDCL	2,055	1,752	1,541	1,314
TGNPDCL	823	889	617	667

12. For the FY 2026-27, TGSPDCL and TGNPDCL have claimed Capital Investment to the tune of Rs. 8160 Crore and Rs. 1736 Crore respectively.
13. As could be inferred, the Petitioners especially TGSPDCL has made an all-round effort to exaggerate the Capital Expenditure in the current MYT filings. To quantify, the proposed Capital Expenditure by TGSPDCL is 312% of the Capex approved in the MYT Order whereas for TGNPDCL, it has claimed Rs. 95 Crore in excess to what has been approved in the MYT Order which was admitted by the Hon'ble Commission vide order dt. 18.09.2025.
14. With respect to the significant deviation claimed by TGSPDCL towards Capex for FY 2026-27, it is submitted that such expenditure relates to new works and, therefore, mandatorily requires prior approval of the Hon'ble Commission. Any such Capex can be admitted only after satisfying the requirements of Regulation 80, including prudence check, necessity, and conformity with approved schemes, the relevant extracts of which are reproduced below:

"80 Capital Investment Plan

80.1 The distribution licensee shall submit a detailed Capital Investment Plan, financing plan and physical targets for each Year of the Control Period for strengthening and augmentation of its distribution network, meeting the requirement of load growth, reduction in distribution losses, improvement in quality of supply, reliability, metering, reduction in congestion, etc., to the Commission for approval, as a part of the Multi-Year Tariff Petition for the entire Control Period.

80.2 The Capital Investment Plan shall be a least cost plan for undertaking investments and shall cover all capital expenditure projects of a value exceeding Rs. 10 Crore or such other amount as may be stipulated by the Commission from time to time and shall be in such form as may be stipulated by the Commission from time to time.

80.3 The Capital Investment Plan shall be accompanied by such information, particulars and documents as may be required including but not limited to the information such as number of distribution sub-stations, consumer sub-stations, transformation capacity in MVA and details of distribution transformers of different capacities, HT:LT ratio as well as distribution line length showing the need for the proposed investments, alternatives considered, cost-benefit analysis and other aspects that may have a bearing on the Wheeling Charges.

80.4 The Commission shall consider the Capital Investment Plan along with the Multi-Year Aggregate Revenue Requirement for the entire Control Period submitted by the distribution licensee taking into consideration the prudence of the proposed expenditure and estimated impact on Wheeling Charges."

15. The Petitioner, while including Capital Expenditure in the present Petitions, has neither furnished any cogent justification nor placed on record adequate documentary evidence to explain the deviations from the Capex approved in the MYT Order in terms of the requirements of Regulation 80. As discussed in the preceding paragraphs, the Hon'ble Commission, on a similar footing, has restricted such claims to the levels approved under the MYT framework.

16. It is submitted that the TG Discoms have consistently fallen short of achieving the Capitalization levels approved under the MYT Order. While the Petitioners possess the right to claim Capex in accordance with the Business requirements, the Objector points out that such exercise should not be undertaken bypassing the regulatory provisions. In such circumstances, projections (for the FY 2026-27) based on unachieved approvals would be unrealistic and inflationary. Therefore, for prudent projection purposes, Capitalization ought to be restricted to the levels actually attained by the Petitioner in FY 2024-25 vis-à-vis the approved values. Accordingly, the Objector respectfully prays that the Hon'ble Commission approve Capitalization of Rs. 2,035 Crore and Rs. 944 Crore, in place of the MYT-approved Capitalization of Rs.

2,911 Crore and Rs. 1,754 Crore respectively for the FY 2026-27, as detailed in the computation below.

Table 4: Summary of admissible Capitalization for the FY 2026-27

(All figures in Rs. Crores)

Particulars	TGSPDCL	TGNPDCL
FY 2024-25		
Capitalization approved in the MYT Order	2,506.45	1,652.10
Capitalization attained	1,752.09	888.64
% attained w.r.t. approved	69.90%	53.79%
FY 2026-27		
Capitalization approved in the MYT Order	2,910.83	1,754.25
%	69.90%	53.79%
Capitalization admissible	2,034.77	943.59

17. Notwithstanding to the above submissions, the Objector also apprehends that exaggerated Capex projections have in the past led to accumulation of revenue surplus with the Licensees which is yet to be passed through to the consumers.

18. The Objector submits that the components of Depreciation, Interest Expenses and Return on Equity must be approved as per the Capitalization allowable as per preceding paras.

6 Depreciation – Impact of consumer contribution and grants

19. TGSPDCL has claimed Depreciation to the tune of Rs. 809 Crore and Rs. 1149 Crore for the FY 2024-25 and FY 2026-27 respectively. Likewise, TGNPDCL has claimed Depreciation to the tune of Rs. 414 Crore and Rs. 661 Crore for the FY 2024-25 and FY 2026-27 respectively.

20. The Petitioners have computed the depreciation based on the rates as per the Tariff Regulations. Further, as per the Tariff formats provided along with the Petition, it is observed that the Petitioner has claimed Depreciation on the asset funded out of consumer contribution and grants as well. At the same time, it has proposed adjustment of amortization (of grants) under Non-tariff income. Furthermore, the balances of Gross fixed asset (GFA) and consumer contribution & grants claimed by the Petitioners are incorrect.

