SOUTHERNPOWER DISTRIBUTION COMPANY OF TELANGANA LTD.

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NORTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LTD.

RESPONSES TO OBJECTIONS / SUGGESTIONS

On

DB true up and APR Petitions

INDEX

S. No.	Name and Address of the Objector	Pg. No.
1	Gopinath Injeti, CEO, SICMA (South Indian Cement Manufacturers' Association), 3rd Floor, 36th square, Plot No. 481, Road No. 36, Jubilee Hills, Hyderabad – 500034, Telangana	
2	T. Sujatha, Dy. CEO, FTCCI (The Federation of Telangana Chambers of Commerce and Industry), Federation House Federation Marg, 11-6-841, Red Hills, Hyderabad 500004, Telangana India, Ph: 91-040-23395515 to 22, Email id:- info@ftcci.in	
3	Vinod Kumar Agrawal, General Secretary, Telangana Iron And Steel Manufacturers Association (TISMA), Flat No.101, 1st Floor, Satya Sarovar Apt., Ghansi Bazar, Near High Court,Hyderabad-500002 Telangana.	
4	R K Agarwal, Chairman, Telangana Spinning & Textile Mills Association, Surya Towers, 1st Floor, SP Road, Secunderabad -500003, Ph: 91-040-27846837, M: 9849028556, Email: contact.tstma@gmail.com	
5	M. Venugopala Rao, Senior Journalist & Convener, Centre for Power Studies H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Serilingampally Mandal, Hyderabad – 500 032	
6	Sreekumar Nhalur, Prayas (Energy Group), Unit III, Devgiri, Joshi Museum Lane, Kothrud Industrial Area, Kothrud, Pune - 411 038, India, Phone: +91-20- 2542 0720, Fax: 2543 9134; Website : www.prayaspune.org/peg	
7	Arun Lahoti, Secretary, Telangana and Andhra Plastics Manufacturers Association, 914, 9th floor, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad, 500001 Telangan, Ph. +91-40-23203191, M. No: 9030370464, Email: info@taapma.com.	

1.Gopinath Injeti, CEO, SICMA (South Indian Cement Manufacturers' Association), 3rd Floor, 36th square, Plot No. 481, Road No. 36, Jubilee Hills, Hyderabad – 500034, Telangana 2. T. Sujatha, Dy. CEO, FTCCI (The Federation of Telangana Chambers of Commerce and Industry) 4. R K Agarwal, Chairman, Telangana Spinning & Textile Mills Association 7. Arun Lahoti, Secretary, Telangana and Andhra Plastics Manufacturers Association		
S.No	**Summary of Objections / Suggestions**	**Response of the Licensee**
1	**Inadequate data /details /documentary evidences provided:** It is to be noted that the TS Discoms have filed the True-up Petitions for their Distribution Business for FY 2006-07 to FY 2020-21. The said submissions of both the Discoms are inadequate in the terms of details/data/justification/documentary evidence provided for the true-up claims made by TSSPDCL and TSNPDCL The Objector has already addressed the same issue before Hon'ble TSERC via its Letter dated 29th August, 2022. However, the Objector has neither received any replies nor the requested information from the TS Discoms.	TS Discoms, along with the Petitions and as part of reply to the additional information requirement sought by the Hon'ble Commission have submitted most of the information requirement as pointed by the objector and the same are available in their respective websites.
1.2	• To reiterate what is mentioned in the letter, the Objector is pointing out the detailed data and documentary evidence supporting such data which are not furnished by the Petitioners in the instant Petitions:	

