**ANNEXURE-II**

**Replies to Objections of Sri R. V. Subba Rao on True up Filings of Transmission Business for FY 2024-25**

| **SI.No** | **Objection of Sri R. V. Subba Rao** | **Reply of TGTRANSCO** |
| --- | --- | --- |
| 2.1 | Return on Equity (RoE) Licensee’s Claim: RoE of ₹541.41 Crores at 14% (post-tax). Objection: The Commission had earlier imposed a 3.5% reduction in RoE on account of delayed filing. The present claim ignores this regulatory penalty. Submission: Allowing the full 14% RoE would burden consumers with approximately ₹109 Crores and dilute regulatory discipline.  **RoE shall be restricted to 10.5% strictly as per Commission directions.** | 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. |
| 2.2 | O&M ExpensesLicensee’s Claim: Actual O&M expenses of ₹1,135.02 Crores against approved ₹1,299.52 Crores. Objection: O&M is a controllable expense. Savings must be shared with consumers as per regulatory principles. Submission: The Licensee shall demonstrate that savings are due to efficiency gains and not deferred maintenance.  **At least 60% of controllable savings shall be passed on to consumers.** | As per clause 14.1(b) of regulation 2 of 2023, one-third of the gain on account of controllable factors shall be retained by the licensee.  During FY 2024-25, the company has a gain of Rs. Rs. 164.50 Crs. towards O&M Expenses. In view of this, the company is eligible to retain one-third of the gain (i.e. Rs.54.83 Crs).  In view of the above, Hon’ble commission is requested to consider allowing the company to retain one-third of the gain of Rs. 54.83 Crs. towards O&M expenses and adjust the surplus while approving true-up for FY 2024-25. |
| 2.3 | Depreciation and Interest on LoanObservation: Significant under-utilization of approved capital expenditure is evident from:   * + - Depreciation shortfall of ₹275.75 Crores     - Interest shortfall of ₹196.82 Crores  Objection: These variances indicate failure to commission approved projects on time. Submission: Consumers shall not bear future tariff burdens arising from historical non-performance. | It is to submit that, the shortfall in depreciation for Rs. 275.75 Crs. is majorly due to   1. Change in useful life for arriving depreciation from FY 2024-25. 2. Delay in completion/capitalisation of certain major projects due Right-of-Way issues.   Further, the shortfall in interest and finance charges of Rs. 196.82 Crs. is majorly due to pre-closure of certain loans during the year.  As such, there is no underperformance of the company as stated by the Hon’ble stakeholder. |
| 2.4 | Aggregate Revenue Requirement (ARR) SurplusFinding: True-Up results in a surplus of ₹535.34 Crores. Submission: The surplus shall be mandatorily adjusted in FY 2026-27 tariffs to directly benefit consumers. | 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.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.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. |

**Replies to Objections of Sri R. V. Subba Rao on ATP filings for determination of Transmission Tariff for FY 2026-27**

| **SI.No** | Objection of Sri R. V. Subba Rao | **Reply of TGTRANSCO** |
| --- | --- | --- |
| 3.1 | Quantum of Proposed CapExLicensee’s Proposal: Capitalisation of ₹4,114.05 Crores in FY 2026-27. Objection: The proposal is nearly four times the actual capitalization achieved in FY 2024-25 and is not supported by historical execution capability. Submission: CapEx approval shall be restricted to realistic levels consistent with past performance, pending submission of credible execution evidence. | The approved capital expenditure in repsect of 400kV schemes is zero for FY 2026-27. However, Capital expenditure of Rs.935.64 crore towards spill over 400kV Transmission works and new 400kV Transmission Schemes approved by CEA in 2024-25 & 2025-26 proposed under System Strengthening as per the Transmission System requirement in line with growing Demand and System Improvement, are considered for FY 2026-27.  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.  The reasons for the lower capitalization achieved in FY 2024–25 are:  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. |
| 3.2 | Absence of Detailed Project Reports (DPRs)Objection: The CapEx proposal is presented in aggregated form without scheme-wise DPRs, timelines, or land acquisition status. Submission:  * + - DPRs for all schemes exceeding ₹50 Crores shall be submitted     - Implementation schedules with target CODs shall be furnished before approval | As submitted at the time of ATP filling, the Administrative Approval for the new Transmission Schemes are under process. Detailed Project Reports (DPRs) along with Implementation schedules with target CODs, Cost-benefit justifications are being submitted to the Hon'ble Commission for Investment approval. |
| 3.3 | Cost–Benefit JustificationObjection: Large investments in 220/132 kV and 400 kV systems are not supported by quantifiable consumer benefits. Submission: Scheme-wise Cost–Benefit Analysis shall be submitted indicating:   * + - Loss reduction (MUs)     - Voltage improvement     - Load relief (MW) |
| 4.1 | **Socialization of LIS Costs** Licensee’s Claim: **Rs. 779.74 Crores towards** LIS-related transmission works included in ARR. Objection: LIS assets are seasonal and under-utilized. Their costs are being recovered from general consumers, violating the “beneficiary pays” principle. Submission:  * + - LIS-specific assets shall be segregated     - Utilization factors shall be disclosed     - O&M and capital costs shall be recovered directly from the beneficiary department | 1.  TGTRANSCO has taken up the works of construction of Transmission Lines & Substations for extending power supply to Lift Irrigation pumping stations on request of I&CAD Department, Government of Telangana as deposit contribution works.   1. Capital expenditure proposed in ARR toward LIS works are as per the targets and requirement of power supply to the LI pumping stations as communicated by I&CADD. However, the actual expenditure may vary as per the payments/deposits received from I&CAD department, Government of Telangana from time to time. 2. The transmission network developed for LI projects (LI assets) are owned by TGTRANSCO upto metering arrangement and can be utilized by TGTRANSCO as per the system requirement as this networks is part of the TGTRANSCO Grid system. Hence, beside recovering the cost from I&CAD as per their utilization in running the LI pumps, O&M cost will be recovered from general consumers also.   4. The end beneficiary of LI projects are farmers, general public as the water lifted will be utilized for farming sector and for drinking water purpose.  5.The LIS Schemes are fully funded by Government of Telangana, hence TGTRANSCO does not claim any interest and finance charges, depreciation and return on equity on these assets in Aggregate Revenue Requirement of Transmission business.  6. However, as per clause 26.2(a), TGTRANSCO claims only operation and maintenance (O&M) expenses on Consumer Contribution/LIS assets.  7. With reference to the submission made, it is to inform that segregation of LIS assets will be taken up in due consultation with I&CAD. In respect of O&M cost, it is to submit that O&M of LI assets upto metering point is being taken up by TGTRANSCO which is owned by TGTRANSCO only. Hence, recovery of O&M cost from the consumer (i.e. I&CAD) doesn’t arise.  8. O&M of assets beyond metering arrangements (i.e. the assets pertaining to consumer) has to be taken up by consumer itself i.e. I&CAD. |