21. In the above regard, Regulation 26 of Tariff Regulations 2023 in respect of treatment of Consumer Contribution, Deposit Work, Grant and Capital Subsidy provides as under:

"26 Consumer Contribution, Deposit Work, Grant and Capital Subsidy

26.1 The expenses on the following categories of works carried out by the generating entity or licensee or SLDC shall be treated as specified in clause 26.2:

- (a) Works undertaken from funds, partly or fully, provided by the users, which are in the nature of deposit works or consumer contribution works;*
- (b) Capital works undertaken with grants or capital subsidy received from the State and Central Governments;*
- (c) Other works undertaken with funding received without any obligation of repayment and with no interest costs.*

26.2 The expenses on such capital works shall be treated as follows: -

- (a) normative O&M expenses as specified in this Regulation shall be allowed;*
- (b) the debt: equity ratio, shall be considered in accordance with clause 27, after deducting the amount of such financial support received;***
- (c) provisions related to depreciation, as specified in clause 28, shall not be applicable to the extent of such financial support received;***
- (d) provisions related to return on equity, as specified in clause 29 shall not be applicable to the extent of such financial support received;*
- (e) provisions related to interest on loan capital, as specified in clause 31 shall not be applicable to the extent of such financial support received."*

22. Notably, the methodology adopted by the Petitioner is at variance with that followed by the Hon'ble Commission in the Tariff Order for FY 2025-26. The Hon'ble Commission had specifically observed that the depreciation claim was not supported with proper segregation between existing and new assets and did not clearly indicate whether amortisation of consumer contribution had been duly accounted for. In the present Petition as well, similar deficiencies persist, rendering the depreciation claim unverifiable and contrary to the Commission's established approach.

23. It is humbly submitted that the Opening balance of Consumer contribution & Grants for the FY 2024-25 must be considered equivalent to the closing balance of consumer contribution & grants approved by the Hon'ble Commission in the Tariff Order (True up of FY 2023-24). In a similar manner, the opening balances of GFA must be

considered equivalent to the closing balance of the GFA approved in the True up of FY 2023-24.

24. Relevant extracts of the Tariff Order depicting the opening GFA balance (and additions during (FY 24) and the Opening Consumer contribution & grants (and additions during (FY 24) for the FY 2023-24 are shown as under:

Table 3.7: ROCE claimed and approved for FY 2023-24 for TGSPDCL

Particulars	Approved in MYT Order dated:29.04.2020	Rs.in crore	
		Actuals as claimed in APR	Approved
Original Cost of Fixed Assets at the beginning of the year		20432.89	20407.97
Accumulated Depreciation at the beginning of the year		6621.11	5820.55
Consumer Contribution at the beginning of the year		8960.02	8956.40
Grants under UDAY Scheme			656.48
Regulated Rate Base		4851.76	4974.53
Investments capitalised during the year		1763.52	1763.52
Depreciation during the year		829.45	828.44
Consumer Contribution addition during the year		1157.80	1157.80
Change in Rate Base		-111.87	-111.36
O&M expenses		296.68	296.68
Working Capital		296.68	296.68
Regulated Rate Base for RoCE		5036.58	5159.86

Table 3.8: ROCE claimed and approved for FY 2023-24 for TGNPDCL

Particulars	Approved in MYT Order dated: 29.04.2020	Rs.in crore	
		Actuals as claimed in APR	Approved
Original Cost of Fixed Assets at the beginning of the year		9602.59	9586.83
Accumulated Depreciation at the beginning of the year		4941.35	4204.53
Consumer Contribution at the beginning of the year		2036.94	2619.26
Grants under UDAY Scheme			332.53
Regulated Rate Base		2624.31	2430.52
Investments capitalised during the year		552.57	552.57
Depreciation during the year		356.24	355.65
Consumer Contribution addition during the year		179.41	179.42
Change in Rate Base		8.46	8.75
O&M expenses		218.79	209.68
Working Capital		218.79	209.68
Regulated Rate Base for RoCE		2851.55	2648.95

25. Additionally, the perusal of Audited Accounts of TGSPDCL and TGNPDCL indicates that the Consumer contribution & Grants amounting to Rs. 1221 Crore and Rs. 302 Crore has been received during the FY 2024-25. Relevant extracts of the Note 3 of the Audited Accounts are reproduced hereunder:

TGSPDCL

3 - RESERVES & SURPLUS

Particulars	As at March 31, 2025	As at March 31, 2024
	Rs. in Crore	Rs. in Crore
a. Consumer Contribution towards capital assets		
Opening Balance	8,719.68	7,562.09
(+) Current year Receipts	1,220.99	1,157.59
Closing Balance	9,940.67	8,719.68
b. Subsidies towards cost of capital assets		
Opening Balance	73.40	73.40
(+) Current year Receipts	-	-
Closing Balance	73.40	73.40
c. Grants/Donations towards cost of capital assets		
Opening Balance	1,324.74	1,324.53
(+) Current year Receipts	0.13	0.21
(-) Current Year Utilization	(0.13)	-
Closing Balance	1,324.74	1,324.74
Total (Closing balance of a+b+c)	11,338.81	10,117.82

TGNPDCL

Note: 3 - RESERVES AND SURPLUS		(Rs in Crore)	
Particulars	As at 31.03.2025	As at 31.03.2024	
A) Capital reserve			
i) Consumer contributions for service connections			
At the beginning of the year	1,794.53	1,600.98	
Add: Received during the year	297.25	318.35	
Less: Amortised during the year	124.94	124.79	
At the end of the year	1,966.84	1,794.53	
ii) Subsidies/Grants towards cost of Capital assets			
(P:IE-Urban INDIRAMMA, DDG, RGGVY, DDUGJY, IPDS, Sowbagya, STSDF ST Habitations, RAPDRP-Part A, and RAPDRP SCADA Works)			
At the beginning of the year	421.82	435.96	
Add: Received during the year	4.63	1.78	
Less: Amortised during the year	29.62	15.92	
At the end of the year	396.83	421.82	

26. The Hon'ble Commission is humbly submitted to kindly consider the Additions to Consumer Contribution and Grants as per the Audited Accounts for the True up of FY 2024-25.

