

To, The Secretary, T.S. Electricity Regulatory Commission, 5 <sup>th</sup> Floor, Singareni Bhavan, Red Hills, Lakdi ka pool, Hyderabad – 500 008	From, M. Thimma Reddy, Convenor, People’s Monitoring Group on Electricity Regulation, H.No: 3-4-107/1, (Plot No:39), Radha Krishna Nagar, Attapur, Hyderabad – 500 048
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Date: 24-01-2024

Dear Sir;

Sub: - Comments on TSDISCOMs’ filing for Annual Performance Review (true-up/down) of distribution business for the FY 2022-23.

Ref: - Public Notice dated 02-01-2024 in O.P. Nos: 37 and 38 of 2023

1. The following are our comments/suggestions on TSDISCOMs’ filing for Annual Performance Review (true-up/down) of distribution business for the FY 2022-23 in response to Public Notice dated 02-01-2024 in O.P. Nos: 37 and 38 of 2023.

2. Through the above petitions towards Annual Performance Review (true-up/down) of distribution business for the FY 2022-23 TSNPDCL has shown true-down to the extent of Rs. 780.09 Crore and TSSPDCL has shown true-down to the extent of Rs. 319.80 Crore.

**O&M Costs:**

3. TSNPDCL has reported Rs. 278.70 Crore less net O&M expenditure compared to the quantum approved by the Commission during the FY 2022-23. During this period TSNPDCL recorded Rs. 387.13 Crore less employee costs than that approved by the Commission. During this period TSSPDCL has reported Rs. 131 Crore higher net O&M expenditure compared to the quantum approved by the Commission. Higher employee costs to the extent of Rs. 81.16 Crore contributed to the higher net O&M expenditure of TSSPDCL. TSSPDCL attributed this higher O&M costs to revision of pay scales in 2022. As both the DISCOMs present contrasting picture in the case of O&M costs the same needs to be subjected to scrutiny.

**Capital expenditure:**

4. Both the TSDISCOMs report lower capital expenditure than that approved by the Commission during the FY 2022-23. While NPDCL reported Rs. 286.49 Crore less return on capital employed (RoCE) SPDCL reported Rs. 281.19 Crore less RoCE than approved by the Commission during this period. Similarly, NPDCL reported Rs. 219.75 Crore less depreciation and SPDCL reported Rs. 238 Crore less depreciation than approved by the Commission for the FY 2022-23. TSDISCOMs attributed this to less capitalisation in fixed assets compared to the approved numbers. From their filings it is not clear to what extent this was due to price factors and to what extent due to under achievement in installing sub-stations, DTRs and laying distribution lines. While TSSPDCL provided some monetary information scheme wise no information is available on physical achievements. We request the Commission to direct TSDISCOMs to provide comparative information on erection of sub-stations and DTRs and laying distribution lines. While lower capital expenditure during the year may appear like savings actually it may represent inefficient execution of capital assets.

**Special appropriation for safety measures:**

5. The Commission allowed each DISCOM to spend Rs. 20 Crore towards safety measures under special appropriation to bring down the number of electrical accidents. SPDCL reported that it has spent Rs. 5.82 Crore towards safety measures. NPDCL has shown Rs. 24.72 Crore opposite special appropriation. But this included compensation paid towards electrical accidents – no division is shown between safety measures and compensation. SPDCL has claimed Rs. 19.76 Crore towards compensation. Both DISCOMs did not report the number of fatal accidents covered under compensation. One thing is clear from this: there was no let up in fatal electrical accidents in the state. They routinely list the measures taken but they do not seem to have any impact on the ground. To assess the ground situation a third-party safety audit of electrical installation needs to be taken up. The unspent amount under special appropriation may be used for this purpose.

6. NPDCL and SPDCL claim Rs. 16.54 Crore and Rs. 34.69 Crore respectively towards price/cost variation. But no explanation is provided for the same.

We request the Commission to take our above submissions on record.

Thanking you.

Sincerely yours,

M. Thimma Reddy.

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