



TELANGANA POWER GENERATION CORPORATION LIMITED

Vidyut Soudha, Hyderabad-500082

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 & Comm) / SE(C&C)/ D.No: 161 /24, dt: 16-10.2024

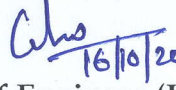
Sir,

Sub: - TGGENCO- Submission of replies on objections raised on Multi Year Tariff
Petition for 5th control period (FY: 2024-29) - Reg.

The replies to the Objections/Suggestions raised by Sr. Director, FTCCI, Hyderabad on True up of Generation Tariff for FY: 2022-23 and Multi Year Tariff for the 5th Control Period (FY 2024-29) Petitions are herewith enclosed.

Encl: As above

Yours faithfully


16/10/2024
Chief Engineer (L/A)
(Coal & Commercial)
TGGENCO/VS/HYD

➤ Copy to

The Federation of Telangana Chambers of Commerce and Industry (FTCCI),
Federation House, Federation Marg, 11-6-841, Red Hills, Hyderabad-500004.

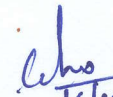
| Sl. No | Objections | TGGENCO REPLY |
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| 2 | <p>Non-adherence to the timelines of filing of the petitions:</p> <p>Multi-year Tariff for FY 2024-29 – Regulation 6 of the TSERC (Multi Year Tariff) Regulation, 2023 provides for the filing of the MYT petition by 30th November. The relevant extracts of the same are reproduced as under:</p> <p><i>“6 Procedure for filing Petition</i> <i>6.2 The petitions to be filed for each Control Period under this Regulation areas under:</i></p> <p><i>a) Multi Year Tariff petition shall be filed by 30th November of the year preceding the first year of the Control Period by generating entity, comprising:</i></p> <p><i>i. True-up of preceding year for generation business;</i> <i>ii. True-up of preceding year for integrated mine;</i> <i>iii. Proposal of Tariff for each year of the Control Period for generation business;</i> <i>iv. Proposal of Input Price of coal supplied from integrated mine for each year of the Control Period.”</i></p> <p>Based on the above, it is clear that the instant petition (True up for preceding year and Tariff for each year of the Control period) must have been filed by the Generating company (TGGENCO) by 30th November, 2023. However, the Petitioner has filed the instant Petition after a prolonged delay of ~10 months (September 2024) which in the opinion of the Objector is not appropriate.</p> | <p>The Hon’ble Commission had notified the TGERC Regulation 2 of 2023 on dt. 30.12.2023 and informed TGGENCO to file MYT petition on or before 31.01.2024, as per the New Regulation instead of the prevailing Regulation 1 of 2019. As such, the information as required under the new data sheets incorporated was not available with TGGENCO.</p> <p>The model code of conduct was in force in Telangana from 19th March to 6th June 2024 (83 days).</p> <p>Due to the above reasons MYT for 5th control period could not be filed by TGGENCO in time.</p> <p>However, TGGENCO has submitted the petition along with the delay condonation petition to the Hon’ ble commission.</p> |
| 3. | <p>Absence of Audited Accounts</p> <p>It is well understood that the True up for any FY is to be done in reference to the actual expenses gains against each line item of the ARR. Notably, the MYT Regulations 2019 also provides for the submission of Audited Accounts by the Licensed business along with the Petition to be filed before the Hon’ble Commission:</p> | <p>The Annual Accounts of TGGENCO for FY 2022-23 has been submitted to the Hon’ble TGERC. Further the Audited Annual Accounts of TGGENCO are available in TGGENCO website.</p> |