27. Based on the admissible Capitalization during the year (as discussed in the preceding sections) and additions to Consumer Contribution & Grants during the FY 2024-25, the balances of GFA and Consumer Contribution & Grants admissible for the FY 2024-25 are as under:

Table 5: Summary of admissible GFA and Consumer contribution & Grants for the FY 2024-25

(All figures in Rs. Crores)

Particulars	TGSPDCL	TGNPDCL
GFA		
Opening as on 01.04.2023 (As per Tariff Order)	20407.97	9586.83
Additions during FY 2023-24 (As per Tariff Order)	1763.52	552.57
Closing as on 31.03.2024	22171.49	10139.4
Additions during FY 2024-25	1,314.07	666.48
Closing as on 31.03.2025	23,485.56	10,805.88
Consumer contribution and grants		
Opening as on 01.04.2023 (As per Tariff Order)	9612.88	2951.79
Additions during FY 2023-24 (As per Tariff Order)	1157.8	179.42
Closing as on 31.03.2024	10770.68	3131.21
Additions during FY 2024-25	1,221.12	301.88
Closing as on 31.03.2025	11,991.80	3,433.09

28. In the absence of scheme wise details on capitalization which include the funding pattern as well, the Objector argues that for the projection purposes (FY 2026-27), the additions to the Consumer contribution during FY 2026-27 must be considered in the same ratio as was actually received during the FY 2024-25.

29. Based on the Petitioner's submission that depreciation in the Audited Accounts is computed as per CERC Regulations, whereas depreciation claimed for tariff purposes is as per the Tariff Regulations, the Objector has derived the weighted average depreciation rate by dividing the depreciation claimed by the average of the opening and closing Gross Fixed Asset (GFA) balances as per the Audited Accounts. Accordingly, the weighted average rates work out to 3.52% for TGSPDCL and 3.91% for TGNPDCL, respectively.

30. Based on the admissible Capitalization and additions to the consumer contribution & grants for the FY 2024-25 and FY 2026-27 as discussed in the preceding sections, the allowable depreciation works out as under:

Table 6: Allowable Depreciation as per Objector's assessment for the FY 2024-25 and FY 2026-27

(All figures in Rs. Crores)

Particulars	TGSPDCL		TGNPDCL	
	FY 2024-25	FY 2026-27	FY 2024-25	FY 2026-27
Opening GFA	22,171.49		10,139.40	
Less: fully depreciated assets	562.07		-	
Less: Consumer contribution & grants	10,770.68		3,131.21	
Net Opening GFA	10,838.74	11,504.51	7,008.19	7,956.27
Net Additions to GFA during the year	92.95	616.64	364.60	623.04
Closing GFA	10,931.69	12,121.15	7,372.79	8,579.32
Weighted average rate of deprecation	3.52%	3.52%	3.91%	3.91%
Depreciation	383.00	415.64	280.83	322.91

7 Interest on Loan

31. TGSPDCL has claimed Interest on Loan to the tune of Rs. 534 Crore and Rs. 934 Crore for the FY 2024-25 and FY 2026-27 respectively. Likewise, TGNPDCL has claimed Interest on Loan to the tune of Rs. 328 Crore and Rs. 400 Crore for the FY 2024-25 and FY 2026-27 respectively.

32. The Objector submits that the treatment of Interest Expense and Return on Equity has materially changed from FY 2024-25 onwards pursuant to the revised Regulations, which provide for allowance of Return on Equity and Interest on Loan in place of the earlier framework of Return on Capital Employed. This regulatory shift has correspondingly altered the methodology for computing Interest on Loan and Return on Equity. While the Objector is broadly aligned with the Petitioner's approach in principle, the key issue that remains pertains to the determination of the opening balances of Loan and Equity, which must be established strictly in accordance with regulatory provisions and principles of financial prudence.

33. To arrive at the Opening balance of Normative loan, the reference is drawn to the Tariff order for FY 2025-26 wherein the Hon'ble Commission while determining the Interest on Loan observed as follows:

*"3.22.11 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 FY 2025-26.**"*

34. However, the claim made by the petitioner (TGSPDCL) towards Opening balance of Normative Loan is shown as under:

Table 7: Summary of TGSPDCL's claim of Opening balance of Loan for the FY 2024-25

(All figures in Rs. Crores)

Particulars	2024-25
GFA as on 31.03.2024	22196
Consumer Contribution	7600
GFA excluding CC	14596
Loan = 75% of GFA excl. CC	10947
Accumulated Dep excl. CC	7201
Accumulated Depreciation excluding Consumer contribution 75%	5401
Opening Balance	5546

35. With reference to GFA and Consumer Contribution & Grants in respect of determination of Opening balance of Loan, the Objector submits that the same may be considered in line with the discussions in the preceding section. However, the

Petitioner has not provided any justification for applying 75% to Accumulated Depreciation (excluding Consumer Contribution) while deducting it from the Loan (i.e., 75% of GFA less CC). The Objector submits that Accumulated Depreciation (excluding CC) is fully available for loan repayment, and therefore, the application of only 75% thereto lacks regulatory and financial rationale. Further, the Tariff Regulations explicitly stipulate that repayment shall be equivalent to depreciation, rendering the application of a 75% factor unwarranted.

36. Additionally, the Petitioner has not furnished the break-up of Consumer Contribution & Grants forming part of Accumulated Depreciation. In the absence of such details, the Objector proposes that the contribution of Consumer Contribution & Grants to Accumulated Depreciation be considered in proportion to the ratio of total Consumer Contribution as on 01.04.2024 to total GFA as on 01.04.2024, ensuring consistency and prudence in computation.

37. In view of the above, the revised Opening Balance of Loan for TGSPDCL (as on 01.04.2024), as worked out by the Objector in accordance with regulatory principles and financial prudence, is set out below:

Table 8: Summary of Opening balance of Loan for TGSPDCL for the FY 2024-25
(All figures in Rs. Crores)

Particulars	As claimed by the Petitioner	As per Objector's assessment
GFA as on 31.03.2024 [A]	22,196.00	22,171.49
Consumer Contribution [B]	7,599.84	10,770.68
GFA excluding CC [C = A-B]	14,596.16	11,400.81
Loan = 75% of GFA excl. CC [D = C x 75%]	10,947.12	8,550.61
Accumulated Dep excl. CC [E]	7,201.08	5,786.25
Accumulated Depreciation excluding Consumer contribution 75% [E x 75%]	5,400.81	NA
Opening Balance of Normative Loan	5,546.31	2,764.36

38. Notably, the TGNPDCL has not furnished the details of computation of opening normative loan hence, it is humbly submitted that the above methodology be adopted in that case as well.

