**ANNEXURE-III**

**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 M.Venugopala Rao**

| **S.No.** | **Objections** | **Reply** |
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| 1 | We request the Hon’ble Commission to condone the delay in filing our submissions for the reasons stated in our letter dated 1.1.2026. | Submission to the Commission |
| 2 | We congratulate TGTRANSCO for constantly maintaining its transmission network availability at 99.9%. Its efforts to reduce the percentage of transmission losses exceeding the targets fixed by the Commission are appreciable and we hope the Corporation would continue that trend. The efforts of TGTRANSCO are praiseworthy, especially in the face of inadequate personnel, with the vast difference between the staff sanctioned and actual staff as shown by it. In other words, engineers, workers and other staff of TGTRANSCO have been doing a commendable job in maintaining the transmission network efficiently. |  |
| 3 | For the first year of the 5th control period, i.e., 2024-25, Transmission Corporation of Telangana Limited (TGTRANSCO) has projected a surplus revenue of Rs.1390.76 crore, with expenditure decreasing by Rs.535.34 crore and total revenue increasing by Rs.855.42 crore., and aggregate revenue requirement decreasing to Rs.2603.65 crore from Rs.3138.99 crore approved by the Commission in the MYT order for the fifth control period. The revenue of TRANSCO decreased to Rs/2603.65 crore from Rs.3994.41 crore approved by the Commission for FY 2024-25. As we have been pointing out over the years, the ARRs being projected by TRANSCO and approved by the Commission have been tended to be inflated substantially. The results of FY 2024-25 have once again confirmed the same. That the surplus of Rs.1390.76 crore works out to 53.41% of the actual ARR of Rs.2603.76 crore once again underlines the need for taking a realistic view and improving their efficiency and performance in making projections of various components of ARR and determining the same, on the part of TGTRANSCO and TGERC, respectively. While TRANSCO exceeding the targets fixed by the Commission for reduction of transmission losses is a marginal factor for getting this abnormal surplus, the other reason is the failure of TRANSCO to incur the expenditure approved by the Commission and implement the works proposed fully is another reason. Based on such unrealistic and inflated projections of various components of ARR and determining proportionately inflated tariffs based thereon is the fundamental reason for getting this surplus. This is the unfortunate reality for FY 2024-25, and what would be the outcome for FY 2025-26 is to be seen. It is nothing but imposing avoidable and unjustifiable burdens on the consumers that, too, in advance. | The Company has earned surplus amount of Rs.1390.76 Crores for the FY 2024-25 is due to following reasons:   1. Of the total excess revenue of Rs.855.42 crores (i) an amount of Rs.424.34 crores Transmission revenue earned due to collection of old tariff as per interim order of Hon’ble TGERC vide IA No.8 of 2024 dated 15.03.2024 (including open access). (ii) an amount of Rs.431.08 crores received towards Inter State Transmission Charges (PoC Charges) as per the CERC order for 4th Control period i.e., from FY 2019-20 to FY 2023-24. 2. The balance of surplus of Rs. 535.34 crores is on account of reduction in expenditure majorly depreciation due to change in methodology. 3. As such the company has earned a surplus amount of rs.1390.76 crores due to above stated reasons but not due to over estimation/projections as stated by the Hon’ble stakeholder. |
| 4 | When, for the FY 2024-25, operation and maintenance charges, depreciation, interest and finance charges on loan, interest on working capital decreased considerably against what were approved in the tariff order, it is strange that TRANSCO is claiming that return on equity increased from Rs.432.30 crore approved by the Commission to Rs.541.41 crore, i.e., by Rs.109.11 crore or 25.24%. | 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.,  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.  However, the company has computed the RoE at 14% without any deduction by requesting the Hon’ble commission to consider condonation of delay and approve RoE at 14 % without penalty. |
| 5 | When licensees and generators are permitted to collect true-up amounts ultimately from the consumers as determined by the Commission, the surplus of Rs.1390.76 should be trued down and refunded to the consumers. The proposal of TGTRANSCO to adjust Rs.700 crore in the proposed tariff for the FY 2026-27 and the balance in the next financial year, i.e., 2027-28 is highly objectionable and impermissible for the following reasons, among others:   1. Imposing an avoidable burden of Rs.1390.76 crore against actual ARR of Rs.2603.76 crore itself is a manipulative frontloading. 2. By collecting and retaining such a huge amount just for one financial year, TRANSCO has been enjoying undue benefit at the cost of consumers of power. Seeking to adjust that surplus in the tariffs for the next two financial years is nothing but seeking regularization and continuation of that manipulative approach at the cost of consumers of power at large. 3. Instead of truing down the surplus and refunding the same to the consumers, seeking to adjust it in the tariffs for the next two FYs is nothing but frontloading the tariffs again and again. In other words, it is nothing but continuing the manipulative trend, instead of correcting it. 4. TRANSCO is entitled to get tariffs every month, as determined by the Commission. It is not entitled to get tariffs for several months in advance for the FY concerned, even before the FY commences. 