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 & Comml)/ SE(C&C)/ D.No: 160 /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.

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The replies to the Objections/Suggestions raised by Sri M Venugopala Rao, Sr. Journalist & Convener, Center for Power Studies 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**

Sri M. Venugopala Rao, Senior Journalist & Convener, Center for Power Studies, H.No. 1-100/MP/101, Monarch Prestige, Journalist Colony, Serilingampally (Mandal), Hyderabad-500032.

Sl. No	Objections	TGGENCO REPLY
1	As per the MYT Regulation No.2 of 2023, TGGENCO should have filed the subject petitions by 31.1.2024. Going by the date in the subject petition, GENCO has submitted the same on 20.9.2024. In other words, there is a delay of nearly seven months and 19 days. Whatever be the reasons given by GENCO, the avoidable delay in filing the subject petition is not justifiable.	The Hon'ble Commission had notified the TGERC MYT Regulation, 2 of 2023 in the month of Dec'2023 and informed TGGENCO to file MYT as per the New Regulation on or before 31.01.2024, 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. Further the model code of conduct from 16th March to 6th June was in force in Telangana (83 days). Due to the reasons furnished there is a delay in filing True-up & MYT petition. However, TGGENCO has submitted the petition along with the delay condonation petition, to the Hon' ble commission.
2	In response to my requests made in my preliminary submissions dated 23.9.2024, the Hon'ble Commission has conveyed in its reply dated 27.9.2024 that it "is not inclined to extend the last date for submission of objections/comments on the filings of Licensees." It has further stated that "in addition to submission of objections/comments, the stakeholders can also submit their objections/comments in the scheduled public hearings. The Commission recognizes the contribution of the submissions of knowledgeable and interested stakeholders and the same will be considered." Since the Hon'ble Commission has not responded to the reasons given by us in support of our requests, we are constrained to come to the conclusion that it is inclined to complete the entire regulatory process in eight petitions (now, one more petition of TGGENCO in OP No.22 of 2024 for extension of PPAs of some projects is also taken up by the Commission, inviting objections and suggestions to be submitted on or before 18.10.2024), including the subject petition,	In the purview of Hon'ble Commission.

	within the unreasonably short period of time and issue its orders and that it has condoned the delay in filing the subject petition. There is no response from the Commission to my subsequent submissions dated 27.9.2024. As such, we are making submissions on the petitions to the extent possible in view of the constraints of time given.	
3.	In the subject petition, TGGENCO has sought a true up of Rs.963.18 crore for the year 2022-23. It has shown an additional capitalization of Rs.402.05 crore and the depreciation is shown as lesser by Rs.18.93 crore for its power stations against Rs.1416.97 crore approved for the year 2022-23 in the MYT order. GENCO has claimed that it has adjusted Rs.226.96 crores from Rs.242.54 croe realized from sale of scrap of KTPS towards unabsorbed depreciation of the project as allowed by the Commission in the mid-term review order dated 23.3.2023. While additional capitalization is low, depreciation charges came down nominally. Moreover, no new generation station was added during 2022-23. However, GENCO has not explained the reasons for such a variation.	The additional capitalization considered for computation of depreciation in Mid-term Order dt. 23.03.2023 is of Rs. 1350.40 Crs. The additional capitalization claimed for FY 2022-23 is Rs. 402.05 Crs. The depreciation has been computed in accordance with clause No. 10 of TGERC Regulation No. 1 of 2019. a. In respect of BTPS Hon'ble commission has approved the additions to an extent of Rs.1079.28 Crs. in MTR. Whereas in computation of depreciation, Hon'ble commission has not considered these additions, which resulted in lesser approval of depreciation by Rs.56.99 Crs. (Approx.). Hence, the variance appears to be nominal. b. Further, in respect of KTPS O&M, unabsorbed depreciation was adjusted against the income realised from sale of scrap based on Clause No.4.7.8 of MTR order Dt.23.03.2023.
4.	Against Rs.1001.61 crore approved in the MTR order, GENCO has shown actuals at Rs.1945.66 crore, i.e., an increase by Rs.44.05 crore for interest on loan and finance charges. Similarly interest on working capital is shown as increased by Rs.70.74 crore. GENCO has explained that variation in interest and finance charges approved in MTR and true-up is on account of the variation in loan balances. When GENCO has claimed	Interest & Finance charges claimed by TGGENCO are in line with TGERC Regulations 1 of 2019. Loan base changes, based on the actual capital additions during the year. The interest and finance charges vary based on the rate of

