TELANGANA POWER GENERATION CORPORATION LIMITED
(A Govt. of Telangana Undertaking)
Vidyut Soudha, Khairatabad, Hyderabad- 500082.
Phone No: 040-23499847, E-Mail: ce.com@tggenco.com

From
The Chief Engineer,
Coal & Commercial,
TGGENCO, Vidyut Soudha,
Khairatabad,
Hyderabad- 500082.

To
The Commission Secretary,
TGERC,
#Vidyut Niyantran Bhavan,
GTS Colony, Kalyan Nagar,
Hyderabad- 500045.

Lr.No:TGGENCO/CE(Coal & Comml)/SE(C&C)/F.ATP-2026-27/D.No:441/26,Dt:17.01.2026

Sir,

Sub: - TGGENCO- Submission of replies on Objections / Suggestions raised on Annual Tariff Petition: 2026-27 and Additional Capital Cost Proposals - Reg.

Ref: - 1. The Chief Engineer (IPC & RAC), TGSPDCL, Corporate Office, Hyderabad, Dtd. 09.01.2026. on Additional Capital Cost Proposals
2. The Chief Engineer (IPC & RAC), TGSPDCL, Corporate Office, Hyderabad, Dtd. 09.01.2026. on Annual Tariff Petition 2026-27.

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The replies to the Objections / Suggestions raised by the Chief Engineer (IPC & RAC), TGSPDCL, Corporate office, Hyderabad on Annual Tariff Petition: 2026-27 and on Additional Capital Cost Proposals related to KTPS-V&VI, KTPS-VII & BTPS are herewith enclosed.

Encl: As above

Yours faithfully
17/1/26

Chief Engineer
(Coal & Commercial)
TGGENCO/VS/HYD

➢ **Copy to**
The Chief Engineer (IPC & RAC), TGSPDCL, Corporate Office, 6-1-50, Mint Compound, Hyderabad-500063.

Annexure-I

TGGENCO Replies to the Comments/Suggestions of TGDISCOMs on Additional Capitalisation

Sl. No.	Plant	Para No. in the petition If available	Proposal of the TGGENCO as made in the petition	Comments/suggestions/objections
1	BTPS	Para10 of BTPS Additional capitalization petition	In accordance with the Clause No. 22.3 of TGERC regulation 2 of 2023, the capital expenditure ,in respect of existing generating station incurred or projected to be incurred beyond the original scope, may be admitted by the commission subject to prudence check.	Clause No. 22.3 of TGERC regulation 2 of 2023 is as follows *"22.3 The capital expenditure, in respect of existing generating Station or the transmission system, incurred or projected to be incurred on the following counts beyond the original scope, may be admitted by the Commission, subject to prudence check:* *(i) Liabilities to meet award of arbitration or for compliance of the order or directions of any statutory authority or order or decree of any courtof law;* *(ii) Changeinlaworcomplianceofanyexistinglaw; TSERC(MYT)Regulation,2023Page42of113* *(iii) Forcemajeureevents;* *(iv) Needforhighersecurity and safetyof theplant as advised or directed by appropriate Indian Government Instrumentality or statutory*

				authorities responsible for national or internal security; *(v) Deferred works relating to ash pond or ash handling system in addition to the original scope of work, on case-to-case basis;* *(vi) Usage of water from sewage treatment plant in thermal generating station"* The proposed construction of Space frame structure raw coal storage shed at BTPS station clearly doesn't come underanyoftheabove6casesandhenceclause22.3is notapplicablefortheproposal. **<u>TGGENCO Reply:</u>** The last unit of the BTPS (4X270 MW) was commissioned on 09.01.2022 and the cutoff date is 31.03.2025. Hon'ble commission has approved vide Table NO. 4.6 of Mid – Term Review Order dt.23.03.2023 for Rs.138.76 Crs and Rs.1466.57 Crs under the common works, E&M and civil.
2	BTPS	9. Cost benefit analysisof petition	BreakupofRs.135.87Cr	The item wise cost breakup for the project cost may be provided. Additionally, cost of any such Coal storage shed constructedinstateornationalplantsmaybeprovided for comparison. **<u>TGGENCO Reply:</u>** The proposed expenditure is within the original project cost approved by the commission.