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| | <p>“2.2. "Accounting Statement(s)" means for each Financial Year, the following statements, namely:</p> <p>2.2.4. cost records” prescribed by the Central Government under the Companies Act, 2013, as applicable together with notes thereto, and such other supporting statements and information as the Commission may direct:</p> <p>Provided that separate Accounting Statements shall be prepared and submitted to the Commission for each Licensed Business in accordance with the License conditions, and for each regulated business:</p> <p>Provided further that, in case separate Accounting Statements are not submitted for each Licensed Business in accordance with the License conditions and for each regulated business for the FY 2018-19 onwards, the petitions filed by the Generating Entity, may be rejected by the Commission after giving the Petitioner a reasonable opportunity of being heard:”</p> <p>In addition to non-submission of Audited Statement of Accounts for the FY 2022-23, the Licensee has also failed to provide the Auditor’ s certification to substantiate the claim of Non tariff Income, Prior period income which are solely dependent on the Audit Accounts. Accordingly, the Licensee must be directed to submit the Annual Audited Statement of Accounts as part of the instant petition.</p> | |
| <p>4.</p> | <p>Operations and Maintenance Expenses</p> <p>Regulation 19 of the MYT Regulations 2019 provides for the O&M Expenditure based on norms as shown under:</p> <p>“19. Operating& maintenance expenses (O&M)</p> <p>19.t. The O&M expenses foreach year of the Control Period shall be approved based on the formula shown below</p> <p>$O\&M_n = (R\&M + EMP_n + A\&G_n) \times 99\%$</p> | <p>The True-up claim is in accordance with the Clause No 3.12 and 3.13 of TGERC Regulation 1 of 2019.</p> <p>The True up claim shall be a comparison of the actual operational and financial performance vis-a vis the approved forecast.</p> <p>The Hon’ble Commission shall attribute the variations in operational and financial performance within the control of Petitioner or to the factors beyond the control of petitioner.</p> |