	that depreciation has been considered as normative loan repayment, it has not explained as to how it is leading to variation in loan balances and whether depreciation is to be considered as per applicable rates permitted by the Commission or as normative loan repayment.	interest allowed by the lenders on the actual loan portfolio and rate of interest provisionally approved by the commission in MTR. The normative loan will be adjusted to actual capital additions/ deletions and depreciation allowed is considered as normative loan repayment during the year. <u>Reasons for change in Interest on Working Capital:</u> As the point is repetitive, detailed explanation is furnished in Point 5.
5	GENCO has shown higher expenditure by Rs.70.74 crore of interest on working capital. While claiming that the interest is considered as 9.44%, GENCO has not explained whether the increase in interest rate is due to variations in its rates or the higher expenditure is due to drawing higher working capital. Energy dispatched from thermal stations of GENCO during 2022-23 is shown as less than their threshold levels of PLF. In other words, compared to coal and oil required for generation at threshold levels of PLF and normative parameters determined by the Commission, purchase and consumption of coal and oil must be lesser. Moreover, GENCO has shown reduction of energy charges to Rs.7894.827 crore against Rs.7994.067 crore approved in the MTY, i.e., a reduction of Rs.99.24 crore. As per normative parameters determined by the Commission, requirements of working capital are being determined. In such a case, need for working capital and interest thereon must have come down.	Interest on working capital (IoWC) is calculated as per clause No. 13.3 of TGERC Regulation 1 of 2019. <u>Reasons for change in Interest on Working Capital:</u> a. Increase in Working Capital base: While determining the Mid-Term review order Dt.23.03.2023, Hon'ble commission has considered Rs.3451.65 Crs. (Rs.293.39 Crs./8.5%) as base working capital (Back calculation) for computing the IoWC component. Whereas, while computing the base working capital for True-up i.e, Rs.3857.31 Crs. (364.13/9.44%) TGGENCO has considered the Coal & Oil Costs incurred towards actual generation, O&M Charges and all the other components based on actuals. Due to the increase in base by Rs.405.66 Crs. there is an increase in IoWC by Rs.34.48 Crs.

		b. Increase in Interest Rate of on Working Capital: While determining the Mid-Term review order Dt.23.03.2023, Hon'ble commission has allowed IoWC @ 8.5%, as per clause No. 13.3 of TGERC Regulation 1 of 2019 Generating company can claim IoWC @ weighted average bank rate prevailing during FY 2022-23 plus 150 basis points (SBI MCLR – 7.94% + 150 Basis Points), Generator is eligible to claim IoWC @ 9.44%. Thus, resulted in increase in IoWC by Rs.36.74 Crs. Regarding energy charges, it is to clarify that, the amount of Rs.7,994.07 Crs. is the normative energy charges for the actual generation inadvertently shown under MTR approved by the commission. Whereas energy charges claimed Rs.7894.83 Crs. after passing on provisional credits of Rs. 99.24 Crs. to TGDISCOMS. The amounts were factored as additional information for clarity and comparison purpose. Moreover, Energy Charges are claimed by the Generator in line with regulations and will be admitted by the licenses after scrutiny of energy charges claimed through monthly energy bills and Fuel Cost Adjustment bills.
6	GENCO has shown incentive for its thermal stations to the tune of Rs.25.70 crore. It is for KTPP stage II and KTPS stage VI. Both the stations did not exceed their normative generation or threshold level of PLF. Therefore, the question of incentive for generation and supply of power exceeding the threshold level of PLF does not arise. Moreover, GENCO has claimed that energy charges for 2022-23 for both the stations have come down by Rs.99.806 crore for KTPP stage II and by Rs.148.071 crore compared to what is approved in the MYT - Rs.1427.174 crore for KTPP	In accordance with clause No. 21.4 of TGERC Regulation 1 of 2019, PLF Incentive to a Generating Station shall be payable at the rate specified in CERC Regulations, 2014 as applicable during control period. In the FY 2022 – 23, TGGENCO has claimed incentive in respect of KTPS VI & KTPP Stage II. KTPS VI 500 MW Plant, Generation at Target PLF (80%) is 3504.00 MU against which Normative Generation of 3742.7810