<table>
<tr><td></td><td></td><td></td><td></td><td><table><tr><th>Sl. No.</th><th>Description of the work</th><th>Amount in Rs. Cr.</th></tr><tr><td>1</td><td>Construction of Space frame structure raw coal storage shed.</td><td>Rs 115.06</td></tr><tr><td>2</td><td>New conveying system.</td><td>Rs 20.81</td></tr><tr><td></td><td></td><td>Rs 135.87</td></tr></table>
The similar type of raw coal storage sheds with storage capacity of 1.0 Lakh Tones (approx.) are available at KTPP, KTPS Stage-VII ICHP and 2.0 lakh MT at KTPS-V&VI are available.

In APGENCO, there is a covered coal shed at Sri Damodaram Sanjeevaiah thermal Power station, Krishnapatnam, Nellore dist.

It is also mentioned that in CPCB coal handling storage guidelines, Covered storage: Entire coal storage areas should ideally be covered with all-weather shed roofing and side walls.
In performance audit of power stations by CAG observed need of coal storage shed.</td></tr>
<tr><td>3</td><td>KTPS VII</td><td>Para6.1 of KTPS VII stagepetition</td><td>Clause22.2
Deferred works in the original scope of work, up to to a maximum period of 2 years after cut-off date, on case-to-case basis.</td><td>The COD of KTPS VII stage is 26.12.2018 and the Cut-off date is 31.03.2021. As per Clause 22.2 of Regulation 2 of TGERC 2023, the maximum period allowed for deferred worksis 2yearsafterthecutoffdate.IncaseofKTPSstage VII, this allowed period is 31.03.2023. Hence, the current proposalofconstructionofquartersisnotallowedasper clause22.2ofRegulation2.</td></tr>
</table>

				<u>TGGENCO Reply</u>: TGGENCO has proposed construction of quarters at KTPS VII and the proposal was submitted in MYT Petition field before Hon'ble TGERC for the 5th control period FY 2024 – 29. Hon'ble commission in the MYT Order Dt.28.10.2024 stated that the proposed work were not supported by documentary evidence. The additional capital cost proposed for construction of quarters of KTPS VII was not approved. Further, the proposed cost towards construction of quarters is within the original scope and original cost of the project, now the proposal is submitted to Hon 'ble commission along with need and justification for approval.

17/11/26

Chief Engineer
Coal & Commercial
TGGENCO, V.S. Hyderabad-82.

TGGENCO Replies to the Comments of TGDISCOMs on ATP- 2026-27

<table>
<tr><th>Sl.No.</th><th>Plant</th><th>Para No. in the petition if available</th><th>Proposal of theTGGENCO as made in the petition</th><th>Comments/suggestions/objections and Reply of TGGENCO</th></tr>
<tr><td>1</td><td>TGGENCO As whole</td><td>16.14 of petition</td><td>Additional pension liabilities and water charges</td><td>

- The projected Additional Pension Liabilities &Water charges in the filings are higher than MYT approved order. The details are as below

<table>
<tr><th>Description</th><th>TGGENCO filings</th><th>MYT Approved</th><th>Difference</th></tr>
<tr><td>Additional Pension Liabilities (in Cr)</td><td>1902.23</td><td>1617.06</td><td>+285.17</td></tr>
<tr><td>Water charges(in Cr)</td><td>53.48</td><td>33.84</td><td>+19.64</td></tr>
</table>

Further, the request of TGGENCO claim towards Security Expenses, Ash transportation expenses, Energy conservation</td></tr>
</table>

Sl.No.	Plant	Para No. in the petition if available	Proposal of theTGGENCO as made in the petition	Comments/suggestions/objections and Reply of TGGENCO
				charges, Cyber security expenses and fire protection expenses that are extra in the nature of general expenses. The Hon'ble Commission is requested not to allow for pass-through in tariff. **TGGENCO Reply:-** **Additional Pension Liability:** Pension Liabilities discharged by TGGENCO includes the Pension liabilities payable to the pensioners as on 01.02.1999 and employees who are in service as on 01.02.1999 in respect of TGGENCO, TGTRANSCO, TGSPDCL& TGNPDCL. The proposed values for MYT (FY 2024 – 29) were prepared based on the estimates received from the respective companies only. For the MYT filings (FY 2024 – 29), the projections were made based on the FY 2022 – 23 actuals and escalated thereon and the additional pension liability claimed in the Annual Tariff Petition for FY 2026 – 27, the projections were made based on the actuals for FY 2024 – 25 and the requisitions received from the TGDISCOMS & TGTRANSCO.