39. Based on the above discussions, the allowable Interest on Loan for both discoms for the FY 2024-25 and FY 2026-27 as per Objector's assessment is shown as below:

Table 9: Summary of admissible Interest on Loan for the FY 2024-25 and FY 2026-27
(All figures in Rs. Crores)

Particulars	TGSPDCL		TGNPDCL	
	FY 2024-25	FY 2026-27	FY 2024-25	FY 2026-27
Opening balance of normative loan	2,764.36	2,485.97	1,594.53	1,725.42
Additions: 75% of the Capitalization (less CC)	69.71	462.48	273.45	467.28
Repayment (depreciation)	383.00	415.64	280.83	322.91
Closing balance of normative loan	2,451.07	2,532.81	1,587.15	1,869.79
Average balance of normative loan	2,607.71	2,509.39	1,590.84	1,797.61
Weighted average rate of interest	0.10	0.10	0.10	0.10
Interest on Loan	250.38	240.94	163.23	184.44

8 Return on Equity

40. TGSPDCL has claimed Return on Equity to the tune of Rs. 302 Crore and Rs. 482 Crore for the FY 2024-25 and FY 2026-27 respectively. Likewise, TGNPDCL has claimed Return on Equity to the tune of Rs. 177 Crore and Rs. 245 Crore for the FY 2024-25 and FY 2026-27 respectively.

41. It is also worth mentioning that the Petitioners have claimed RoE at a rate of 16% for the FY 2024-25 and FY 2026-27 wherein Licensees have sought an additional 2% (towards compliance of SOP) over the base rate of 14%.

Opening balance of Equity

42. As discussed in the preceding section, the treatment of Interest Expense and Return on Equity has materially changed from FY 2024-25 onwards pursuant to the revised Regulations, which provide for allowance of Return on Equity and Interest on Loan in place of the earlier framework of Return on Capital Employed. Further, the Objector argues that the opening balances of Equity must be established strictly in accordance with regulatory provisions and principles of financial prudence.

43. To arrive at the Opening balance of Equity, the reference is drawn to the Tariff order for FY 2025-26 wherein the Hon'ble Commission while determining the Return on Equity observed as follows:

"3.21.15 The Commission has determined the opening equity base for FY2024-25 by taking the approved Gross Fixed Assets (GFA) as on 01.04.2024, and adjusted for accumulated depreciation, consumer contributions, and grants based on normative debt-equity ratio of 75:25. Furthermore, 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, net of consumer contributions and grants to calculate the equity addition for each year of the Control Period.”

44. However, the claim made by the petitioner (TGSPDCL) towards Opening balance of Equity (as on 01.04.2024) is shown as under:

Table 10: Summary of TGSPDCL's claim of Opening balance of Equity for the FY 2024-25

(All figures in Rs. Crores)

Particulars	FY 2023-24
Total GFA as on 31.03.2023	22196
Consumer Contribution assets in GFA as on 31.03.2023	7599.84
Fixed Assets post removal of CC as on 31.03.2023	14596
Total Accumulated Depreciation as on 31.03.2023	11252.69
Contribution of CC in Accumulated Depreciation	4051.61
Accumulated Depreciation post removal of Dep due to CC	7201
Balance Assets after deduction of accumulated Depreciation	7395
Balance Assets Equity Portion (25%)	1849

45. With reference to GFA and Consumer Contribution & Grants in respect of RoE, the Objector submits that the same may be considered in line with the discussions in the preceding section. Further, in the absence of break-up of Consumer Contribution & Grants forming part of Accumulated Depreciation, the Objector proposes that the contribution of Consumer Contribution & Grants to Accumulated Depreciation be considered in proportion to the ratio of total Consumer Contribution as on 01.04.2024 to total GFA as on 01.04.2024, ensuring consistency and prudence in computation.

46. Based on the above, the admissible Opening Equity for TGSPDCL (as on 01.04.2024) as per the Objector's assessment is as under:

Table 11: Summary of admissible Opening balance of Equity for TGSPDCL for the FY 2024-25

(All figures in Rs. Crores)

Particulars	As claimed by the Petitioner	As per Objector's assessment
Total GFA as on 31.03.2023	22,196.00	22,171.49
Consumer Contribution assets in GFA as on 31.03.2023	7,599.84	10,770.68
Fixed Assets post removal of CC as on 31.03.2023	14,596.16	11,400.81
Total Accumulated Depreciation as on 31.03.2023	11,252.69	11,252.69
Contribution of CC in Accumulated Depreciation	4,051.61	5,466.44
Accumulated Depreciation post removal of Dep due to CC	7,201.08	5,786.25
Balance Assets after deduction of accumulated Depreciation	7,395.08	5,614.56

Balance Assets Equity Portion (25%)	1,848.77	1,403.64
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47. Notably, the TGNPDCL has not furnished the details of computation of opening Equity hence, it is humbly submitted that the above methodology be adopted in that case as well.

Rate of Return on Equity

48. The Petitioners have argued that the Rate of RoE has been claimed based on the base rate and incentive specified in the Tariff Regulations. However, Regulation 29 of the Tariff Regulations provide as under:

"29 Return on Equity

29.1 Return on Equity shall be computed in rupee terms, on the equity base determined in accordance with clause 27.

29.2 Return on Equity shall be computed at the following base rates:

(a) Thermal generating stations: 15.50%;

(b) Run of river hydro generating stations: 15.50%;

(c) Storage type hydro generating stations including pumped storage hydro generating storage and run of river hydro generating station with pondage: 16.50%;

.....
(d) Transmission licensee: 14%;

(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:

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;

(f) SLDC: 14%.

Provided 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."

