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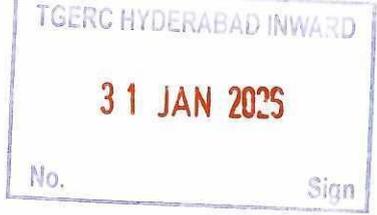
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BEFORE THE HON'BLE TELANGANA ELECTRICITY REGULATORY
COMMISSION, HYDERABAD

In the matter of:

Power Purchase Cost (PPC) True-up Petition for FY 2022-23 filed by Northern
Power Distribution Company of Telangana Limited (TGNPDCL)

OBJECTIONS TO PPC TRUE-UP PETITION (FY 2022-23) [O.P.No.56 of 2025 &
I.A.No.33 of 2025]

Filed under Sections 62, 64, 86(1)(a) of the Electricity Act, 2003

1. INTRODUCTION AND LOCUS STANDI

The present objections are filed in public interest seeking strict application of prudence check, least-cost procurement and consumer protection principles as consistently laid down by the Hon'ble Supreme Court, Hon'ble APTEL and this Hon'ble Commission.

2. TRUE-UP IS NOT AN AUTOMATIC PASS-THROUGH – SETTLED LAW

TGNPDCL has claimed a net Power Purchase Cost (PPC) true-up of ₹2,779 Crore for FY 2022-23. It is respectfully submitted that true-up is not a matter of right and cannot be allowed mechanically. Such a large true-up itself reflects serious deficiencies in demand forecasting, power procurement planning and cost control.

True-up is intended only for uncontrollable and unforeseen variations, not for routine inefficiencies, avoidable deviations or planning failures. The Licensee has failed to demonstrate that the excess costs claimed were unavoidable.

Hon'ble APTEL in NDPL vs DERC (Appeal No. 39 of 2006) and Tata Power Co. Ltd. vs MERC (Appeal No. 173 of 2009) has categorically held that only uncontrollable and prudent costs are eligible for true-up whereas inefficiencies and imprudent expenditure cannot be compensated through true-up.

3. FAILURE OF PRUDENCE CHECK UNDER SECTION 62 OF THE ELECTRICITY ACT, 2003

The Hon'ble Supreme Court in UP Power Corporation Ltd. vs NTPC (2011) 12 SCC 400 has mandated that Regulatory Commissions must ensure least-cost procurement and protect consumer interest by excluding avoidable and imprudent costs.

TGNPDCL has failed to establish that power procurement during FY 2022-23 was carried out on a least-cost basis or that adequate mitigation measures were undertaken to control costs.

4. EXCESSIVE SHORT-TERM POWER PROCUREMENT – IMPRUDENT AND DISALLOWABLE

The Petition admits that TGNPDCL procured 2,140 MU of short-term/market power as against an approved quantum of 640 MU, resulting in an excess of about 1,500 MU resulted in additional burden of about ₹1,187 Cr, which forms the major portion of the claimed true-up..

The Objector submits that:

Short-term market power is the costliest source and must be used only as a last resort.

Excessive dependence on market purchases indicates failure in long-term power planning and demand forecasting.

The Licensee has not demonstrated that all cheaper long-term, tied-up and allocated sources were fully exhausted prior to resorting to market purchases.

Hon'ble APTEL in PSPCL vs PSERC (Appeal No. 23 of 2014) and in BESCO vs KERC (Appeal No. 197 of 2010) has held that avoidable short-term power procurement arising out of planning failure is imprudent and cannot be passed on to consumers.

5. VARIABLE COST ESCALATION – COMMERCIAL RISK

TGNPDCL has attributed the increase in PPC to escalation in variable cost on account of coal price increase, freight, royalty, green cess and forex variation.

It is submitted that:

Fuel price and forex risks are known commercial risks inherent in thermal power procurement.

The Licensee has not placed any evidence of fuel optimization, coal blending, alternate sourcing or cost-minimization efforts.

Automatic pass-through of such escalation defeats tariff certainty and consumer protection.

In this regard it is to submit that

Hon'ble APTEL – Adani Power Ltd. vs CERC (2019) held that fuel price risk is a commercial risk and not automatically pass-through.

Hon'ble MERC Tariff Orders (multiple years) held that the Utilities must demonstrate mitigation measures before seeking pass-through.

Hence, fuel price escalation is not an automatic pass-through and must be subjected to strict prudence scrutiny.

