Date: 30.1.2026

To,
The Secretary
Telangana Electricity Regulatory Commission (TGERC),
GTS Colony, Kalyan Nagar,
Hyderabad – 500 045

Subject: Objections and Suggestions on CESS Limited ARR Filing for FY 2026-27 – Prayer for Consolidation with TGNPDCL

Respected Sir,

I, R V Subba Rao, R/o Hyderabad, respectfully submit the following objections and suggestions on the Aggregate Revenue Requirement (ARR) and Expected Revenue from Charges (ERC) filing of CESS Limited for FY 2026-27, placed before the Hon'ble Commission pursuant to the public notice.

1. CESS Limited has demonstrated persistent and increasing dependence on Government subsidy, with a widening revenue gap, and is therefore not financially sustainable as a standalone distribution licensee under the framework of the Electricity Act, 2003 and the applicable MYT/ARR Regulations of the Hon'ble Commission.
2. Operational performance indicators, including O&M cost trends, capitalization levels, AT&C losses and absence of technology investments (smart metering, SCADA, GIS, digital systems), reveal systemic inefficiencies and a lack of modernization consistent with the standards imposed on other DISCOMs in Telangana.
3. Governance and management capacity at CESS are inadequate for planning and implementing complex sectoral reforms, particularly demand side management (DSM), smart metering roll-outs and technology-driven loss reduction measures. Most staff remain oriented to conventional, manual operations with negligible exposure to structured capacity-building and modern distribution practices.
4. No financial institutions are coming forward to sanction new loans to CESS in view of its weak financial position, which effectively blocks access to capital for network strengthening, system improvements and technology upgradation, thereby locking in current inefficiencies.
5. In contrast, TGNPDCL already operates at scale with established systems for DSM, smart metering, SCADA, GIS, and consumer-centric service delivery, and is better placed to ensure reliable supply, efficient subsidy management (particularly for agriculture), and compliance with the Hon'ble Commission's directives.

In view of the above, I humbly pray that the Hon'ble Commission may be pleased to:

1. Take my objections and suggestions on record in the present ARR/ERC proceedings of CESS Limited for FY 2026-27.
2. Examine the financial, operational, governance and technology constraints highlighted herein (and elaborated in the enclosed Brief) while determining the ARR and tariff for CESS.
3. Consider directing the Government of Telangana to initiate consolidation/merger of CESS Limited with TGNPDCL within a defined transition period, so as to protect consumer interests, reduce the burden on the State exchequer, and ensure compliance with the regulatory framework.
4. Pass such other orders as the Hon'ble Commission may deem fit and proper in the interests of consumers and the power sector of Telangana.

I am enclosing herewith a detailed Objection/Suggestions on the CESS ARR Filings setting out the analysis, data tables and specific prayers in support of the above objections. I undertake to participate in the public hearing and assist the Hon'ble Commission with any further information or clarifications required.

Thanking you,

Yours sincerely,

RAMISETTY VENKATA SUBBA RAO

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Encl: Simplified Executive Brief on CESS Limited Consolidation with TGNPDCL – Objection Note on ARR FY 2026-27

Objections/Suggestions on the CESS FY 2026-27 ARR Filing

1. CORE OBJECTION: UNSUSTAINABLE FINANCIAL MODEL

CESS is financially non-viable without government subsidy and cannot operate independently.

Financial Year	ARR (Rs. Cr)	Revenue (Rs. Cr)	Gap (Rs. Cr)	Subsidy %
2024-25 (Actual)	539.94	217.83	322.11	59.6%
2025-26 (Est)	670.57	227.13	443.44	66.2%
2026-27 (Proj)	701.34	229.71	464.28	66.9%

Trend: Revenue gap increased **44% in 2 years**. Annual subsidy now Rs. 471.63 Crore—unviable for a 56-year-old cooperative utility serving only 291,862 consumers.

Regulatory Test Failed: TGERC Regulation 2 of 2023 requires financial sustainability. CESS fails.

Further, the utility is unable to mobilize new debt, as financial institutions are not willing to sanction loans to CESS in its present risk profile, closing off the only realistic route for capital investment and modernization.