49. In view of the above, the Petitioner is required to adhere to the timelines prescribed under the Tariff Regulations, failing which a reduction in the RoE is attracted as a penalty. The Hon'ble Commission, while approving the MYT Order for FY 2024-29, has already invoked this proviso, the relevant extracts of which are reproduced below:

"4.6.8 Rate of RoE: As per timelines specified in Regulation No.2 of 2023,

TGDISCOMs had to file the petitions by 31.01.2024. However, TGDISCOMs have filed the petitions with delay and filed their respective petitions on 12.07.2024 (TGSPDCL) and 20.07.2024 (TGNDPCL) with a delay of 163 days for TGSPDCL and delay of 171 days for TGNDPCL. As per clause 29.2 of Regulation No.2 of 2023, in case the petitioner delays in filing the petition, there is provision for reduction in rate of Return on Equity by 0.5% per month or part thereof. Hence, the rate of RoE has to be reduced by 3.00% for all the years of 5th control period. Duly considering the advice given by the members during SAC meeting held on 05.10.2024 and since it is a first filing as per MYT Regulation No.2 of 2023, the Commission has taken a lenient view and restricted reduction of rate of RoE only for the first year of 5th control period i.e., FY 2024-25.

4.6.9 Thus, the Commission considered net allowable rate of RoE as 11.00% for first year of 5th control period and for subsequent four years of 5th control period rate of RoE is considered as 14%."

50. In the present Petition, the Petitioner has sought relaxation of the Rate of RoE approved under the MYT Order and has claimed recovery of the base rate of RoE through the True-Up for FY 2024-25. By seeking a change in the RoE at the stage of True-Up, the Petitioner is effectively attempting to reopen and modify the Tariff Order, which is impermissible in law. Once the Commission determines the norms and parameters in a Tariff Order, the same attain finality and cannot be altered except where the Regulations themselves expressly permit such variation.

51. It is well settled through a catena of judgments of the Hon'ble APTEL that the True-Up mechanism is only meant to reconcile approved estimates with actuals based on the already approved norms and cannot be used to revise, substitute, or re-determine the tariff parameters. The scope of True-Up is limited to adjustment within the framework of the Tariff Order and not to re-write the tariff itself.

52. Therefore, permitting relaxation in the Rate of RoE at the True-Up stage would not only amount to modification of the Tariff Order, but would also dilute the intent of the Tariff Regulations, which link RoE to regulatory discipline, including adherence to

prescribed timelines. Any such relaxation would undermine regulatory certainty and defeat the very objective of incentivising compliance by the utility.

53. Furthermore, the Licensees have also claimed an incentive of 2% over the base rate of RoE citing compliance to TSERC (Licensees' Standards of Performance) Regulations, 2016 and have submitted the compliance report to the Hon'ble Commission through separate communications.

54. At the outset, the Objector submits that compliance with SOP and the associated incentive framework is an integral part of the Tariff Regulations and cannot be presumed or admitted merely on assertion. The Licensees are obligated to place on record verifiable data and documentary evidence substantiating such compliance. A bald statement of compliance does not confer eligibility for incentive and must withstand the test of regulatory scrutiny and public examination. Further, the Objector questions the quality and robustness of the compliance being reported to the Hon'ble Commission. It is imperative to examine whether the underlying data is systematically monitored, audited, and governed by clearly defined reporting guidelines. In the absence of any critical and objective evaluation of distribution performance beyond mere statistics, the claim for incentive lacks merit.

55. Without prejudice to the above, the Objector submits that the Licensees cannot, in law or equity, simultaneously suffer penalties and seek incentives on the very same regulatory obligations. Where the Hon'ble Commission has already taken cognizance of non-compliance by imposing penalties for delayed filings, the Licensees are estopped from claiming incentive for alleged SOP compliance in the same regulatory regime. Penalty and incentive are mutually exclusive consequences attached to performance standards under the Regulations, and permitting both to coexist for the same period and parameter would be arbitrary, inconsistent with regulatory discipline.

56. Further, the proviso to the Tariff Regulations expressly confines the admissibility of the 2% incentive claim to the stage of True-Up. Such proviso cannot be extended or imported into tariff determination proceedings for FY 2026-27. Accordingly, the Petitioner's claim of 2% incentive for FY 2026-27 is premature and does not merit admission under the Tariff Regulations at this stage.

57. Based on the above arguments, it is humbly submitted that the Rate of RoE should be approved at 11.0% for the FY 2024-25. The allowable Return on Equity for both discoms for the FY 2024-25 and FY 2026-27 as per Objector's assessment is shown as below:

Table 12: Summary of admissible Return on Equity for the FY 2024-25 and FY 2026-27

(All figures in Rs. Crores)

Particulars	TGSPDCL		TGNPDCL	
	FY 2024-25	FY 2026-27	FY 2024-25	FY 2026-27
Opening Equity	1,403.64	1,570.08	836.65	1,073.67
Additions during the year	23.24	154.16	91.15	155.76
Closing Equity	1,426.88	1,724.24	927.80	1,229.43
Average Equity	1,415.26	1,647.16	882.22	1,151.55
Rate of RoE	11%	14%	0.11	0.14
Tax Rate	0%	0%	-	-
Return on Equity	155.68	230.60	97.04	161.22

9 Operations and Maintenance Expenses

58. TGSPDCL has claimed Operations and Maintenance Expenses (O&M Expenses) to the tune of Rs. 4025 Crore and Rs. 4524 Crore for the FY 2024-25 and FY 2026-27 respectively. Likewise, TGNPDCL has claimed O&M Expenses to the tune of Rs. 2783 Crore and Rs. 3130 Crore for the FY 2024-25 and FY 2026-27 respectively.

59. At the outset, it is submitted that the Petitioners have claimed O&M Expenses for the True-up year based purely on actuals from Audited Accounts, rather than adopting the normative framework mandated under the Tariff Regulations. It is further submitted that the O&M Expenses claimed by TGNPDCL appear disproportionately high, particularly when compared with TGSPDCL, despite TGNPDCL owning only about half the asset base and handling nearly one-third of the energy sales of TGSPDCL. In this background, the Hon'ble Commission is respectfully urged to undertake a robust benchmarking exercise for O&M Expenses, duly factoring employee deployment across key functions such as consumer services, substation operations, and asset management, and aligning the allowance with prudent utility practices and efficiency norms rather than untested actuals.