6. VIOLATION OF MERIT ORDER AND SUB-OPTIMAL DISPATCH

The Petition itself admits:

Substantial hydel generation during FY 2022-23;

Reduced dispatch from cheaper allocated sources; and

Increased reliance on costly market power.

Despite availability of cheaper hydel power, TGNPDCL resorted to costly short-term purchases without adequate justification. This constitutes violation of merit order principles.

Hon'ble APTEL in GRIDCO vs OERC (Appeal No. 68 of 2012) held that failure to follow merit order dispatch disentitles the utility from recovery of excess cost.

Despite cheaper hydel availability, TGNPDCL procured costly power, violating merit order principles.

7. 24×7 AGRICULTURAL SUPPLY – STATE POLICY COST

TGNPDCL has cited 24×7 agricultural supply as a major contributing factor for increased PPC.

It is respectfully submitted that:

24×7 free or subsidized agricultural supply is a State Government policy decision.

The financial burden of such policy must be fully compensated by the State Government through explicit budgetary support.

Such costs cannot be passed on to consumers through tariff or true-up.

This principle has been upheld by the Hon'ble Supreme Court in SLS Power Ltd. vs State of AP (2014) 8 SCC 470 and by Hon'ble APTEL in APSPDCL vs APERC (Appeal No. 20 of 2011) that the policy-driven subsidies must be compensated by the Government, not consumers and Regulatory tariffs cannot absorb policy subsidies.

Hence, agricultural supply costs should be disallowed from true-up recovery.

8. CONDONATION OF DELAY – REGULATORY DISCIPLINE REQUIRED

The Petition has been filed with a delay, citing routine administrative reasons.

The Objector submits that regulatory timelines are statutory in nature and routine administrative reasons cannot be a valid ground for condonation, as held by Hon'ble APTEL in Jaipur Discom vs RERC (Appeal No. 266 of 2016). Any condonation, if granted, must attract regulatory consequences.

9. COMMISSION CANNOT ACT AS A CONDUIT TO GOVERNMENT

The prayer seeking direction to the Hon'ble Commission to address the State Government for funding is legally untenable. The Commission is an independent statutory authority and cannot be used as a conduit between the Licensee and the Government.

10. TELANGANA-SPECIFIC REGULATORY PRECEDENTS (TGERC / APERC)

The Hon'ble Telangana Electricity Regulatory Commission and the erstwhile APERC have, on multiple occasions, laid down binding principles relevant to the present Petition:

APERC Tariff Order FY 2017-18 (APSPDCL & APCPDCL):

The Commission categorically held that excess power purchase due to inaccurate demand projection and avoidable short-term procurement shall not be allowed as pass-through and shall be borne by the utility.

APERC True-up Order for FY 2013-14:

The Commission disallowed a portion of power purchase cost attributable to deviation from merit order dispatch and failure to optimize internal generation sources.

TGERC Retail Supply Tariff Order FY 2020-21:

The Hon'ble Commission reiterated that policy-driven agricultural subsidies and supply obligations must be compensated by the State Government and shall not be loaded on retail consumers through tariff or true-up.

TGERC Order in O.P. No.4 of 2018:

The Commission emphasized that true-up is not intended to neutralize inefficiencies and that utilities must demonstrate prudence, necessity and least-cost procurement for every major deviation.

These binding regulatory precedents squarely apply to the present PPC True-up Petition and mandate disallowance of imprudent and policy-driven costs.

11. CONSUMER INTEREST – PARAMOUNT CONSIDERATION

Section 61(d) of the Electricity Act mandates safeguarding consumer interest. Allowing full true-up will:

Cause tariff shock

Inflate regulatory assets

Penalize consumers for utility inefficiency

PRAYER

In view of the foregoing submissions, the Objector respectfully prays that the Hon'ble Commission may be pleased to:

Reject or substantially reduce the PPC true-up claim of ₹2,779 Cr for FY 2022-23.

Disallow imprudent short-term power procurement costs.

Exclude agricultural policy-driven costs from consumer recovery.

Apply strict prudence check as mandated under Section 62 of the Electricity Act, 2003.

Issue directions to TGNPDCL for robust long-term power procurement planning.

Pass such other order(s) as deemed fit in the interest of justice and consumers.

Filed by:


(T Harish Rao, Mla)

Place:Hyderabad

Date:31.01.2026