	• Formula-linked workable excel model for True-up Petitions filed by TSNPDCL and TSSPDCL for FY 2006-07 to FY 2020-21. • Mapping of each Financial Certificate with the associated work and cost (along with soft copies of work and cost details) for each year from FY 2006-07 to FY 2020-21 for both TSNPDCL and TSSPDCL; • Complete set of Audited Reports/Accounts for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21; • Formula-linked workable excel model of Fixed Asset Register for every year from FY 2006-07 to FY 2020-21; • Reconciliation Statements for each year from FY 2006-07 to FY 2020-21 of the True-up Amounts for each ARR element claimed by TSNPDCL and TSSPDCL with the Audited Reports/Accounts for TSNPDCL and TSSPDCL from FY 200607 to FY 2020-21; This should also include the break-up between Retail Supply Business and Distribution Business for each cost and revenue element; • All Actuarial Valuation Reports for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21; • Detailed Report on Wage Revision Impact for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21; • Detailed explanation with supporting documents for increase in Repair and Maintenance Expenses for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21; • Detailed explanation with supporting documents for increase in Administrative and General Expenses for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21; • All Tax Evaluation Reports and Tax Assessment Orders for	

	TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21; • All Orders of the Hon'ble TSERC in O.P. No.s 39, 40, 41, 42, 43, 44, 45 and 46 of 2021 along with I.A. No.s 12, 13, 14, 15, 16, 17, 18 and 19 of 2021 and O.P. No. 20 of 2022 and O.P. No. 22 of 2022; • Pending Petitions/Appeals of the TSSPDCL and/or TSNPDCL (as Appellant/Respondent/Both) in TSERC/High Court/Supreme Court/Any other court that are related to the Electricity Distribution Business of TSSPDCL and/or TSNPDCL;	
1.3	In the absence of the details and particulars, the prudence check of the claims made by the Petitioners cannot be conducted and gainful detailed objections/comments cannot be framed by the Objector. The Hon'ble Commission is requested to direct the Petitioners to furnish the above data along with comprehensive workable excel model for the same.	
1.4	In the absence of complete information, the Objector has analysed the True up Petitions on a best effort basis using the limited information available in public domain and preliminary observations/ comments/ objections are discussed in detail in subsequent sections of the report.	
1.5	It is prayed that the Hon'ble Commission may permit the Objector to participate and make additional submission and produce additional details and documentations before and during the course of the Public Hearing, in the interest of justice and equity.	
2	**Instant True-Up Exercise is not in Accordance to The Hon'ble Tribunal's Judgement Dated 11.11.2011 in OP No. 1 Of 2011:**	
2.1	**The Hon'ble Tribunal vide its Judgement dated 11.11.2011 in OP No. 1 of 2011 had issued the following directives to the State Commissions:** ***"(i) Every State Commission has to ensure that Annual Performance Review, true- up of past expenses and Annual Revenue Requirement***	TS Discoms submits that the Petitions for true up of the 1st 2nd and 3rd Control periods have been delayed on account of various factors which were detailed in the instant Petitions filed by the TS Discoms. A brief of the various factors which led to delay of filing are stated below:

	and tariff determination is conducted year to year basis… ***66. We direct all the State Commissions to follow these directions scrupulously, and send the periodical reports by 1st June of the relevant financial year about the compliance of these directions to the Secretary, Forum of Regulators, who in turn will send the status report to this Tribunal and also place it on its website."***	• The Hon'ble TSERC in O.P. No.79 of 2015 of Distribution tariff order for 3rd control period has directed the TS Discoms to file the true up proposals of Distribution Business for both control periods (i.e., 1st Control Period and 2nd Control Period) after segregating the assets and liabilities of Anantapur and Kurnool districts from APCPDCL and seven mandals of APNPDCL in line with AP Reorganisation Act, 2014, as per prevailing Regulation. • In compliance to the directive, the TS Discoms had filed the True-ups for 1st and 2nd Control Periods along with Filings for ARR and FPT for FY 2016-17. • The Hon'ble Commission in the Tariff Order 2016-17 taken cognizance of the TS Discoms filings (Para No. 5.96 of the TO 2016-17) on true up and a directive was issued to file the true up of Distribution business for the first two Control Periods and for FY 2014-15 and FY 2015-16 in order to issue necessary directions to improve the performance of TS Discoms. • Subsequently, the licensees in their filings for FY 2017-18 have mentioned that "as Government of Telangana (GoTS) is considering signing UDAY scheme this year the Licensee will file true-up for FY15-16 and FY16-17 along with tariff proposal after considering final MoU signed by GoTS and GoI. • As the clarification regarding equity infusion and fund transfers on account of UDAY has been received only in FY 2017-18, the licensees couldn't ascertain the impact of UDAY on the true-ups of 1st Control Period and have not filed the true up Petitions along with ARR filings for FY 2018-19. • The Hon'ble TSERC vide its letter dt. 20.11.2018 has directed the TS Discoms to file the true up proposals for the distribution business for earlier Control Periods duly segregating the assets and liabilities relating to the districts of Ananthapur and Kurnool along with seven mandals relating to APNPDCL.
2.2	It is prayed that the Hon'ble Commission may take cognizance of the aforementioned directives of the Hon'ble Tribunal made vide its Judgement dated 11.11.2011 in OP No. 1 of 2011.	