60. TGSPDCL has attributed the increase in O&M primarily to escalation in Employee Expenses, A&G Expenses, and R&M Expenses. It is stated that Employee Cost has risen by about Rs. 239 crore on account of DA increase, Rs. 160 crore towards

enhanced employer contribution to Provident Fund based on actuarial valuation, and Rs. 45.22 crore towards Employee Medical Reimbursement. While these figures are asserted, the Petitioner has not demonstrated the prudence, necessity, or efficiency of such escalations, nor established that the same are unavoidable and in line with regulatory benchmarks.

61. Further, the Petitioner submits a marginal increase in Repairs & Maintenance Expenses, citing regular maintenance of UG cable networks (Rs. 11.42 crore) and expenditure of about Rs. 5.08 crore towards substation maintenance and allied civil works. The Objector submits that such increases, though presented as routine, require proper justification, benchmarking, and demonstration of efficiency gains, and cannot be admitted merely on the basis of narration.

62. It goes without saying that the Objector argues that the O&M Expenses have been claimed in complete violation of the Regulation 81 of the Tariff Regulations 2023, relevant extracts of which are reproduced as below:

"81.1 The O&M expenses for distribution licensee shall comprise of:

- *Employee cost including unfunded past liabilities of pension and gratuity;*
- *Repairs and Maintenance (R&M) expenses; and*
- *Administrative and Generation (A&G) expenses.*

81.2 The O&M expenses for distribution licensee for each year of the Control Period shall be approved based on the formula shown below:

$$O\&M_n = EMP_n + R\&M_n + A\&G_n$$

Where,

- *O&M_n – Operation and Maintenance expense for the nth year;*
- *EMP_n – Employee Costs for the nth year;*
- *R&M_n – Repair and Maintenance Costs for the nth year;*
- *A&G_n – Administrative and General Costs for the nth year;*

81.3 The above components shall be computed in the manner specified below:

$$EMP_n = (EMP_{n-1}) \times (CPI \text{ Inflation});$$

$$R\&M_n = K \times (GFAn) \times (WPI \text{ Inflation}) \text{ and}$$

$$A\&G_n = (A\&G_{n-1}) \times (WPI \text{ Inflation})$$

.....
.....

Provided that the employee cost and A&G expenses for the first year of the Control Period shall be worked out considering the average of the trued-up expenses after adding/deducting the share of efficiency gains/losses, for the immediately preceding Control Period, excluding abnormal expenses, if any, subject to prudence check by the Commission, and duly escalating the same for 3 years with CPI Inflation for employee costs and WPI Inflation for A&G expenses."

63. Based on the above, the employee costs and administrative (A&G) expenses for the first year of the new Control Period are to be computed based on the average of the Trued up costs from the previous period, adjusted for efficiency gains or losses. Any unusual or abnormal expenses need to be excluded by the Commission.

64. Against this methodology, the Hon'ble Commission in the MYT order observed as follows:

"Employee Expenses

.....
4.4.13 The Commission has scrutinized the trued-up expenses and observed that there is no abnormal expense in the preceding Control Period. ***In accordance to proviso of Clause 81.3 of Regulation No. 2 of 2023, the Commission has recomputed the Employee Expenses for FY2024-25, by considering the average of trued-up expenses after adding/deducting the share of efficiency gains/losses, for the immediately preceding Control Period till FY2022-23 and approved values for FY2023-24. The average employee expenses have been duly escalated thrice with average CPI inflation factor of last 5 financial years (FY2019-20 to FY2023-24) to arrive at Employee expenses for FY2024-25.*** As the employee expenses have been arrived by considering the average of employee expenses of last five years, the Commission has considered the average CPI Inflation factor of last 5 financial years.

4.4.14 The Employee Expenses of each financial year for FY2025-26 to FY2028-29 is computed by escalating the above derived value of Employee expenses by average CPI inflation factor (5.79%) of last 5 financial years (FY2019-20 to FY2023-24). The Employee Expenses approved by the Commission for the period FY2024-25 to FY2028-29 are as shown below:

A&G Expenses

4.4.15 The Commission has recomputed the A&G Expenses for FY2024-25, by considering the average of trued-up A&G expenses after adding/deducting the share of efficiency gains/losses, for the immediately preceding Control Period till FY2022-23 and approved values for FY2023-24. The average A&G expenses have been duly escalated thrice with average WPI inflation factor of last 5 financial years (FY2019-20 to FY2023-24) to arrive at A&G expenses for FY2024-25. As the A&G expenses have

been arrived by considering the average of A&G expenses of last five years, the Commission has considered the average WPI Inflation factor of last 5 financial years. The A&G Expenses of each financial year for FY2025-26 to FY2028-29 is computed by escalating the above derived value of A&G expenses by average WPI inflation factor (4.93%) of last 5 financial years (FY2019-20 to FY2023-24). The A&G Expenses approved by the Commission for the period FY2024-25 to FY2028-29 are as shown below

4.4.16 With regard to R&M Expenses, the **Commission has computed the 'k' factor based on the approved R&M Expenses as the percentage of opening GFA (approved) at beginning of each year of the 4th Control Period.** The normative R&M Expenses of each financial year for the period FY2024-25 to FY2028-29 is computed by multiplying the opening GFA, with 'k' factor derived above and average WPI inflation factor of last 5 financial years which is being escalated for each year of the period FY2024-25 to FY2028-29."

65. From the above, it is abundantly clear that the Hon'ble Commission has determined the normative O&M Expenses with due regard to the Tariff Regulations. The Petitioner's claim seeking variation in O&M Expenses is do not pass the test of Regulation 81. The petitioner has failed to demonstrate as to how the variation is admissible beyond the normative level of expense. The variation sought by the Petitioner is based on variation in routine expenditure items and are not extraordinary items warranting intervention of the Hon'ble Commission.

66. It is worth noting that the Hon'ble Commission in the past orders has approved the O&M Expenses on normative basis at the time of True up. In view of the set precedence for O&M Expenses admission, the Hon'ble Commission is sincerely submitted to approve the O&M Expenses for the True up of FY 2024-25 on normative basis.