				The increase in additional pension liability for the FY 2026–27 is mainly due to increase in number of retirements in four companies after March 2024. However, the amounts projected are subject to true-up based on actuals. **Water Charges**: The estimates for FY 2026 – 27 were based on the actuals of FY2024–25. However, the amounts projected are subject to true-up based on actuals. Further, TGGENCO requested to allow claim towards Security Expenses, Ash transportation expenses, Energy conservation, and Cyber security expenses and fire protection expenses that are mandatory for running the plants efficiently, in line with TGERC and CERC Regulations. As the Claims of TGGENCO are in line with the TGERC Regulations 2 of 2023, The Hon'ble Commission is requested to allow for pass-through in tariff.

2	BTPS, Srisailam LB HES And KTPP- II	16.5of petition	Interest and Finance charges	• The plant level audited reports of GFA, accumulated depreciation are required to calculate the normative loan and interest charges. • The variation between MYT approved amounts and proposed amounts for FY27 is high for BTPS, Srisailam LB HES and KTPP-II. The reasons for the high variations are not mentioned in the filings and may be explained **TGGENCO Reply:** • The variation in interest and finance charges approved in MYT Order dated 28.10.2024 and Revised Proposal for FY 2026-27 is due to the variation in Gross Fixed Assets (GFA) considered in MYT order and proposed.
3	BTPS	16.10 of petition	Interest on working capital(IOWC)	• The variation between IOWC MYT approved and actual of FY25 for BTPS is more 16.39Cr. The reasons for the same may be explained. **TGGENCO Reply:** The reason for variation in Interest on working capital is due to the variation in interest rate i.e., considering weighted average bank rate considered for FY 2026-27 plus 150 basis points (SBI MCLR – 8.75% + 150 basis points) @10.25%. Further, there is an overall increase in the computation of

				base amount for calculation of IoWC, i.e., increase in Gross Fixed Assets, increase in various components of fixed costs.
4	TGGENCO aswhole	16.11of petition	Return of Equity (RoE)	• The plant level audited reports of GFA, accumulated depreciation are required to calculate the equity portion and return on equity for different plants. • Reasons for high RoE variation for plants Nagarjuna sagar, Srisailam LB, Lower jurala HES are to be explained. **TGGENCO Reply:** • The major reason for variation in the approved RoE and Revised proposal is on account of additional capital cost proposed for FY 2026-27. • However, the amounts proposed are subject to true – up, based on audited financial accounts.

5	TGGENCO aswhole	15.2of petition	O&MExpenses	As per true up of FY 2024-25 the O&M expenses approved in the MYT order are ₹1869.03 Crores whereas the actual O&M expenses are ₹2700.87Crores and the variation is ₹831.84 Crores which is substantially higher than MYT-approved normative levels. Employee cost increase attributed to PRC-2022 is claimed retrospectively. The Commission has already directed that PRC impact must be subjected to prudence checks of the station wise actual. **TGGENCO Reply:** The reasons for variation of the actual O&M expenses and the approved O&M Expenses are as below: a. Employee Expenses: PRC was implemented to the TGGENCO Employees during FY 2022-23. The impact of PRC-2022 was not factored in approved O&M Charges for FY 2024-25 to FY 2028-29. The Hon'ble Commission at Para no 4.1.40 of True-up and MYT Order dated 28.10.2024 specified that the impact of PRC-2022 has not been considered due to complete details of station wise PRC not submitted in the filings and will be considered the impact of PRC-2022 as part of truing up at the end of 4th control period subject to prudence

