

September 30, 2022

**The Secretary**  
TSERC ,# 11-4-660,  
Singareni Bhavan,  
Lakdi-ka-pul, Red Hills, Hyderabad – 500 004

**Subject: Comments and Suggestions on petitions by TS DISCOMs (TSSPDCL and TSNPDCL) for true-up for distribution business for 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Control Periods (FY2006 to FY2019)**

Dear Sir,

We are attaching a short submission with comments on the subject. We request you to kindly take this on record.

Thanking you,  
Yours truly,

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## **Prayas Comments and Suggestions on petitions by TS DISCOMs (TSSPDCL and TSNPDCL) for true-up for distribution business for 1st, 2nd and 3rd Control Periods (FY2006 to FY2019)**

From the petitions, it appears that true-up filings for all the three control periods and annual performance reviews for two years of the 4<sup>th</sup> control period were submitted September 2021. This itself amounts to a very long delay. The formats of the petition are not at all user friendly and many issues are not explained in detail. Our submission addresses some of these areas.

### 1. Delay in submission of true-up petitions

Public notice inviting comments were released in August 2022, and from the DISCOM petitions it appears that they were submitted to TSERC in September 2021. DISCOMs have given reasons for the delay, which includes issues with state re-organisation and UDAY program. Delay in true-up filing leads to higher carrying costs to the DISCOM, which have to be borne by the consumers or the government. Hence any delay in completing the true-up process (covering the filing of petition and issuing of order) impacts the consumer. Since the state government and DISCOMs are mostly responsible for this delay, it is fair that they should bear at a majority proportion of the cost of true-up. It is important to fix responsibility for this inordinate delay, and ensure that this is not repeated. TSERC could take proactive action if there is such delays in future.

### 2. User un-friendly formats of the petitions

The two petitions run into hundreds of pages, most of which are in pdf scan format. TSPDCL petition is 526 pages long and TSNPDCL one is 257 pages long. Out of the total of 783 pages, 80% are utilisation certificates, with no details, but appear after the petition of each control period. Table of contents and summary of the petitions are not available. Quite a few pages have been scanned upside down or in transpose, making it very difficult to read. There is no uniformity in format also. For example, TSPDCL summary Tables for a control period (giving break-up or ARR, Revenue and Gap) have total for each control period. For TSNPDCL, total is available only for the 3<sup>rd</sup> Control period. Since the document is not searchable or amenable to copying, it takes a very long time to analyse the numbers.

We strongly suggest that the petitions should be filed in a uniform format prepared by TSERC and all the important data tables should be made available in spread sheet format. This will improve the quality and quantity of public participation.

### 3. Scrutiny of some crucial parameters

All the Tariff orders have allocated special provisions for safety measures. An analysis of the petitions shows that there was underspending in 1<sup>st</sup> Control period, overspending in the 2<sup>nd</sup> Control period and very significant underspending in the 3<sup>rd</sup> Control period. This is indicated in Table below, which shows the approved and actual expenditure on safety for the whole state, for the three control periods.

	1st CP	2nd CP	3rd CP
Approved Rs Cr	30	50	493
Actual Rs Cr	22	127	133
% Utilisation	73	255	27

Source: Compiled by Prayas (Energy Group) from the submissions of both DISCOMs

As indicated by data from CEA or National Crime Records Bureau, the number of accidents in the state has been increasing. Hence it is important to understand the efficacy of these investments. Electricity accidents are an unfortunate side effect of electrification and require capital expenses, awareness building and allocation of human resources to reduce their incidence.

For optimal utilisation of such special allocation, we suggest that TSERC commission third party safety audit of the DISCOMs. The objective could be to short list the causes of accidents and measures to reduce them in a planned fashion of the next 5-10 years.

Another important aspect of rural supply is the rate of Distribution Transformer (DT) failures. As per the TSNPDCL petition, the percentage of DT failures increased from 10% in FY2010 to 15% in FY2014 (calculated based on data available on pdf page 34 of the TSNPDCL petition). It is surprising that this has happened even though the R&M cost for DTs have significantly increased from Rs. 15.66 Cr (FY2010) to Rs 41.4 Cr (FY2010), which implies a per DT R&M cost increase from Rs. 1046 lakh/DT (FY2010) to Rs. 1979 lakh/DT (FY2014). This also needs close scrutiny.

### 4. Clarifications on UDAY adjustment

An important component of true-up is related to UDAY adjustment. DISCOM petitions mention that state contribution has been in the form of equity infusion and hence they have claimed 12% RoE. They also suggest that the UDAY related savings that were adjusted in the TSERC tariff orders of FY2018 and FY2019 need to be compensated.

UDAY scheme was intended to help the DISCOMs out of the high debt burden, which was resulting in high interest burden, which would affect the consumer tariff. State take-over of the debt burden was to make the DISCOMs debt free and thus help in tariff benefits to the consumers. Table below is taken from Section 1.2 (b) of the tri-partite UDAY agreement that was signed between the Ministry of Power (GoI), Government of Telangana and the DISCOMs on 4/1/2017.

**(Rs. in Crores)**

Year	Total Debt taken over	Transfer to the DISCOMs in the form of Grants	Transfer to the DISCOMs in the form of Loan	Transfer to the DISCOMs in the form of Equity	Outstanding State Loan of the DISCOMs
Year - 1 (By 31-03-2017)	75% of the total debt i.e. Rs. 8923 Crs.	50% of Rs 8,923 cr – Rs 4,462 crs to be taken over in 2016-17	25% of Rs 8923 crs – Rs 2230 crs *	25% of Rs 8923 crs – Rs 2,231 crs will be issued in 2016-17	Rs. 2230 Crs

\* Discoms to pay the interest on loans till takeover by GoTS. The loan to be taken over by GoTS in the year 2017-18.

It is clear from the Table that only 25% of the debt was to be transferred to DISCOMs in the form of equity. But the petitions mention that 75% of the debt is equity infusion. The process of UDAY adjustment by DISCOMs requires a closer scrutiny.

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