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| <p>Where, <i>R&M_n - Repair and Maintenance Costs of the Applicant for then n^{th} year;</i> <i>EMP_n - Employee Cost of the Applicant for then n^{th} year;</i> <i>A&G_n - Administrative and General Costs of the Applicant for the n^{th} year;</i> <i>The above components shall be computed in the manner specified in this clause:</i></p> <p>19.2. Employee Cost (EMP_n) <i>Employee cost shall be computed as per the approved norm escalated by</i> <i>CPI, adjusted by provisions for expenses beyond the control of the</i> <i>Generating Entity and one time expected expenses, such as</i> <i>recovery/adjustment of Terminal Benefits, implications of pay</i> <i>commission, arrears and interim relief, governed by the following</i> <i>formula</i></p> <p>.....</p> <p>19.3. Repairs and Maintenance Expense (R&M)</p> <p><i>The expense shall be calculated as percentage (as per the norm defined) of Opening Gross Fixed Assets for the Year governed by following formula:</i></p> <p>.....</p> <p>19.4 Administrative & General Expense (A&G)</p> <p><i>A&G expense shall be computed as per the norm escalated by the inflation factor and adjusted by provisions for confirmed initiatives (IT etc. initiatives as proposed by the Generating Entity and validated by the Commission) or other expected one-time expenses, and shall be governed by following formula."</i></p> <p>The O&M Expenses claimed by the Petitioner is based on actuals as per</p> | <p>i. The True-up O&M expenses claimed is majorly on account of pay revision-2022. As per Clause No.19.14, "Any increase in employee cost on account of pay revision etc. will be considered separately by the commission".</p> <p>In accordance with the regulations, actual expenditure amounting to Rs.245.45 Crs., incurred on account of Pay Revision is included in the Employees cost.</p> <p>ii. Increase in BTPS O&M Expenses:</p> <ul style="list-style-type: none"> • BTPS is a new station commissioned during FY 2020 – 21 (3 Units) & FY 2021 – 22 (1 Unit). • In the absence of base expenditure for projections, hon'ble commission has provisionally approved Rs. 159.96 Crs. in the MTR. • The actual expenditure incurred for FY 2022 – 23 at BTPS is Rs.392.56 Crs. • Thus, the impact of Variance in O&M Cost of BTPS is Rs. 232.60 Crs. <p>iii. Administrative and General Charges</p> <p>A&G Charges increased due to 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).</p> |
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| | <p>the Annual Audited Accounts for the FY 2022-23 and is ~146% of the O&M Expenses approved in the MTR Order. The Petitioner submission is therefore in non-compliance of the MYT Regulations 2019 and does not deserve attention.</p> <p>Notably, the Petitioner has placed excessive reliance on the Impact of Pay revision to account for the deviation in actual O&M expenses. Even otherwise, the claims made by the Petitioner is not in concurrent with the MYT Regulations 2019 which adequately provide for the one-time claims.</p> | |
| 5. | <p>Return on Equity</p> <p>The Petitioner has considered the Rate of Roe of 20.713% for thermal stations and run-of river stations and 22.049% for hydel stations with pondage by grossing up the base rate of 15.5% and 16.5% with the applicable Corporate Tax rate of 22% with applicable Surcharge and CESS of 10% and 4% respectively.</p> <p>It is pointed out that the Tax rate claimed by the Licensee is not in accordance with the MYT Regulations 2019 which provide for the consideration of Tax rate based on actuals. In such regard, the Tax rate must be considered in reference to the Audited Accounts for the FY 2022-23.</p> | <p>The true-up charges of ROE are on account of change in tax rate considered in computation of Return on Equity. The base rate of Return on Equity is considered as per Clause 11.2 of Regulation No. 1 of 2019.</p> <p>In the Mid – Term Review order Dt.23.03.2023 Hon’ble commission has approved ROE with MAT @ 17.872%.</p> <p>Whereas, TGGENCO opted new tax regime i.e, Section 115BAA, according to which base tax rate @ 22% plus applicable surcharge and cess (Effective tax rate is 25.168%).</p> <p>Further, as per clause 11.3.4 of Regulation No. 1 of 2019, ‘t’ “tax has to be paid estimated in line with the provisions of the relevant Finance Act applicable for that Financial year”. Considering the benefits of the TGGENCO opted New Tax Regime U/s 115BAA for FY 2022 – 23.</p> |
| 6 | <p>Additional Pension liabilities</p> <p>The Licensee has not submitted any reasons for the variations in respect of the contribution towards pension liabilities. Additionally, there is no documentary evidence to substantiate the claim of Additional Pension liabilities. Accordingly, the Hon’ble Commission is humbly submitted to disallow any such expense in the absence of necessitating information</p> | <p>a. Additional interest on pension bonds:</p> <p>As per Clause No.19.8 of TSERC Regulations 1 of 2019, the commission will follow the principle of “Pay as you go”.</p> <p>Actual expenditure incurred by TGGENCO towards Additional interest on pension bonds was Rs.1288.27 Crs. against which</p> |

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| | on record. | <p>Hon'ble commission has allowed Rs.1108.67 Crs. in MTR Dt.23.03.2023, hence a net amount of Rs.179.60 Crs. was claimed separately.</p> <p>Additional Pension Liabilities commitment is available in the audited Annual Accounts for the FY 2022 – 23 of TGGENCO. The same were made available in TGGENCO official website and also submitted to the Hon'ble commission.</p> |
| 7 | <p>Gains sharing on Operational parameters</p> <p>Regulation 6.9 of the MYT Regulations 2019 provide for a mechanism for pass through of gains or losses on account of controllable factors. The Licensee has not submitted the proposal for Gain sharing in respect of Variation in performance parameters, such as Availability, Auxiliary Consumption, Secondary fuel oil consumption, Gross Station Heat Rate. For instance, for KTPS V Genco, the actual SHR is 2307 kCal/ kWh (against normative of 2500 kCal/ kWh), the actual Secondary Fuel Oil Consumption is 0.523 ml/ kWh (against normative of 2 ml/ kWh). The Licensee has failed to pass on the impact of better operational performance to the consumers keeping them devoid of their rightful due.</p> | <p>In accordance with clause 3.12 and 3.13 the approved aggregate gain or loss to the Generating entity on account of controllable and un controllable factors shall be issued by Hon'ble Commission.</p> |


 16/10/2024
 Chief Engineer (L/A)
 Coal & Commercial
 TGGENCO, V.S. Hyderabad-82.