				check of the station wise actual PRC effect in employee cost for FY 2022-23. Further, in respect of BTPS the commission has considered the actual employees expenses of FY 2020 – 21 & FY 2021 – 22, during the period the station was not fully operational to its full capacity. b. A&G Expenses: The variation in projected A&G Expenses and approved in MYT Order for FY 2026-27 is due to the increase in security guard charges due to implementation of Pay Revision by Government of Telangana and also due to increase in electricity charges towards colony consumption (earlier colony consumption was included in auxiliary consumption).
6	TGGENCO aswhole	Para16.9of petition	Debt–EquityRatio	Interest shall be allowed only on debt corresponding to the normative debt–equity ratio as prescribed under the MYT Regulations. Any interest attributable to debt in excess of the normative level, or arising due to equity infusion beyond the approved norm, is in admissible for tariff recovery and shall not be passed on to the DISCOMs. Further, interest arising from project delays, cost overruns, on account of generator does not

				qualify as a legitimate tariff pass-through and must be borne by the generator. The petition is not clear between loan drawals and Commission-approved capital works; in the absence of such correlation, the interest claims do not satisfy the prudence test under the MYT framework. **TGGENCO Reply:** The Debt-Equity ratio of 70:30 is considered for the Gross Fixed Assets as on 01.04.2024 of respective station and Debt-Equity ratio of 75:25 is considered for the additions after 01.04.2024 in accordance with clause 27 of Regulation 2 of 2023. ii. The station-wise opening normative loan balance has been computed by considering the 70% of opening GFA of FY 2024-25 and subtracting the accumulated normative depreciation. The normative depreciation has been considered as normative loan repayment. This is not equal to actual loan as depreciation norm far lower than loan repayment amount.

7	TGGENCO As whole	Para18of petition	Degraded Operating Parameters	Compensation for higher auxiliary consumption, increased Gross Station Heat Rate (GSHR), and higher Specific Fuel Consumption (SFC) arising due to part-load operation or reserve shut down is the operational decision for managing grid stability in response to grid conditions, cannot be passed through to TGDISCOM's .Any allowance of such compensation would unjustifiably burden consumers and shall be disallowed. **TGGENCO Reply:** TGGENCO has requested the Hon'ble TGERC to compensate the degraded operating parameters of Auxiliary Energy consumption, Gross station heat Rate and Secondary Fuel Oil consumption due to part load/ Reserve Shut Down in line CERC Terms and Conditions of tariff first amended Regulation' 2025 dated 4th Feb' 2025. In the Annual Tariff Petition of FY 2026-27 (True-up for FY 2024-25 and Revised Tariff for Fy 2026-27), TGGENCO has not projected compensation on degraded operating parameters.

8	TGGENCO aswhole	-	SaleofUn-requisitionedPower	As per the LPSC Regulations, generating stations are mandated to participate in the Day-Ahead Market (DAM) and Real-Time Market (RTM) for the sale of un-requisitioned power. In the event of non-compliance or non-participation for such operational decisions is attributable to the generator, and the generator shall not be eligible to recover fixed costs for such un-requisitioned power. **TGGENCO Reply**: i. Hon'ble TGERC has notified in TGERC (Multi Year Tariff) Regulation 2 of 2023, dt: 30.12.2023. In accordance with clause 1.3, the regulation shall be applicable to existing and future generation companies, for determination of Aggregate Revenue Requirement, tariff in all matters covered under the regulation for the period commencing from 01.04.2024 onwards. ii. In accordance to the definitions 9 (a) of Regulation 2 of 2023 availability means, the Average of the daily average declared capacities as certified by SLDC for all the days during that period expressed as a percentage of the installed capacity of the generating Stations /Unit minus

				the normative auxiliary consumption in Megawatts (MW), as specified in the regulation. iii. The Hon'ble TGERC does not specify the **un-requisitioned surplus power** in the regulation. So the same shall not be applicable to the TGGENCO. Neither LPSC rules were not implemented for TGGENCO. iv. Further in accordance with the Power Purchase Agreement entered with TGDISCOMs, the fixed charges shall be computed on the annual basis based on norms specified in TGERC Regulation and shall be recovered on monthly basis as per TGERC Regulation .As per PPA TGGENCO is committed generating stations for Telangana. v. However TGGENCO is in the process of registration of thermal stations in NOAR Portal for SaleofUn-requisitionedPower.
				The escalation of 2% claimed for FY2026-27 towards coal and Secondary Fuel Oil (SFO) prices lacks justification. Any escalation, if at all admissible, shall be determined solely on the basis of the latest audited actual of FY 2025-26, duly