2. OPERATIONAL EFFICIENCY GAPS

O&M Cost Escalation Without Gains

- **Employee costs:** +25% increase (Rs. 40.14 → Rs. 50.18 Cr) without productivity justification
- **R&M costs:** +230% spike (Rs. 3.03 → Rs. 10.01 Cr) indicating deferred maintenance backlog
- **Total O&M growth:** +32.9% over 2 years vs. TGNPDCL/TGSPDCL per-MU cost (CESS: Rs. 5.52/MU vs. peers: Rs. 3.5-4.0/MU)

Capital Starvation & Execution Failure

- Capitalization rate: Only 52.6% of capex capitalized; Rs. 84.12 Cr work-in-progress (WIP) accumulation—122% increase in 2 years, poor progress or misuse of capital materials.
- Technology investment: ZERO allocation for SCADA, smart metering, digital billing, GIS mapping
- Debt decline: REC loan declining (Rs. 21.24 → Rs. 16.48 Cr) with no new mobilization, reflecting the unwillingness of lenders to extend further credit to CESS

In addition, no financial institutions are presently coming forward to sanction term loans or project finance to CESS, given its weak balance sheet and persistent dependence on subsidy, leaving the utility with practically no access to fresh capital for network strengthening, system improvement or technology upgradation.

Revenue Leakage & Collection Gaps

- No separation of billing vs. collection data—unknown how much revenue is realized
- Agriculture: 70.9% of sales (824.20 MU), 70% unmetered; subsidy per farmer: Rs. 55.46/month

3. GOVERNANCE & MANAGEMENT DEFICIENCY

Metric	CESS (2026-27)	Standard	Gap
Board remuneration	Rs. 0.02 Cr	Rs. 0.5-1.0 Cr	Inadequate for full-time oversight
Training budget	Rs. 0.00 Cr	Rs. 0.5-1.0 Cr (10% of salary)	No capacity building
Audit charges	Rs. 0.25 Cr	Rs. 0.5-1.0 Cr	Limited scope
KPI reporting	None	Mandatory quarterly	Non-transparent
Consumer grievance redressal	Not disclosed	<15 days (TGERC standard)	Likely 60-90 days

Beyond low board engagement and negligible training budgets, it is evident that the present CESS management does not possess the institutional capacity to plan, execute and monitor complex system-wide reforms such as DSM programmes, smart metering roll-outs, SCADA integration and

GIS-based asset management. The majority of existing staff have been oriented to conventional, manual processes and have not been exposed to structured capacity-building on modern distribution technologies, regulatory reporting, or data-driven operations. This makes sustained implementation of advanced regulatory directives practically infeasible under the current standalone CESS framework.

Outcome: Weak board, no professional development, minimal internal controls, non-transparent operations, limited staff capacity for technology implementation.

4. CONSOLIDATION SOLUTION: MERGER WITH TGNPDCL

Strategic Rationale

A. Immediate Consumer Benefit

- Access to SCADA-integrated real-time fault detection (8-12 hour outage restoration vs. current 48+ hours)
- Smart metering deployment (291,862 LT meters within 3 years)
- Digital billing and 24/7 online payment portal
- Consumer grievance portal with <15-day TGERC-compliant redressal

B. Financial Relief to State Exchequer

Benefit Category	Annual	5-Year
Subsidy reduction	Rs. 40-50 Cr	Rs. 200-250 Cr
O&M consolidation	Rs. 15-20 Cr	Rs. 75-100 Cr
AT&C loss recovery	Rs. 15-20 Cr	Rs. 75-100 Cr
Debt interest savings	Rs. 0.3-0.4 Cr	Rs. 1.5-2.0 Cr
NET ANNUAL BENEFIT	Rs. 70-90 Cr	Rs. 301-387 Cr
Less: One-time VRS cost	—	Rs. (10-15) Cr
Less: Smart metering capex	—	Rs. (40-50) Cr

Net 5-year fiscal gain to GoTS: Rs. 251-332 Crore.

C. AT&C Loss Improvement Path

- Current: 7.14% (above national average of 5.5%)
- Smart metering + SCADA optimization → 5.5-6% within 3-5 years
- Revenue upside: Rs. 15-20 Cr annually from 1-2% loss reduction

D. Agriculture Subsidy Rationalization

- CESS agriculture subsidy: Rs. 5.59 Cr annually (currently unsustainable)
- Merge into TGNPDCL's unified framework (7+ lakh agriculture consumers)
- Implement feeder-wise smart metering for energy-based billing (vs. current capacity-based)
- Stabilized agriculture subsidy: Rs. 3-4 Cr annually (vs. escalating trajectory)

E. Capacity & Technology Integration

Consolidation with TGNPDCL is therefore not only about assets and tariffs, but also about importing managerial, technical and DSM implementation capacity that CESS currently does not have, particularly for latest technologies such as smart meters, SCADA, GIS, automated billing and structured DSM schemes. TGNPDCL's existing teams, systems and experience at scale will enable CESS to transition from conventional operations to modern, technology-enabled distribution.

