**ANNEXURE-IV**

**True-Up filings for FY 2024-25 and Annual Tariff Petition for FY 2026-27**

**Replies to submissions on Transmission Business O.P no.68 of 2025 by the Federation of Telangana Chambers of Commerce and Industry**

| **S.No.** | **Objections** | **Reply** |
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| 1 | **TRUE-UP for FY 2024–25** Transmission Loss TGTransco to provide detailed break-up of transmission loss as claimed in True-up of FY 2024-25 (i.e. 2.19%). TGTransco to also provide clarification/justification on how they have been able to reduce the actual transmission loss for FY 2024-25 by 0.11% with respect to FY 2023-24, whereas the approved transmission loss for the same period was reduced only by 0.02%. | The transmission losses depend on the distance of generation plants from loads. Solar plants, Lift Irrigation Loads & Agricultural pump sets inject reactive power into the system leading to higher transmission losses. So, Losses can decrease or even increase based on generation type (proximity to loads) and reactive power injection (solar plants & irrigation loads).  **However, TGTransco will always endeavor to bring down the transmission losses.** |
| 2 | System Availability TGTransco to provide proof for claiming transmission availability at 99.90% during FY 2024-25. TGTransco to substantiate its claims by providing reports of system outages and shutdown carried out in FY 2024-25. | The transmission system availability is calculated as per the procedure prescribed in Appendix-III (Procedure for Calculation of Transmission System Availability Factor) of the CERC (Terms and Conditions of Tariff) Regulations, 2019. Copies of the guidelines and the calculation sheet for system availability are enclosed herewith. The list of voltage wise system outages was submitted vide Tariff Filing Form-11 to the Annual Tariff Petition 2026-27 and are available on TGTRANSCO website. |
| 3 | Advance Against Depreciation Advance against depreciation could not be claimed against the Regulations at this stage. Hon’ble Commission undertook extensive stakeholder consultation before issuance of MYT Regulations, wherein TGTransco was also provided an opportunity to make its representation. Once the Regulations were notified, any modification to the same may not be entertained by the Hon’ble Commission. Therefore, TGTransco cannot claim any relaxation to the provisions of the Regulations at the time of filing True up. It must have preferred a higher forum challenging the Regulations itself. | 1. The Company was following the Depreciation rates as per the CERC regulations on straight line basis till the FY 2023-24. These regulations provides specified rates of depreciation up to first 12 years period ensuring the licensee to recover sufficient depreciation amount to meet the loan repayment obligation without any negative cashflow impact on the Company. Since, Majority of the loan repayment terms were 10-15 years only. 2. However, the Hon’ble TGERC has issued New Regulation No.2 of 2023, duly changing methodology of depreciation to uniform straight line method over the useful life of the asset. As such the depreciation amount of the Company has been reduced to 50% Approx. in Transmission business. Due to which the Company is facing shortage of funds to meet repayment obligations. (Details of such shortage has been provided in ATP filings at point no.ii(c )(11)). 3. Further to the above, it is to submit that if the Company would have followed CERC methodology of Depreciation the amount of Depreciation for the FY 2024-25 works to Rs.1,163.99 crores approx., 4. In this regard the Company has requested the Hon’ble Commission to provide Advance against Depreciation in the relevant year and to be adjusted in future where the actual loan repayment is less than the depreciation amount. |
| 4 | O&M Expenses The variation in O&M expenses have not been justified/claimed considering the normative expenses for FY 2024-25, in context of issue of controllable/ uncontrollable items. TGTransco has claimed the difference in O&M expenses with respect to actual expenses and not with respect to normative expenses, which is not as per the methodology specified in the MYT Regulations. | As per Clause 4(6)(e) of Regulation 2 of 2023 the Transmission Licensee has to file Annual petition consists of True up of the preceding year i.e., FY 2024-25 duly comparing the approved O&M expenses with the actual O&M expenses incurred by the Company as per the audited accounts.  Further, it is to submit that the Methodology provided at clause 71 of the regulation 2 of 2023 is applied while filing the tariff petition for the future years. |