9	TGGENCO As whole	Para16.16of petition	Fuel Cost Escalation (2%)	accounting for the revision of GST on coal from 18% to 5%, and shall be subjected to a rigorous prudence check by the Hon'ble Commission. **TGGENCO Reply:** Hon'ble TGERC has approved the ECR for TGGENCO thermal stations vide para No. 5.1.84 of MYT order dt.28.10.2024 for the entire 5th control period (FY 2024 – 29). However, as per clause No. 5.1.85 of the said order, "The variation in fuel price and GCV shall be billed in accordance with clause 46.5 of Regulation No. 2 of 2023. The actual cost of coal and secondary fuel of last 3 months in accordance with clause No. 46.3 of Regulation 2 of 2023 is considered for FY 2025-26 and for FY 2026-27 escalated @2%. Actual cost of fuel will be compensated through FSA or True-up. In case actual ECR is lower FSA will reduce.

10	TGGENCO aswhole	Para24of petition	Payment Security	The proposal to mandate a Letter of Credit(LC) is objected to, as it would impose unjustified financial burden on State utilities already operating under significant liquidity constraints. Superimposing an LC requirement over existing payment security arrangements would severely constrain operational cash flows, impair DISCOMs' ability to meet day-to-day power procurement from exchanges and statutory obligations. Further, the MYT framework does not envisage mandatory LCs as a routine payment security mechanism. The proposed requirement therefore amounts to regulatory overreach, is disproportionate and contrary to consumer interest under Section 61(d) of the Electricity Act, 2003, and is liable to be rejected in entirety. **TGGENCO Reply:** Payment mechanism is as per the terms and conditions of the Power Purchase Agreements (PPAs) entered by TGDISCOMS with TGGENCO. Now TGGENCO is not using "PRAAPTI" portal for payment security mechanism.

11	TGGENCO As whole	Para16.12of petition	Non-Tariff Income(NTI)	For FY2026–27, NTI was approved at ₹118.18Crore,whereas the revised claim is ₹85.69 Crore, resulting in a significant reduction of about ₹32 Crore. Similarly, for FY 2024–25, againstanapprovedNTIof₹109.51Crore,the actual is only ₹78.39 Crore, leading to a variation of ₹31.12 Crore. The Hon'ble Commission is requested to carry out a detailed prudence check. **TGGENCO Reply:** Non – Tariff Income projected for the 5th control period FY 2024 – 29, considering the actuals of previous years NTI. Non-Tariff Income claimed for FY 2024-25 is as per audited accounts. Based on the actual Non-tariff Income for FY 2024-25, NTI for FY 2026-27 were projected. However, the amounts proposed are subject to true – up, based on audited financial accounts.

12	TGGENCO As whole	Para27-fof petition	Filing Fees &Publication Expenses	Recovery of filing fees and publication expenses from beneficiaries is not permissible, as these are procedural costs incurred by the generator for complying with regulatory requirements and do not contribute to power generation, efficiency improvement, or any direct benefit to consumers. Such expenses are part of the normal administrative overheads of the generator; for which provision already exists under A& G expenses, and there is no provision in the MYT Regulations allowing their separate recovery through tariff. Allowing these costs to be passed on would place an unnecessary and avoidable burden on consumers, contrary to the intent of Section 61(d) of the Electricity Act, 2003; therefore, the same shall be disallowed in full. **TGGENCO Reply:** TGERC 1 of 2019, specified in clause No. 19.6 that, "*Any expenditure on account of license fee, initial or renewal, fee for determination of tariff and audit fee shall be allowed on actual basis, over and above the A&G expenses approved by the Commission*". Accordingly, TGGENCO requested Hon'ble commission to

				allow the recovery of filing fees as & when paid to the Hon'ble Commission and the publication expenses from the beneficiaries. Further, CERC 2024 regulations also allows recovery of The application filing fee and the expenses incurred on publication of notices in the application for approval of tariff by the generating company, directly from the beneficiaries.
13	TGGENCO As whole	-	Consumer Interest & Prudence	Allowing the claims as filed would impose undue burden on consumers. All claims must be subjected to strict prudence check under Section 61(d) of the Electricity Act, 2003. **TGGENCO Reply:** Under Purview of Hon'ble Commission.

17/1/26

Chief Engineer
Coal & Commercial
TGGENCO, V.S. Hyderabad-82.