5. DSM (DEMAND SIDE MANAGEMENT) IMPLEMENTATION FRAMEWORK

Critical Gap in CESS: Zero DSM Activity & Capacity Constraints

CESS has not proposed any DSM measures. By contrast, TGNPDCL (per RST Order FY 2025-26 Directive 13) has initiated a structured DSM programme.

The absence of any DSM proposals from CESS is not just a policy omission; it reflects deep capacity constraints within the organization. Most front-line and mid-level staff lack sufficient exposure to demand-side analytics, consumer-centric programme design, or integration of DSM with metering, billing and SCADA systems. In such an environment, even if DSM schemes are approved on paper, CESS is unlikely to implement, monitor and report them effectively. This institutional limitation reinforces the case for consolidation into a utility with proven DSM execution capability.

TGNPDCL DSM Baseline (FY 2025-26)

1. **EESL MoU (July 2024):**
    a. Super-efficient air conditioners, IE3 motors, BLDC fans distribution
    b. Technology platform investment funded by EESL (not DISCOM capex burden)
2. **Capacitor Bank Deployment:**
    a. 1,610 Nos. 21-MVAr capacitor banks installed (reactive power compensation)

   b. 573 Nos. 600-kVAr capacitor banks on high-load 11kV feeders
   c. Reduces line losses and improves load efficiency
3. **Agriculture Peak Load Management:**
   a. Special drive for fixing 23-kVAr capacitors at AGL pump sets
   b. Awareness programs to encourage daytime consumption (vs. peak hours 6-10 PM)
   c. Removal of automatic starters to enable consumer-controlled timing
4. **Consumer Awareness & Load Shifting:**
   a. Pole-level (Polam Bata) village outreach programs
   b. Campaigns promoting ToD tariff adoption (off-peak @ Rs. 1.50/unit cheaper)
   c. Safety awareness + equipment optimization messaging

Post-Consolidation DSM Implementation for CESS

Year	DSM Initiative	Expected Impact	Status
Year 1 (2026-27)	Deploy 500 Nos. 23-kVAr capacitors on AGL feeders	Peak load reduction: 5-8%	Integrated into TGNPDCL program
	Awareness drives in 84,709 farmer groups	Shift 10% agriculture load to daytime	Joint TGNPDCL-CESS teams
	Meter reader training on DSM (energy audits)	Consumer consumption guidance	50 staff certified
Year 2 (2027-28)	Smart meter deployment Phase 1: 50,000 units	Real-time consumption data → behavioral change	TGNPDCL SCADA integration
	ToD tariff rollout for commercial/industrial	Load curve flattening (peak shaving 3-5%)	800+ HT/LT-II consumers
	EESL appliance distribution launch	10,000 efficient ACs, 5,000 IE3 motors	Revenue-neutral (utility loss offset by tech gain)
Year 3 (2028-29)	Smart meter Phase 2: 100% LT coverage (123,000 units)	100% metered agriculture (vs. current 30%)	Eliminates assessment billing

Year	DSM Initiative	Expected Impact	Status
	Feeder-wise consumption analytics	Identify high-loss zones; targeted interventions	GIS-SCADA data fusion
	Peak reduction target: 10-12%	Lower power purchase cost @ Rs. 6-7/kWh vs. peak @ Rs. 9-10/kWh	~Rs. 12-15 Cr savings

DSM Impact on CESS Financial Sustainability

- Peak load reduction (10-12%): Reduces peak-hour power purchase by ~125 MU annually @ Rs. 5-6/kWh = Rs. 7.5-9 Cr annual savings
- AT&C loss reduction (7.14% → 6%): Revenue recovery Rs. 15-20 Cr
- O&M efficiency: Integrated TGNPDCL platform → Rs. 15-20 Cr consolidation savings
- Total annual DSM-driven improvement: Rs. 38-49 Cr (offsets 70%+ of current subsidy increase trajectory)

6. IMPLEMENTATION ROADMAP (18-Month Timeline)

Phase	**Duration**	**Key Actions**
Regulatory Approval	3-6 months	TGERC consolidation order; GoTS G.O.; asset transfer; subsidy continuity guarantee
Operational Integration	6-12 months	CESS office merged into TGNPDCL Karimnagar circle; 200-250 staff VRS (Rs. 10-15 Cr)
Technology Integration	3-4 months	SCADA network module; DSM capacitor banks; GIS database linkage
Consumer Migration	3-4 months	Billing system onboarding; account number transition; collection center consolidation
Performance Stabilization	18-36 months	Smart metering Phase 1 (50k units); AT&C loss improvement to 5.5-6%; grievance <15 days