	stage II and Rs.1271.83crore for KTPS stage VI. GENCO has not explained how it has worked out generation eligible for incentive in view of the said position.	MU was achieved. As the Normative Generation exceeds the Target PLF by 238.7810 MU. Hence, KTPS VI is eligible for an incentive @ 50 Paise per Kwh, accordingly Rs.11.94 Crs were claimed. Similarly, in respect of KTPP Stage II 600 MW Plant, Generation at Target PLF (80%) is 4204.80 MU against which Normative Generation of 4480.1568 MU is achieved. As the Normative Generation exceeds the Target PLF by 275.3568 MU. Hence, KTPP Stage II is eligible for an incentive @ 50 Paise per Kwh, accordingly Rs.13.76 Crs were claimed. Detailed workings as per CERC Regulation, the incentive above Normative PLF has been computed and provided at Page No 31 of filings were furnished in Annexure VII (T)(i) of the filings.
7	GENCO has explained that out of Rs.792.06 crore of O&M expenses claimed under true-up, Rs.696.68 crore is towards employee expenses, i.e., pay revision, etc., alone. However, it has not given break-up of various components of O&M, including "additional pension liability," leave aside their permissibility. We request the Hon'ble Commission to examine the claims of GENCO in the light of applicable regulations and take appropriate decision on to what extent "the actual employee expenses for FY 2022-23 as claimed" are permissible. Similar yardstick may be applied for increased A&G expenses claimed "on account of wage revision for Security expenses."	In the Tariff filings, TGGENCO furnished the component wise actual expenditure of O&M Charges in Annexure – V (T). However, breakup is furnished below: Employee Cost - Rs.2,114.49 Crs. R&M Cost - Rs. 257.52 Crs. A&G Cost - Rs. 120.72 Crs. Total - Rs.2,492.72 Crs. Less: Approved - Rs. 1,700.66 Crs. Variance - Rs. 792.06 Crs. a. Reasons for variance in O&M Cost is as detailed below: i. For FY 2022–23, against TGGENCO claimed amount of Rs.1958.93 Crs, Hon'ble commission has allowed only Rs.1700.66 Crs. Due to the short allowance the variance increased 258.27 Crs. ii. Increase in BTPS O&M Expenses:

- 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 expenditure incurred at BTPS amounting Rs.392.56 Crs. is highly justifiable, due to below mentioned reasons:
    - As per clause No. 35(1(I)) CERC Regulations 2019, Normative O&M expenses of thermal generation stations of 250 MW Series is Rs.36.56 Lakhs/MW were allowed by the commission. If same were considered for BTPS the Normative O&M Expenses shall be Rs.394.85 Crs. Whereas, for BTPS O&M Expenses claimed were Rs.392.56 Crs., which is lower than the CERC Norm.
    - Further, O&M Charges approved by the commission for the FY 2022–23, with similar capacity of TGGENCO Thermal stations is detailed below:
      KTPS V & VI (1000 MW) – Rs. 377.83 Crs.
      KTPP I & II (1100 MW) –Rs. 343.51 Crs.
- Thus, the impact of Variance in O&M Cost of BTPS is Rs. 232.60 Crs.

iii. Administrative and General Charges
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). No Pay revision of TGGENCO is included in the A&G claims.