67. Based on the above, it is humbly submitted that the Employee and A&G Expenses be approved same as approved in the MYT Order. In so far as the R&M Expenses are concerned, the same is linked to Opening GFA balances which have undergone a change pursuant to True up of FY 2023-24. Accordingly, based on admissible GFA as discussed in the preceding sections, the allowable R&M Expenses are shown as under:

Table 13: Summary of admissible R&M Expenses for the FY 2024-25 and FY 2026-27

(All figures in Rs. Crores)

Particulars	TGSPDCL	TGNPDCL
-------------	---------	---------

	FY 2024-25	FY 2026-27	FY 2024-25	FY 2026-27
GFA (opening)	22,171.49	25,813.77	10,139.40	11,911.71
K-factor	0.90%	0.90%	0.90%	0.90%
WPI	4.93%	4.93%	4.93%	4.93%
R&M Expenses	209.38	243.78	95.75	112.49

68. Based on the above assessments of each item of the O&M Expenses, the allowable O&M Expenses as per the Objector's assessment is as under:

Table 14: Summary of O&M Expenses admissible as per Objector's assessment for the FY 2024-25 and FY 2026-27

(All figures in Rs. Crores)

Particulars	TGSPDCL		TGNPDCL	
	FY 2024-25	FY 2026-27	FY 2024-25	FY 2026-27
Employee Expenses	3,162.37	3,539.21	2,360.89	2,642.23
R&M Expenses	209.38	243.78	95.75	112.49
A&G Expenses	217.64	239.64	135.41	149.10
Total	3,589.39	4,022.63	2,592.05	2,903.82

10 Non-tariff Income and Income from OA Charges

69. TGSPDCL has claimed non-tariff income (NTI) to the tune of Rs. 570 Crore and Rs. 532 Crore for the FY 2024-25 and FY 2026-27 respectively. Likewise, TGNPDCL has claimed NTI to the tune of Rs. 175 Crore and Rs. 183 Crore for the FY 2024-25 and FY 2026-27 respectively.

70. The Objector humbly submits that the NTI submitted by the Distribution Licensees is understated. Regulation 82 of the Tariff Regulations 2023 provides for the consideration of items that qualify under NTI, relevant extracts of which are reproduced below:

"82 Non-Tariff Income

82.1.....

82.2 The Non-Tariff Income shall include:

- a) Income from rent of land or buildings;
- b) Net income from sale of de-capitalised assets;
- c) Income from sale of scrap;
- d) Income from statutory investments;
- e) Interest income on advances to suppliers/contractors;
- f) Income from rental from staff quarters;

- g) Income from rental from contractors;*
- h) Income from hire charges from contactors and others;*
- i) Income from consumer charges levied in accordance with Schedule of Charges approved by the Commission;*
- j) Supervision charges for capital works;*
- k) Income from advertisements;*
- l) Income from sale of tender documents;*
- m) Any other Non-Tariff Income."*

71. The Objector submits that the Petitioner has not comprehensively considered all items qualifying as Non-Tariff Income (NTI) under the Tariff Regulations while formulating its claim. It is further observed that the Petitioner has included amortisation of assets funded through Consumer Contribution and Grants, which is impermissible for NTI computation. Upon excluding the same, the NTI for TGSPDCL works out to Rs. 142 Crore, over which the Petitioner has applied an annual escalation of 2% twice to arrive at the projected NTI for FY 2026-27.

72. It is also pertinent to note that certain income heads such as Sale of Scrap and SDs & BGs forfeited are shown as negative for FY 2024-25, which the Objector strongly objects to. A negative value under an income head effectively represents an expense and cannot be treated as income without detailed justification. The Petitioner has neither substantiated the basis for such negative entries nor demonstrated that they are normal, recurring in nature. Despite this, the Petitioner has proceeded to project these negative values for future years, which is untenable, as such items are typically exceptional and non-recurring. Accordingly, the Petitioner's approach of projecting negative income heads lacks prudence and ought to be disregarded by the Hon'ble Commission.

73. The perusal of the Annual Audited Accounts for the FY 2024-25 indicates that the TGSPDCL has booked Other Income of Rs. 435 Crore (excl. Amortization of CC&G). The relevant extract of the Audited Accounts (FY 2024-25) is reproduced hereunder:

22 -OTHER INCOME		
Particulars	2024-25	2023-24
	Rs. In Crore	Rs. In Crore
Interest Income		
Bank	8.77	15.08
Staff	1.38	1.10
Others : Interest on ED	4.98	9.91
Rent from Company's Property Plant and Equipment	0.68	0.70
Sale of Scrap	11.76	1.09
Penalties from Suppliers	10.61	8.30
Other Income	397.40	331.18
Total	435.58	367.36
a. As per the Company's Policy, interest on loans given to employees is recovered after repayment of the principal loan amount.		
b. Interest on ED : Electricity Duty is being raised on sale of electricity to consumer at six paise per unit and paid to the State Government as and when the liability is arising, irrespective of receipt from consumer. Further, Interest on Electricity Duty is levied on the consumers when they fail to pay the bills within due date as per the Clause 4.4 of the APERC Electricity Supply Code Regulation No. 5 of 2004 adopted by TGERC vide Regulation No. 1 of 2014. Hence the Interest on Electricity Duty collected from the consumers due to late payment of bills is being treated as Other Income to the DISCOM.		
c. Other Income includes prior period CC Charges of Rs.251.86 Crore, Incidental charges of Rs. 98.96 Crore, Storage and Handling Charges of Rs.8.40 Crores, Contingencies of Rs.8.31 Crore and Income from Short term Investment is		

74. The Objector submits that the Other Income of Rs. 397 Crore claimed by the Petitioner must be supported with a detailed break-up and proper justification as to why such income should not be treated as Non-Tariff Income (NTI) in terms of the Tariff Regulations. The note furnished indicates that this income includes items such as prior period CC charges, storage and handling charges, among others, which prima facie fall within the scope of NTI. It is incumbent upon the Licensee to place on record clear reasons and documentary evidence to justify any exclusion. In the absence of such justification, the entire Other Income as reflected in the Audited Accounts for FY 2024-25 ought to be considered for NTI purposes.