7. TGERC RECOMMENDATIONS

A.Primary Request (Preferred)

1. REJECT CESS ARR filing for FY 2026-27 on grounds of unsustainable subsdy dependency, institutional capacity constraints, and technology deficiency.
2. DIRECT Government of Telangana to initiate CESS consolidation into TGNPDCL (18-month transition).
3. APPROVE interim ARR (FY 2026-27) at Rs. 685.49 Cr pending consolidation (Rs. 15.85 Cr cost control savings vs. claimed).
4. MANDATE DSM implementation aligned with TGNPDCL framework (capacitor banks, ToD, awareness).

B. Alternative (If Consolidation Delayed)

1. O&M Ceiling: Rs. 55 Cr (Rs. 9.17 Cr reduction from claimed Rs. 64.17 Cr).
2. Capex Discipline: 100% capitalization required; resolve Rs. 84.12 Cr WIP backlog before new projects.
3. Revenue Enhancement: Smart metering for 50,000 consumers; AT&C improvement to 6.5% by March 2027.
4. DSM Mandate: Implement 500 capacitor banks + farmer awareness programs (jointly with TGNPDCL).
5. Capacity Building: Mandatory training of 100+ staff on modern distribution systems, DSM execution, smart metering (TGNPDCL partnership).
6. Performance-Linked Subsidy: Cap at Rs. 450 Cr; penalty if targets missed (AT&C >6.5%, collection <95%).

8. STAKEHOLDER BENEFITS SUMMARY

Stakeholder	Benefit
CESS Consumers	No tariff hike (2 yrs); real-time outage info; smart billing; digital grievance portal; access to modern technology platforms
Government of Telangana	Rs. 40-50 Cr annual subsidy relief; Rs. 251-332 Cr net fiscal gain (5-year); freed funds for health/education
TGNPDCL	291,862 new consumers; 1,251.81 MU supply; Rs. 151.21 Cr net asset base; scale economies; capacity leverage
Telangana Grid	Improved stability; lower loss profile; renewable integration easier with unified DSM; better implementation of regulatory directives

9. CONCLUSION

CESS Limited is operationally and financially unviable in standalone form. The utility cannot sustain operations without perpetually **escalating government subsidies, cannot attract loan finance from financial institutions for capital projects, and lacks the institutional capacity** to implement modern distribution reforms mandated by TGERC.

CESS is managed by Chairman & Directors who retain full control over administrative decisions. Unfortunately, the management lacks the foresight and competence to improve Society's performance. As a result, consumer complaints are mounting regarding poor service standards, the misuse of materials, and allegations that money is being demanded for the release of services.

Consolidation with TGNPDCL is the optimal, cost-effective solution delivering:

- **Immediate benefit:** Consumer service quality improvement (SCADA, metering, digital billing)
- **Capacity import:** Access to TGNPDCL's managerial expertise, technical teams, and systems for modern distribution operations
- **Medium-term (3-5 years):** Rs. 301-387 Cr state fiscal relief through subsidy reduction + efficiency gains
- **Long-term:** Sustainable, DSM-enabled distribution platform with agriculture subsidy stabilization
- **At present, there is no robust, meter-based energy audit** in the CESS system; sales and losses are largely "assessed" on normative assumptions and not backed by feeder-wise or DT-wise measurements. In such a situation, the reported AT&C loss of 7.14% is likely to be a significant understatement, and the **actual technical plus commercial losses may exceed 20%** once proper metering and audits are in place. It is therefore requested that the Hon'ble Commission may order an independent, third-party loss and energy audit study for the CESS area, including feeder-level and DT-level measurements, so that the true loss levels and required corrective investments are transparently established.

DSM implementation (capacitor banks, smart metering, Replacement of Old DTs, ToD, awareness) is non-negotiable to achieve AT&C loss improvement (7.14% → 5.5-6%) and peak load reduction (10-12%), generating Rs. 38-49 Cr annual sustainability gains.

In summary, **the key risk is not merely financial;** it is that a small, capacity-constrained cooperative like CESS cannot realistically design, implement and sustain complex DSM measures or technology upgrades mandated under the present regulatory framework, whereas TGNPDCL already has teams, systems and experience to do so at scale.

If consolidation is not approved, **stringent cost control, technology implementation requirements, and performance-linked subsidy conditions must be imposed, along with mandatory capacity-building and DSM implementation parity** with TGNPDCL standards.