**ANNEXURE-III**

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

**Replies to submissions on SLDC Business Activity O.P. No.69 of 2025 by M.Venu Gopal Rao**

| **S.No.** | **Objections** | **Reply** |
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| 15 | SLDC has sought a true-up of Rs.7.59 crore for 2024-25 in view of increase in O&M expenses, especially an increase of Rs.6.34 crore towards employee expenses, and depreciation, after adjusting the reductions shown under other heads. It has requested the Hon’ble Commission to admit the above deficit, without specifying how it should be adjusted. For the FY 2024-25, when TGTRANSCO has shown O&M expenses lesser by Rs.164.50 crore, out of which Rs.118.10 crore towards employee cost, compared to what was approved in the MYT order, the claim of SLDC for increase in O&M expenditure needs to be examined and determined prudently. | The actual increase in Employee benefit expenses for the FY 2024-25 is Rs.2.71 crores when compared to actual employee cost of the FY 2023-24(i.e., Rs.55.72 Crores – Rs.53.01 Crores)  Further, the Employee expenses for the FY 2024-25 has increased mainly on account of regular annual grade increment, Encashment of earned leave by the employees and Dearness allowance and also includes Actuarial Valuation Liability towards employee terminal benefits.  However, as per clause 89.3 of regulation 2 of 2023 Employee Cost for the year is arrived by increasing the previous year employee cost at an inflation rate of Consumer price index. But in actual practice an Employees will receive annual grade increment and Encashment of leave salary but the same was not considered in Commission methodology.  In view of the above, the actual employee cost for the FY 2024-25 was increased when compared to approved employee benefit expenses for the year. |
| 16 | While ARR of SLDC is estimated to come down by Rs.14.65 crore, with actual ARR estimated to be Rs.67.72 crore against Rs.82.37 crore approved in ATP order, it has projected ARR of Rs.97.05 crore against Rs.83.06 crore approved in the MYT order for the 5th control period, i.e., more by Rs.13.99 crore. Compared to the estimated ARR for 2025-26, ARR for 2026-27 is higher by Rs.29.33 crore or 43.31%. | 1. The Company has filed its SLDC petition for the FY 2026-27 based on the revised projections in respect of capitalization and Capital expenditure as per the guidelines framed under regulation 2 of 2023. 2. Projected ARR for the FY 2026-27 has increased mainly an account of Capitalization of Rs. 62.16 Crs. Pertaining to Back up SLDC at Warangal |
| 17 | Against the generation contracted capacity for SLDC business increased from estimated 22828.18 MW for 2025-26 to 23550.65 MW for 2026-27, i.e., by 722.65 MW or 3.16%. Against this, the projected increase of 43.31% in ARR for 2026-27 seems to be very much higher. | As part of disaster management, each state shall have a Main State Load Dispatch Centre (SLDC) and a fully functional Backup SLDC. TGSLDC has proposed to establish a full-fledged Backup SLDC wherein parallel grid operations to the Main SLDC will be carried out. In the event of any incident or disruption at the Main SLDC, the Backup SLDC shall assume operations with minimal downtime or instant switchover.  To establish the Backup SLDC, the following activities shall be undertaken: construction of building infrastructure for the Backup SLDC, procurement and deployment of SCADA system to enable real-time monitoring and control, and establishment of necessary communication links to ensure seamless integration with the various stations, Main SLDC, Main SRLDC & Backup SRLDC etc.  Further, existing SCADA system is also proposed for replacement, as it was commissioned in 2015–16, has become insufficient to support the faster pace of grid expansion and increasingly complex grid management activities. In line with CERC’s approved life cycle of 7 years for SCADA/IT systems, the system is being replaced with a state-of-the-art SCADA/EMS solution. The new SCADA/EMS system will provide enhanced visibility of grid operations, advanced decision-making facilities for system operators, and improved real-time operation and control for reliable, efficient, and secure grid management.  All works related to Backup SLDC establishment and SCADA replacement shall be completed during FY 2025–26 & FY 2026–27 and constitute major capitalization in these years.  During the FY 2024-25 the Company has taken up Upgradation of existing SCADA/EMS System at main SLDC, Hyderabad & Establishment of a SCADA/EMS System as Backup SLDC at Warangal in order to meet the unexceptional situation which may arise in any time in the future with the approval of Hon’ble TGERC for an amount of Rs.62.16 Crores on 21.03.2024.  The following are the expenditure incurred and proposed to be incurred towards this asset is as follows:   |  |  | | --- | --- | | **Partcilaus** | **Rupees in Crores** | | Expenditure incurred in FY 2024-25 | 1.72 | | Expenditure proposed in the FY 2025-26 | 38.66 | | Total Capital expenditure incureed by FY 2025-26 | **40.38** | | Less: Proposed Capitalisation in the FY 2025-26 (Building expected to be completed in the FY 2025-26) | 9.31 | | Opening CWIP as on 31.03.2026 | 31.07 | | Expenditure proposed in the FY 2026-27 | 36.39 | | Total expenditure incurred till FY 2026-27 | **67.46** | | Add: Intrest During the Construction (Till date of Capitalisation) | 5.59 | | Total capitalized in the FY 2026-27 | **73.05** |   As creation of Backup SLDC is like core asset in the SLDC Business, It is the substantial portion of value of assets of the SLDC business. Hence, the ARR is increased. |
| 18 | The claims of SLDC and approvals given by the Commission for the FY 2025-26 and projections of SLDC for 2026-27 have also tended to be inflated, as in the case of TRANSCO, with a difference in degree. Based on inflated projection of ARR for 2026-27, SLDC charges proposed for the same FY are increased by 962.09 per MW per month or 38.92% compared to the estimated charges for 2025-26. | The Company has filed its SLDC petition for the FY 2026-27 based on the revised projections in respect of capitalization and Capital expenditure as per the guidelines framed under regulation 2 of 2023 except claiming of True-up amount of Rs.7.59 crores pertaining to FY 2024-25. Due to which there is change in ARR in the ATP petition when compared to MYT approved ARR. |
| 19 | We request the Hon’ble Commission to subject the claims of SLDC to prudence check and determined what is permissible. | Submission to the Commission. |