75. Likewise, in the case of TGNPDCL, the Audited Accounts disclose miscellaneous receipts, the detailed break-up of which has not been furnished by the Petitioner. In the absence of adequate information on record, the NTI must be admitted by considering the entire amount of Other Income / Miscellaneous Receipts in full. Accordingly, the admissible NTI, as assessed by the Objector for FY 2024-25, is set out below:

Table 15: Summary of NTI admissible as per Objector's assessment for the FY 2024-25

(All figures in Rs. Crores)

Particulars	TGSPDCL	TGNPDCL
Interest Income		

Bank	8.77	5.97
Staff	1.38	-
Others	4.98	-
Rent from Company's PPE	0.68	-
Sale of Scrap	11.76	-
Penalties from suppliers	10.61	-
Other Income	397.40	26.86
Late payment surcharge	-	96.45
Deferred revenue income	-	154.56
Total	435.58	283.84

Income from OA charges

76. Revenue from OA Charges amounting to Rs. 16.70 Crore has been claimed by the TGSPDCL for the FY 2024-25.

77. The perusal of Audited Accounts indicates that the Revenue from *Other – Wheeling, Unscheduled Interchange, Capacitor surcharge, etc.* is Rs. 28.53 Crore as shown hereunder:

21 - REVENUE FROM OPERATIONS

Particulars	2024-25	2023-24
(a) Sale of energy		
LT Supply	12,030.19	11,204.40
HT Supply	21,370.91	19,608.47
Interstate Sales	309.07	518.72
Fuel Surcharge Adjustment	1.75	1.84
Tariff Subsidy	4,015.21	1,349.52
Additional Power Subsidy	246.93	-
Revenue grant under UDAY Scheme	2,454.77	4,073.00
Customer Charges	958.13	912.41
Theft of Power	39.45	45.96
Delayed Payment Surcharge - Income	2,875.66	2,428.95
R & C Penalties	0.06	0.03
(b) Other Operating Revenues		
Amortization of Consumer Contribution, Subsidies & Grants towards Property Plant and Equipment	428.53	378.52
Others - Wheeling, Unscheduled Interchange, Capacitor Surcharge etc..	28.53	35.75
Less: Electricity Duty	(241.31)	(225.67)
Total	44,517.88	40,331.90

78. The Objector apprehends that the OA charges are booked under this head the detailed breakup/ recompilation of which is required to assess the actual income from

OA charges. The Hon'ble Commission may kindly approve the same subject to prudence check.

11 Interest on Working Capital

79. TGSPDCL has claimed Interest on Working Capital (IoWC) to the tune of Rs. 126 Crore and Rs. 150 Crore for the FY 2024-25 and FY 2026-27 respectively. Likewise, TGNPDCL has claimed NTI to the tune of Rs. 82 Crore and Rs. 100 Crore for the FY 2024-25 and FY 2026-27 respectively.

80. The Petitioner's claim of Rate of Interest of IoWC of 10.50% for the FY 2024-25 is incorrect. As per the proviso to the Regulation 33.6 of the Tariff Regulations, Rate of Interest on Working Capital must be considered equal to the weighted average Base Rate (1 year SBI MCLR) prevailing during the concerned Year plus 150 basis points. Accordingly, the Objector has assessed the Rate for the True up of FY 2024-25 as 10.38% as shown herein below:

Table 16: Month-wise 1 Y SBI MCLR and computation of Weighted Average Rate of IoWC as per Objector

Sl. No.	From Date	To Date	No. of Days	Base Rate
1	4/1/2024	4/14/2024	13	8.65%
2	4/15/2024	5/14/2024	30	8.65%
3	5/15/2024	6/14/2024	31	8.65%
4	6/14/2024	7/14/2024	31	8.75%
5	7/15/2024	8/14/2024	31	8.85%
6	8/15/2024	9/14/2024	31	8.95%
7	9/15/2024	10/14/2024	30	8.95%
8	10/15/2024	11/14/2024	31	8.95%
9	11/15/2024	12/14/2024	30	9.00%
10	12/15/2024	1/14/2025	31	9.00%
11	1/15/2025	2/14/2025	31	9.00%
12	2/15/2025	3/14/2025	28	9.00%
13	3/15/2025	3/31/2025	17	9.00%
Weighted Average Rate (WAR)				8.88%
Rate of IoWC (WAR + 150 b.p.)				10.38%

81. Based on the disallowances on other items of the ARR and Rate of IoWC as above (FY 2024-25), the allowable Interest on Working Capital as per the Objector's assessment works out as follows:

Table 17: Summary of admissible IoWC for the FY 2024-25 and FY 2026-27

(All figures in Rs. Crores unless stated explicitly)

Particulars	TGSPDCL		TGNPDCL	
	FY 2024-25	FY 2026-27	FY 2024-25	FY 2026-27
O&M expenses	299.12	335.22	216.00	241.99
Maintenance spares	221.71	258.14	101.39	119.12
Receivables	495.60	562.71	356.39	411.69
Less:			-	-
Total Working Capital requirement	1,016.43	1,156.06	673.79	772.79
Interest rate	10.38%	10.25%	10.38%	10.25%
Interest on working capital	105.51	118.50	69.94	79.21

12 Wheeling charges

82. Based on the discussions in the aforesaid sections, it is clear that the allowable ARR as per the Objector's assessment is Rs. 3,894 Crore and Rs. 3,081 Crore which is for TGSPDCL and TGNPDCL respectively for the FY 2026-27.

83. As per Tariff Order for FY 2025-26, the recoverable ARR for the FY 2026-27 is Rs. 5474 Crore and Rs. 3160 Crore for TGSPDCL and TGNPDCL respectively which is significantly higher than the recoverable ARR as per the Objector's assessment. Consequently, the Objector humbly submits that there is no scope for revision in Wheeling charges and rather there is an ample scope for reduction in wheeling charges.

For SOUTH INDIAN CEMENT
MANUFACTURERS' ASSOCIATION



Authorised Signatory

I. Gopinath

Chief Executive Officer
(OBJECTOR)

Date: 20th January 2026

Place: Hyderabad