		iv. Pay Revision 2022 In the projections submitted for MTR FY 2022–23 & FY 2023–24, no provisions were created towards Pay Revision 2022-23. TGGENCO has approved Pay revision to its employee w.e.f 1.4.2022. As per Clause No.19.14 of TGERC Regulations 1 of 2019, "Any increase in employee cost on account of pay revision etc. will be considered separately by the commission. 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. b. Additional interest on pension bonds: This claim is not included in the O&M Charges. However, as per Clause No.19.8 of TGSERC Regulations 1 of 2019, the commission will follow the principle of "Pay as you go". Actual expenditure incurred by TGGENCO towards Additional interest on pension bonds was Rs.1288.27 Crs. against which 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.
8	GENCO has requested the Hon'ble Commission to approve the actual R&M expenses incurred "as per the unexpected needs arising during the regular overhaul of the stations, considering the fact that not attending the identified issues shall result in loss of availability the unexpected needs are attended." GENCO has neither shown the amounts claimed to have been spent accordingly, nor has it explained how and for which plant such expenses were incurred and the benefits, if any, derived and to be derived. Since normative provisions have been made in the MYT order for R&M expenses every year, prudent expenditure is expected to be within those limits. Therefore, we request the Hon'ble Commission to reject such unsubstantiated claims of GENCO, after determining their	TGGenco has submitted the actual R&M Expenses for FY 2022-23 in Annexure – V (T). For certain stations are lower than the approved R&M expenses and are higher for certain stations and the same is considering the fact that the actual R&M Expenses are incurred as per the unexpected needs arising during the regular overhaul of the stations. Plant wise overhaul details were submitted to the Hon'ble commission as additional data, for favourable consideration.

	permissibility or otherwise.	
9	GENCO has claimed a sum of Rs.174.19 crore for true-up under return on equity against Rs.1812.69 crore for 2022-23 approved in the MTR order. GENCO has not explained how did equity of GENCO in the existing projects increase during the FY under consideration and justification and permissibility for the same. Therefore, we request the Hon'ble Commission to reject the claim of GENCO for true-up under return on equity.	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. In the Mid – Term Review order Dt.23.03.2023 Hon'ble commission has approved ROE with MAT @ 17.872%. 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%). It is to inform that, equity of TGGENCO has not increased during the FY 2022-23; instead the equity base under true – up (i.e., 9478.31 Crs.) has decreased when compared to MTR approved equity base (i.e., Rs.9,537.58 Crs). The claim of true-up in ROE is Rs.174.19 Crs. is due to the following: Change in Tax Rate - Rs.186.47 Crs. Change in Equity base - (-) Rs. 12.28 Crs. Net Diff. - Rs. 174.19 Crs. <u>Reasons for opting New Tax Regime</u>: Hitherto FY 2020-21, TGGENCO followed the old tax regime Normal provisions @ 30% plus applicable surcharge and cess (Effective tax rate is 34.609%) or MAT @15% plus applicable surcharge and cess (Effective MAT rate is 17.19%) whichever is higher. Due to discontinuance of 80IA (exemption of profits earned from the investments made in infrastructure projects) benefits from the FY 2017-18, and setting up of new projects like KTPS VII stage, BTPS and YTPS after FY 2018-19, TGGENCO decided to opt new tax regime i.e, Section 115BAA, according to which tax rate @ 22% plus applicable surcharge and cess

		(Effective tax rate is 25.168%). In the old system due to 80IA allowance and excess deprecation as per Income tax, TGGENCO had to pay MAT rate, and credit for the MAT can be availed when tax liability higher as per normal provisions. However, due to commercial operation of new units KTPS VII and BTPS, and expected commercial operation of YTPS results in excess income tax depreciation due to which TGGENCO cannot claim MAT credit. Hence, TGGENCO opted to new tax regime from FY 2020–21, as per section 115BAA to avoid higher tax payment at 34.609% as per normal provisions of Income Tax Act 1961.
10	The claims for true-up under various heads shown by GENCO should have been or must have been included in the monthly bills during 2022-23. The very fact that GENCO is making the said claim under true-up indicates that either it did not include the variations in its monthly bills for supply of power made or that the DISCOMs did not consider such claims as permissible. As two of the respondents, TGSPDCL and TGNPDCL should respond to the true-up claims of GENCO for 2022-23. We request the Hon'ble Commission to get responses or counter of the respondents, including ESCOMs the state of Karnataka, in its web site, along with submissions of objectors in time to enable us to study the same and make further submissions.	The Provisional Fixed Charges were raised on TGDISCOMs and ESCOMs as approved in Mid-term Order dt. 23.03.2023. In accordance with clause No. 3.13 TGERC Regulation 1 of 2019, the Generating entity shall file a petition for Review and Truing-up of the Aggregate Revenue Requirement and Revenue. Also the review shall be a comparison of the actual operational and financial performance vis-à-vis the approved forecast. Further the Commission shall pass an order recording approved gain or loss. In accordance with the Regulation, the True-up proposal has been submitted to the Commission.
11	Apart from the claimed true-up for 2022-23, what are the accumulated dues, if any, to GENCO from TGDISCOMS and other respondents? Did GENCO include surcharge for belated payment by the DISCOMs for 2022-23, and, if so, how much?	As disclosed in audited annual accounts for the FY 2022 – 23, Accumulated dues receivable from TGDISCOMS as 31.03.2023 are Rs.9859.01Crs. Further, TGGENCO did not levy, any surcharge for belated payments receivable from TGDISCOMS for the FY 2022 – 23.