| 5 | Employee Benefit Expenses The Audited Accounts for FY 2024-25 provides for employee benefit expenses of Rs. 1043.12 Cr., which also includes SLDC expenses. However, in the segmental accounts reported on Pg. 38 of Audited accounts, the total employee benefits expenses including SLDC expenses are shown as Rs. 1237.14 Cr. out of which Rs. 55.71 Cr. pertains to SLDC business. TGTransco has claimed Rs. 1005.50 Cr. as employee expenses for TGTransco, however there is no way to substantiate this claim due to such discrepancy observed in audited accounts of FY 2024-25. Hon’ble Commission is requested to seek additional information regarding the same. In case employee expenses for SLDC are to be considered as Rs 55.71 Cr., then as per the Audited statement, the employee expenses for TGTransco would be Rs. 987.41 Cr. (Rs. 1043.12 Cr. – Rs. 55.71 Cr.) and not Rs. 1005.50 Cr. as claimed in the Petition. | The details of actual Employee benefit expenses for the FY 2024-25 is as follows:   |  |  | | --- | --- | | Particulars | Amount (Rs. In Crores) | | Employee cost as per P&L Statement | 1043.12 | | Add: Employee cost Capitalized | 175.93 | | Add: Employee cost shown under OCI (Note No.12B(v) | 18.09 | | **Total** | **1237.14** | | Less: SLDC Employee Cost | 55.71 | | **Net TRANSCO Employee Cost** | **1181.43** | | Less: Employee Cost Capitalized | 175.93 | | **Net employee Cost Claimed under O&M expenses** | **1005.50** | |
| 6 | Capitalisation TGTransco is requested to provide reasons for lower capitalisation achieved in FY 2024-25 with respect to the approved capitalisation for FY 2024-25. | The 400KV works approved for FY 2024-25 are nil. The capitalization of Rs. 723.067 Crores against 400KV works in FY 2024-25 is due to spill over works from FY 2023-24.  The reasons for the lower capitalisation achieved in FY 2024–25 as compared to the approved capitalisation for FY 2024–25 for other capital works of TGTRANSCO:  1.Delay in forest clearances from the forest authorities.  2.Delay in Railway crossing appovals from Railway authorities.  3. Delay in land acquisition and ROW issues, Court cases  For LIS/PRLIS and other Deposit Contributory works, the actual expenditure varies as per the payments by deposits received from I&CAD department, Govt. of Telangana etc., Accordingly, capitalization claimed was lower than the approved capitalization for FY 2024-25. |
| 7 | Interest Expenses MYT Regulations provides for the Interest Expenses to be allowed on a normative basis. However, TGTransco has claimed Interest Expenses on actuals based on the Audited Accounts. The concept of True up is not meant to change the approach of admission of an expenses under the RTM principles. | As per Clause 4(6)(e) of Regulation 2 of 2023 the Transmission Licensee has to file Annual petition consists of True up of the preceding year i.e., FY 2024-25 duly comparing the approved Interest and finance Charges on loan with the actual Interest expenses incurred by the Company.  Further, it is to submit that the Methodology provided at clause 71 of the regulation 2 of 2023 is applied while filing the tariff petition for the future years. |
| 8 | Return on Equity TGTransco has claimed waiver for not reducing RoE due to delay in filing of MYT Petition. It is submitted that the rate of RoE once determined in MYT Order cannot be revised at the time of True-up. Therefore, the RoE may be allowed at the rate at which RoE was approved in MYT Order for FY 2024-25. | The Company has made a request to the Hon’ble Commission to consider the condonation of delay in filings for the 5th Multi Year Control period during the time of filing of Multi Year Tariff petition. As the delay has happened mainly due to the reason not in the control of the Company such as General election to the 18th Lok sabha etc.,  However, the Hon’ble Commission has levied a penalty by reducing the RoE by 3.5%. There by the company has incurred a loss of Rs.143.97 crores(Approx.,) as per 5Th MYT Order.  In view of the above, it was once again requested the Hon’ble Commission to allow condonation of delay and approve RoE at 14 % without penalty. |
| 9 | **ARR / TARIFF for FY 2026–27** Transmission Loss TGTransco has projected the loss of 2.46% for FY 2025-26 and 2.44% for FY 2026-27, which is a reduction of 0.2% every year with respect to the approved loss for FY 2024-25. TGTransco in its True-up has claimed a Transmission loss of 2.19% for FY 2024-25, which is significantly lower than the approved loss of FY 2024-25. Therefore, the transmission loss for FY 2025-26 and FY 2026-27 needs be projected considering the base as actual loss of FY 2024-25 (i.e. 2.19%) rather than the approved loss of FY 2024-25 (i.e. 2.48%). | Losses can decrease or even increase based on generation type (proximity to loads) and reactive power injection (solar plants & irrigation loads). Hence, approved loss has been taken as the base. |