5. Reliance of TGTRANSCO on a regulatory provision of the CERC and orders of some other SERC is no valid ground for the kind of adjustment of surplus in the next two financial years as proposed by it. Regulations of CERC are not binding on TGERC and TGTRANSCO. 6. Advance against “future depreciation” is another variant of frontloading the tariff. The way depreciation charges are being allowed to be collected by the licensees and generators under applicable regulations itself is allowing frontloading of tariff. 7. TRANSCO has submitted that actual depreciation amount for the FY 2024-25 has been decreased due to change in depreciation methodology and comparatively lower capitalization during the year relative to capitalization approved in the MYT order for the 5th control period. It has further maintained that TGERC has issued regulation 2 of 2023, changing the methodology of depreciation to uniform straight line method over the useful life of the asset from the existing methodology of CERC followed by TRANSCO. It has also pointed out that the objection filed by it was not admitted by the Commission. The very purpose of bringing about the said change by TGERC is to lessen the burden of frontloading of tariff on the consumers. The Commission, too, has asserted that it cannot revisit the clauses in the Regulation through judicial proceedings as it had already undertaken public consultation process. Therefore, we request the Hon’ble Commission not to allow advance against depreciation. 8. When the useful life span of the transmission asset is considered as 35 years, the licensee is already permitted to recover a lion’s share of loan with interest much earlier under applicable rates of depreciation. TRANSCO has admitted that, for the FY 2024-25, comparatively lower capitalisation during the year relative to capitalization approved by the Commission in the MYT order for the 5th control period is one of the reasons for decrease in depreciation to Rs.542.60 crore from Rs.818.35 crore approved in the tariff order, for its failure to implement and capitalize works permitted for the said FY, TRANSCO itself is responsible and it cannot find fault with the Commission for the same. 9. If, in any financial year, capital expenditure of TRANSCO increases by virtue of completing the spillover works and capitalized, exceeding capitalization permitted by the Commission for that year, it will have opportunity to claim depreciation charges for the same. As such, there will be no need for advance against depreciation. 10. The submission of TRANSCO that the decrease in interest and finance charges by Rs.196.82 crores and of interest on working capital by Rs.16.89 crore does not justify its claim for advance against depreciation. 11. The expenditure incurred by TRANSCO also needs to be subjected to prudence check by the Hon’ble Commission in terms of purchases and calling for tenders and with comparison of materials purchased and their market values, etc. | With reference objection 5(a) to (g) the following is submitted   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.   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.  With reference objection 5(h) to (j) the following is submitted   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.,   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.  In reply to point 5(k), the estimates are being prepared considering the approved cost-data by Hon'ble TGERC, which is being prepared by obtaining budgetary offers/ Price variation over the previous cost data and comparing with the Cost Data of neighbouring Power Utilities. |
| 6 | Having admitted that the Hon’ble Commission, as per clause 29/2 of the regulation, has reduced return on equity by 3.5% for FY 2024-25 due to delay in submission of MYT petition for the 5th control period, there is no point in TGTRANSCO now requesting the Hon’ble Commission again to waive the said reduction of RoE. | 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. |
| 7 | We request the Hon’ble Commission to examine veracity and permissibility of the actual of various components of ARR claimed by TRANSCO for the FY 2024-25 and determine the same to the extent permissible. Such a regulatory diligence may result in further reducing the actuals claimed by TRANSCO. | Submission to the Commission. |
| 8 | We request the Hon’ble Commission to refund the surplus revenue of TRANSCO for the FY 2024-25 to the consumers through the TGDISCOMs forthwith with interest. | Submission to the Commission. |
| 9 | For the FY 2026-27, TGTRANSCO has made claims higher than what were determined in the MYT order for depreciation (by Rs.184.22 crore) and for return on equity (by Rs.42.09 crore). While showing claims for other items lesser than what were permitted by the Commission in the MYT order, TRANSCO has adjusted Rs.700 crore from the surplus shown for 2024-25 from the ARR of Rs.3498.65 crore, thereby projecting revised ARR of Rs.3224.21 crore, as if it were reducing the ARR of Rs.3498.65 crore permitted by the Commission in the MYT order by Rs.274.44 crore. In fact, without such impermissible adjustment, the ARR projected for FY 2026-27 by TRANSCO would increase to Rs.3924.21 crore. | The Company has filed its Transmission 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 requesting the Hon’ble Commission for deferment of surplus amount of Rs.690.76 crores pertaining to FY 2024-25. |