	MULTI-YEAR TARIFF PETITION FOR THE 5TH CONTROL PERIOD:	
1	In addition to energy charges per unit for each thermal plant, GENCO has projected a huge sum of Rs.43713.14 crore towards fixed charges for the entire 5th control period from 2024-25 to 2028-29. The following projections (Rs. in crore) are made by GENCO for the 5th control period: Depreciation — Rs. 4636.35 crore Interest on loan and finance charges — Rs. 4789.86 crore Interest on working capital — Rs. 1664.46 crore O & M expenses — Rs. 14129.07 crore Return on equity — Rs. 10722.02 crore Non-tariff income — Rs. (-) 593.329 crore Addl. Pension benefits — Rs. 8205.46 crore Water charges — Rs. 169.25 Crore Total fixed charges — Rs. 43713.14 Crore	The projections of Fixed Charges proposed for 5th control period has been computed in accordance with TGERC Regulations 2 of 2023.
2	GENCO has maintained that, while approving capital investment plan for the 5th control period, the Commission has not approved certain claims by either deferring the claim for submission at the time of true up or by stating non-conformation with TGERC Regulation No.1 of 2019. For KTPP I and II and KTPS V & VI, the Commission directed to claim additional capitalization towards FGD during the time of true up in the year which the FOD works are carried out. While pointing out that, for the works which are not allowed as the same were out of scope of original works or falling out of cut-off date of the project, GENCO has requested the Commission to consider the same as additional capitalization, since such works are either genuinely required for the efficient operation of the project or such works are falling beyond cut-off date of the project on account of factors which GNECO is claiming are not fully under its control. After declaration of COD of the project concerned, as approved by the Commission, GENCO is not entitled to claim additional capital cost and additional capitalization as it likes. Such an approach goes against the	Out of the total capitalization proposed Rs.4,277.69 Crs., for the 5th control period, an amount of Rs.3588 Crs. are relating to KTPS VII & BTPS. The works are covered under original scope of the project cost. Most of them are provisionally approved by Hon'ble commission (Except KTPS VII Stage Quarters Rs.524 Crs.). Those works are under progress and anticipated completion during the period FY 2024 – 29. The remaining amounts are mostly related to KTPS V Rs.107.24 Crs. and Hydel stations Rs.492 Crs. These units are already completed their useful life and requires certain essential works for smooth operation of these units.

	prudent approach of need for completing the project within stipulated time and cost. If such works were genuinely required for efficient operation of the project, they should have been incorporated in the DPR and capital cost proposed originally. GENCO has not even explained what those works were and how and why they were not proposed in the DPR and what were the factors beyond its control. Therefore, we request the Commission not to allow such additional capital expenditure and additional capitalization.	
3	GENCO has pointed out that for certain amount claim of additional capitalization, the Commission has not approved its claim, as it is not substantiated with documentary evidence of test results or independent agency reports. GENCO has submitted that, considering the order of the Commission, some of the works are proposed to be dropped. In other words, GENCO is admitting that the works proposed to be dropped are not required and justified and that it is in the habit of proposing works which are not "genuinely" required. For works which GENCO has claimed are "genuinely required for efficient operation of the plant," it has requested the Commission to approve its claim of such additional capitalization, proposing to submit "documentary evidence for such works" during the true up. The failure of GENCO to submit required documentary evidence to establish that those works are genuinely required for efficient operation of the plant, how efficiency in operation of the plant would enhance on account of those works and additional benefit that would accrue shows inefficiency in its approach, planning and functioning. The requests of GENCO should be rejected.	
4	Similar submissions are made by GENCO for "certain works which are genuinely required for the efficient upkeep of the assets" which it has claimed to have observed in the course of time after submission of capital investment plan on 1.4.2023. Here, too, we request the Hon'ble	