| 10 | Capitalisation for FY 2026–27 TGTransco has claimed capitalisation for FY 2026-27 at Rs. 4949.18 Cr. as against the approved capitalisation of Rs. 1312.51 Cr. TGTransco has been over projecting the Capitalisation for future years consistently on annual basis. Even in True-up of FY 2024-25, the capitalisation claimed by TGTransco was much lower than the approved capitalisation for FY 2024-25. This depicts inaccurate planning of Capital works which ultimately burdens the retail consumers unduly. | The resource plan was filed in August-2023. The Commission has considered the capital investment plan as approved in the resource plan order dated 29-12-2023 for FY :2024-25 to FY: 2028-29. Thereafter, the transmission capital expansion plan has been revised to include other schemes apart from the schemes approved in resource plan for strengthening the existing network for providing quality and reliable supply to the consumers in view of the increase in load demand.  Also, for 400KV works, Rs.496 crores which is spill over from previous years (Rs.361 crores for 400KV YTPP-Jangaon line and Rs.135 crore towards projections for KTPP & YTPP schemes) is proposed to be capitalized in FY 2026-27. |
| 11 | Grossing up of RoE with MAT Rate Percentage of RoE may not be grossed up by MAT rate unless there is actual MAT paid by TGTransco. Therefore, RoE may be allowed only at the base rate of 14.00%. | The Clause 30.1 of Regulation 2 of 2023 specifically mention that the RoE shall be grossed up with effective income tax rate of the relevant year. Further, it also provided that in case the Company is paying tax under MAT, then the effective tax rate shall be considered as MAT rate including surcharge and cess.  In this regard, it is to submit that the Company has paid tax for the FY 2024-25 under MAT provisions for an amount of Rs.81.77 crores (Income tax return acknowledgement is enclosed). By considering the same, the Company has grossed up RoE in the ATP filings with MAT rate.  Accordingly, the Company has computed RoE for the FY 2026-27 as per clause 30.1 of Regulation 2 of 2023. |
| 12 | Non-Tariff Income TGTransco has claimed Non-Tariff Income of Rs. 455.19 Cr. in True-up of FY 2024-25, whereas in FY 2025-26 and FY 2026-27, it has claimed Rs. 328.48 Cr. and Rs. 325.27 Cr. respectively. Hon’ble Commission is requested to allow Non-Tariff Income for FY 2025-26 and FY 2026-27 keeping base of actual Non-Tariff Income as claimed in True-up for FY 2024-25. | The component wise details of the Non-Tariff income are shown under ATP form 8 of the filings.  With regard to the NTI the following is submitted:   1. The components of NTI are non-recurring in nature except amortization of Consumer contribution and Lift irrigation assets. 2. Company has changed the period of amortization of the Consumer Contribution and LIS assets from the FY 2025-26 to have uniformity with depreciation of the assets in line with useful life provided under Regulation 2 of 2023. 3. Accordingly, the amortization amount under NTI for the FY 2025-26 and FY 2026-27 was reduced. 4. Further, the other components of NTI for the FY 2025-26 and FY 2026-27 are duly verified and proposed in the ATP filings. |
| 13 | Adjustment of Surplus for FY 2024–25 TGTransco has claimed to adjust the surplus derived from True-up of FY 2024-25 in a period of two years i.e. FY 2026- 27 and FY 2027-28. Hon’ble Commission is requested that since TGTransco has already recovered higher tariff as compared to the tariff it was suppose to recover for FY 2024-25, the entire surplus amount needs to be adjusted in the ensuing year itself i.e. in FY 2026-27. | 1. The tariff rate for the FY 2025-26 has reduced drastically due to adjustment of True up amount for the 4th Multi Year Control period in the single financial year i.e., FY 2025-26. Therefore, it resulted in shortage of the funds to meet Company monthly commitments of the Company. 2. The Company is facing huge shortfall of funds to meet debt obligation due to change in the depreciation methodology as per Regulation 2 of 2023. 3. In view of the above, the Company has requested the Hon’ble Commission to consider the deferment of True down of the FY 2024-25. |

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