| 10 | For the FY 2026-27, total generation contracts of TGDISCOMs are projected to be 22510.68 MW, which includes 142.174 MW for intra-state open access, against 21788.23 MW estimated for 2025-26 - an increase of 722.45 MW or 3.32%. However, the increase in ARR for 2026-27 over estimated ARR of Rs.1760 crore for 2025-26 is more by Rs.2164.21 crore or 122.97%. On the face of it, the increase is abnormal and the basis for the same needs to be examined thoroughly, in view of the actual trends for the last and current financial years. | 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.  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.  The peak demand for 2023-24 was recorded as 15623MW and the peak demand reached for FY: 2025-26 (as on date) is 16,613MW on 23.12.2025. As the demand has increased, there is an increase in capital expenditure due to the strengthening of the network infrastructure and thereby capitalization.  Since, the capitalization increases , the ARR proposed for 2026-27 increases. |
| 11 | For the FY 2026-27, in their ARR petitions, both the TGDISCOMs have projected availability of 1,13,006 MU and requirement of 1,01,981 MU, with a surplus of 11,025 MU. However, TGTRANSCO has projected availability of 115605 MU against 106157.47 MU approved by the Commission in the resource plan for the 5th control period. Similarly, TRANSCO has projected energy requirement of 98427.60 MU against 92364.52 MU approved by the Commission. The energy balance for the next financial year projected by TGTRANSCO is 17178.24 MU against 13792.95 MU approved by the Commission, i.e., more by 3385.29 MU or 24.54%. Surplus projected by TRANSCO over the surplus projected by the DISCOMs is higher by 6153.24 MU or 55.81%. TRANSCO has maintained that “the energy requirement figures re being finalized by the TGDISCOMs & hence the figures given above are subject to change.” However, a variation of 55.81% cannot be justified. Such a variation indicates that either TRANSCO has overestimated availability, requirement and surplus or the DISCOMs have underestimated the same. Or, it may be that both the estimates are unrealistic. | It is submitted that the variation in projected energy availability, requirement, and surplus for FY 2026–27 among the projections of the TGDISCOMs, TGTRANSCO, and the Commission-approved Resource Plan for the 5th Control Period is due to differences in planning methodology and not on account of any over-estimation or under-estimation by TGTRANSCO.  TGTRANSCO has considered declared availability furnished by TGGENCO, Central Generating Stations (CGS), Singareni, and SEMCORP. In contrast, the TGDISCOMs, in their ARR petitions, have adopted normative NAPAF-based availability. With respect to renewable energy sources, the TGDISCOMs have considered standard CUFs along with additional availability arising from policy initiatives such as solarization of agricultural pump sets, rooftop solar installations under the Gruha Jyothi scheme, and model solar village programs. TGTRANSCO, however, has conservatively adopted generation projections based on historical CUFs, resulting in comparatively lower availability projections for both solar and non-solar renewable energy sources.  On the demand side, the energy requirement projections of TGTRANSCO, TGDISCOMs, and the Commission-approved Resource Plan are broadly aligned, with variations well within acceptable planning margins. Accordingly, the higher surplus projected by TGTRANSCO is purely a mathematical outcome of differences in availability assumptions.  Although the surplus projected by TGTRANSCO is higher than that projected by the TGDISCOMs, the absolute variation in projected availability is only about 2.25%, which is reasonable and well within generally accepted limits for system planning. Further, TGTRANSCO has clearly stated that the energy requirement figures are subject to finalization by the TGDISCOMs.  In view of the above, it is to inform that the projections for FY 2026–27 submitted by TGTRANSCO are transparent, data-driven, and prudential, and that the variation in projected surplus power is due to reasonable differences in planning methodology. |
| 12 | The highest peak demand of 17162 MW was recorded on 20.3.2025, for 2025-26, it is projected to be 17614 MW and for 2026-27 it is projected to be 18709 MW, both in the month of March of the respective FYs. TRANSCO has stated that CSPDCL of Chattisgarh has stopped declaring capacity to TGDISCOMs from APRIL, 2022 and filed OP No.24 of 2026 before CSERC, seeking directions to TGDISCOMs to pay outstanding dues. Until the dispute with reference to outstanding amounts is resolved, it is unlikely that CSPDCL will resume power supply to TGDISCOMs, it has observed. Since TGERC has not considered any availability from CSPDCL in the retail supply business of TGDISCOMs for FY 2024-25 to FY 2028-29, as there is no scheduling of power, contracted capacity of this project is not considered for TGDISCOMs ATP for FY 2026-27, TRANSCO has maintained. Had availability from CSPDCL been considered, availability of surplus for TGDISCOMs would have been much more. | Submission to the Commission. |
| 13 | For the FY 2026-27, TRANSCO has proposed transmission tariff for long-term and medium-term users @ Rs.119.36 per kw per month and for short-term users @ Rs.0.17 per kw per hour against a contracted transmission capacity of 22,510.68 MW and ARR of Rs.3224.21 crore for transmission business. Since the ARR projected by TRANSCO for the FY 2026-27 is highly inflated for the reasons explained above, the transmission tariffs proposed by it are, naturally, highly inflated. After reducing various components of ARR projected by TRANSCO, realistically, and examining the need for works proposed, we request the Hon’ble Commission to reduce the proposed transmission charges also proportionately. | Submission to the Commission. |