	Commission to reject the requests of GENCO for the reasons explained above.	
5	GENCO has proposed continuous hike in depreciation charges during the 5th control period on yearly basis - from Rs.779.74 crore for 2024-25, Rs.866.56 crore in 2025-26, Rs.970.44 crore in 2026-27, Rs.1003.83 croe in 2027-28 and Rs.1005.83 crore in 2028-29. Most of the plants of GENCO are old ones. As such, depreciation should show a declining trend year on year. Obviously, GENCO has included capital expenditure for works which the Commission did not allow in the investment plan for the 5th control period or yet to examine and consider in the subject petition. Therefore, we request the Hon'ble Commission to prune the depreciation charges proposed by GENCO for the reasons explained in paragraphs 2, 3 and 4 above.	In accordance with clause No. 28 of TGERC Regulation depreciation shall be computed annually based on the straight line method on the basis of the expected useful life. Accordingly, the balance depreciation values are spread over the balance life of the respective station. There are additional capitalization proposed for stations and accordingly, the depreciation has been increased.
6	GENCO has claimed that the interest on loan has been calculated on the normative loan balance for the year by applying the weighted average rate of interest. Interest has to be paid on actual balance of loan at applicable rates, not on normative loan balance. Here, too, loan components, if any, spent for works not approved by the Commission should not be considered for calculating interest to be paid on loans.	In accordance with clause No. 31.6 of TGERC Regulation 2 of 2023, the interest on loan shall be computed on the normative average loan of the year by applying the weighted average rate of interest.
7	Interest on working capital (IoWC) has been considered as 10.15% for the 5th control period, based on the rate prevailing as on 15.12.2-23 by GENCO. The weighted average landed price of coal and oil for the last quarter of 2023-24 is considered for 2024-25 with 3% escalation year on year till 2028-29. Escalation for a period of four years should not be considered in advance, as any variation in energy charges can be shown in monthly bills and collected from the DISCOMs as per applicable terms and conditions in the PPAs of the thermal plants concerned.	In accordance with clause No. 46.4 of TGERC Regulation 2 of 2023 the landed cost of primary fuel and secondary fuel for tariff determination shall be based on actual weighted average cost of primary fuel and secondary fuel of the three (3) preceding months shall be taken into account. Further based on actual price of primary and secondary fuel the Energy Charge Rate will be adjusted in accordance with clause No. 46.5 of TGERC Regulation 2 of 2023. Escalation of landed price of coal and secondary fuel is considered based on the increase in

		coal price by M/s SCCL and oil rates of and M/s IOCL and M/s BPCL.
8	GENCO has claimed that most of the employees cost of common services viz., colonies, office buildings, schools, etc., for KTPS O&M and KTPS VII are met in KTPS O&M. The Hon'ble Commission is aware that to our suggestion that expenses for colonies of employees should be borne by SCCL in view of the substantial profits it has been earning on its thermal power project, the Company agreed and withdrew its claims. We request the Hon'ble Commission to see that a similar adjustment of such expenses is made in the case of APGENCO's projects also. GENCO has maintained that, in respect of BTPS, average of 2 years (FY 2022-23 and FY 2023-24) of employee, R&M and A&G expenses are considered for arriving base year expenses for the 5th control period. These expenses should be considered based on what the Commission approves them for the FY 2022-23 in the true-up exercise.	As per TGERC Regulations 2 of 2023, Dt.30.12.2023, building used for housing the operating staff of a generating Station is an integral part of the generating stations. Accordingly, colonies expenditure is part and parcel of the generating stations. Whereas, TGGENCO is completely engaged in generation and sale of power to TGDISCOMS only. The quarters are being allotted to TGGENCO employees only. Further, determination of O&M expenses is in the purview of Hon'ble Commission.
9	GENCO has maintained that employee and A&G expenses have been arrived for the 5th control period based on average of actual expenses for the 4th control period and escalated with CPI and WPI of 5.8% and 4.90%, respectively. However, true-up exercise for the last two years of the 4th control period is yet to be undertaken by the Commission. Without determining permissibility of the expenses for the last two years of the 4th control period, taking average of the expenses for the entire 4th control period would lead to inflated O&M expenses for the 5th control period. We request the Hon'ble Commission to take a realistic view and determine O&M expenses for the 5th control period appropriately.	O&M expenses were computed based on the Hon'ble TGERC Regulations 2 of 2023, Dt.30.12.2023. Further, determination of O&M expenses is in the purview of Hon'ble Commission.
10	Return on equity should be determined as per applicable rates., after deducting impermissible components of equity being claimed by GENCO.	Return on Equity is computed based on the Hon'ble TGERC

