



**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 Nyantran Bhavan,  
GTS Colony, Kalyan Nagar,  
Hyderabad-500045.

Lr.No: TGGENCO/CE (Coal & Comm1) / SE(C&C)/ D.No: 163 /24, dt: 18.10.2024

Sir,

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

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The replies to the Objections/Suggestions raised by Sri I. Gopinath, Chief Executive Officer, South Indian Cement Manufacturers Association (SICMA) on True up of Generation Tariff for FY: 2022-23 and Multi Year Tariff for the 5<sup>th</sup> Control Period (FY 2024-29) Petitions are herewith enclosed.

Encl: As above

Yours faithfully

*Chs*  
18/10/2024  
Chief Engineer (L/A)  
(Coal & Commercial)  
TGGENCO/VS/HYD

➤ Copy to

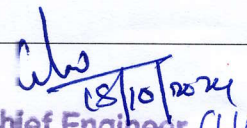
Sri I. Gopinath, Chief Executive Officer, South Indian Cement Manufacturers Association (SICMA), Administrative office: 3<sup>rd</sup> Floor, 36<sup>th</sup> Square, Plot No. 481, Road No.36, Jubilee Hills, Hyderabad-5000034.

Sl. No	Objections	TGGENCO REPLY
2	<p><b>Timeliness of filing:</b></p> <p>Regulation 6 of the TSERC (Multi Year Tariff) Regulation, 2023 specifies that the MYT petition should be submitted by 30<sup>th</sup> November of the year proceeding the first year of the Control period. This includes the True-up for the preceding year. Therefore, the petition should have been filed by TGGENCO by November, 30, 2023. However, the current petition was submitted approximately 10 months late, in September 2024, which the Objector believes is inappropriate.</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 19<sup>th</sup> March to 6<sup>th</sup> 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><b>Lack of Audited Accounts</b></p> <p>The Truing up process requires actual expense data from the Annual Revenue Requirement (ARR). The MYT Regulations of 2019 mandate that audited accounts be submitted with the petition. Specifically, Regulation 2.2 states that the accounting statements must include cost records prescribed under the companies Act,2013 along with necessary supporting documents. The petitioner has not submitted the audited accounts for FY 2022-23 and has also failed to provide auditor certification for claims related to Non-tariff Income and prior income. Therefore, the Licensee should be directed to submit the Annual Audited statement of Accounts along with this petition.</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>
4.	<p><b>Operations and Maintenance (O&amp;M) Expenses:</b></p> <p>According to Regulation 19 of the MYT Regulations 2019, O&amp;M expenses must be calculated based on specific norms. The petitioner claims O&amp;M</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</p>

<p>expenses based on actual figures from the Annual Audited Accounts for FY 2022-23, which amounts to approximately 146% of the O&amp;M expenses approved in Multi-Year Tariff Order. This submission does not comply with MYT Regulations 2019. The petitioner has excessively attributed the increase O&amp;M expenses to pay revisions, which is not consistent with the provisions of the MYT Regulations.</p>	<p>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> <p>i. The True-up O&amp;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. <b>Increase in BTPS O&amp;M Expenses:</b></p> <ul style="list-style-type: none"> <li>• BTPS is a new station commissioned during FY 2020 – 21 (3 Units) &amp; FY 2021 – 22 (1 Unit).</li> <li>• In the absence of base expenditure for projections, hon'ble commission has provisionally approved Rs. 159.96 Crs. in the MTR.</li> <li>• The actual expenditure incurred for FY 2022 – 23 at BTPS is Rs.392.56 Crs.</li> <li>• Thus, the impact of Variance in O&amp;M Cost of BTPS is Rs. 232.60 Crs.</li> </ul> <p>iii. Administrative and General Charges</p> <p>A&amp;G Charges increased due to increase in security guard charges due to implementation of Pay Revision by Government</p>
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		of Telangana and also due to increase in electricity charges towards colony consumption (earlier colony consumption was included in auxiliary consumption).
5.	<p><b>Return on Equity</b></p> <p>The Petitioner has proposed a RoE of 20.713% for thermal stations and 22.049% for hydel stations by grossing up the base rates with applicable corporate tax rates. However, the tax rate used by the Licensee does not align with the MYT Regulations 2019 which require the tax rate to be based on actual from 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><b>Additional Pension liabilities:</b></p> <p>The Licensee has not provided reasons for the variations in contribution toward pension liabilities nor has submitted documentary evidence to support the claims for additional pension liabilities. Consequently, , Commission is urged to disallow these expenses due to lack of supporting 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 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 are due to increase</p>

		in Pension and Gratuity Commitment paid to Pensioners of TGSPDCL, TGNPDCL, TGTRANSCO and TGGENCO on account of Pay revision and 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.
7	<p><b>Gains sharing on Operational parameters:</b></p> <p>Regulation 6.9 of the MYT Regulations 2019 outlines a mechanism for the pass-through of gains or losses related to controllable factors. The Licensee has not submitted a proposal for gain sharing related to variations in performance parameters for FY 2022 - 23. For instance KTPS V Genco's, actual Gross Station Heat Rate (SHR) was 2307 kCal/ kWh compared to a normative 2500 kCal/ kWh, and the actual Secondary Fuel Oil Consumption was 0.523 ml/ kWh against a normative 2 ml/ kWh. The Licensee's failure to share the benefits of improved operational performance with consumers is a significant oversight.</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 will be shared with DISCOMS as per the Clause 6.9 of TGERC Regulations, 1 of 2019.</p>

  
 18/10/2024  
 Chief Engineer (LA)  
 Coal & Commercial  
 TGGENCO, V.S. Hyderabad-82.