	We have been repeatedly submitting to the successive Commissions to give a piece of advice to GoTS to take over pension liabilities of its power utilities once for all, as imposing such liabilities, including interest thereon, over the years on the consumers is unfair for the reasons explained in detail in our earlier submissions. However, there has been no positive response so far. When GENCO has requested the Commission to allow it to submit actual expenses during true up of respective year, need for allowing additional pension liability as a separate item in the MYT is unwarranted.	Regulations 2 of 2023, Dt.30.12.2023. Additional interest on Pension and Gratuity bonds issued to Master Trust cannot be claimed under employee cost, since it is actual pension and gratuity paid to employees, Pensioners of the erstwhile APSEB for services rendered prior to 01.02.1999, over and above the scheduled repayment as per the terms of the Pension and Gratuity bonds. The additional interest is admissible separately as per the orders of the Hon'ble TGERC and erstwhile APERC orders up to 2028-29 and for pensioners of the erstwhile APSEB up to 2033-34. The additional interest pertaining to pensioners and family pensioners of all APSEB employees and pensioners drawing pension from TGGENCO, TGTRANSCO, TGSPDCL and TGNPDCL and does not pertaining to TGGENCO stations alone.
11	GENCO has submitted that the weighted average landed price of coal and secondary oil for the last quarter of 2023-24 is considered for FY 2024-25 with 2% escalation year on year till FY 2028-29. It needs to be examined how coal and secondary fuel were procured for the last quarter of 2023-24, from which sources and at what cost, as well as mode of transportation and its costs, and whether similar pattern would be applicable for the 5th control period, before determining energy charges. In any case, GENCO has maintained that actual energy charges shall be claimed as per the actual price of primary fuel and secondary fuel and GCV as per the applicable Regulations.	In accordance with clause No. 46.4 of TGERC Regulation 2 of 2023 the landed cost of primary fuel and secondary fuel for tariff determination shall be based on actual weighted average cost of primary fuel and secondary fuel of the three(3) preceding months shall be taken into account. Further based on actual price of primary and secondary fuel the Energy Charge Rate will be adjusted in accordance with clause No. 46.5 of TGERC Regulation 2 of 2023.
12	GENCO has requested the Commission to allow auxiliary consumption of BTPS as 8.792% against 8.5%, as certain modifications were carried out to Boiler and ESPs. How and why modifications for boiler and ESPs were carried out, leading to increase in auxiliary consumption, is not explained	The reasons for modifications of ESPs and Boiler auxiliaries as per the new MoEF &CC norms are as follows: 1. It is essentially required for modification in ESP and associate

	by GENCO. Therefore, claimed increase in auxiliary consumption should not be permitted.	system to meet particulate emission level of 30mg/MN3 from 50 mg/NM3. 2. Modifications in Boiler auxiliaries to keep a provision for inclusion of SCR to achieve a NOx level of 100mg/NM3 from existing 260mg/NM3. Considering the above reasons, the auxiliary consumption of BTPS is increased to 8.79%.
13	The items mentioned under payment mechanism must have been incorporated in the PPAs and approved by the Commission. If so, all those need to be implemented.	Not under Purview of TGGENCO.

16/10/2024

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