		• Consequently, TS Discoms have made submissions regarding the true-up claims for 1st, 2nd and 3rd Control Periods along with ARR filings for Distribution business for the 4th control period (FY 2019-2024). • The Hon'ble Commission in its Tariff Order dt. 29.04.2020, has directed the DISCOMs to submit their true-up claims along with complete details regarding the capitalisation claimed for each year of the 1st, 2nd and 3rd Control Periods in the Petitions to be filed for Annual Performance Review for FY 2019-20 before 31.12.2020. (Directive No. 3). • Interlocutory applications to condone the delay in filing the true up Petition have been submitted along with the Petitions. • In line with the Hon'ble TSERC's directive in Tariff Order 29.04.2020, TS Discoms are filing the instant Petitions and request the Hon'ble Commission to accept the claims made by the TS Discoms.
3	**Non-compliance to TSERC'S Tariff Regulations, 2005 and its subsequent amendments**	
3.1	**The Tariff Regulations, 2005 and its subsequent Amendments stipulate the following:** ... Thus, as per the above Regulations, it is evident that the Hon'ble Commission may provide corrections in the ARR of the Distribution Licensee for subsequent years of the Control Period to the extent of deviation from the investments approved as part of the Capital Investment Plan such that the TS Discoms shall have to: • Seek approval for individual schemes in the Capital Investment Plan at least 90 days before undertaking the investment in accordance with the Guidelines on Investment Approval • The individual schemes/ projects submitted by the Distribution	During the 1st, 2nd and 3rd Control Periods, TS Discoms have submitted the Resource Plan including Investment Plan of the licensees along with the filing of ARR before the Hon'ble Commission and same were placed before the stakeholders for inviting suggestions/comments. Further, the Hon'ble Commission has conducted public hearings on the above ARR filings of respective Control Periods. After considering the views/suggestions/comments of the stakeholders and prudence check, the Investment Plan of the respective licensees for each year of the Control Period was approved by the Hon'ble Commission in the respective MYT Orders. The amount claimed in Investment Plan and the amount approved for each Control Period (1st, 2nd and 3rd) are placed below for

<table>
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<td>Licensee for Commission's approval must provide complete details including those relating to the cost and capitalisation for each year of the Control Period
Justify the deviations beyond 1.0 percent for each individual scheme/project and any other material deviations from the Capital Investment Plan including introduction of; or substitution of existing schemes/ projects by, new scheme/project (s)

From the instant Petitions, it is apparent that the Petitioners have not complied with the above stipulations as per the Tariff Regulations of the Hon'ble Commission.

It prayed that the Hon'ble Commission may direct the Petitioners to submit a point-by- point compliance report of the above along with all of the necessary supporting documents and evidences and the same may be made available on the public domain so that the Objector may submit its objections/comments on the same.

If the Petitioners fail to prove absolute compliance to the Hon'ble Commission's Tariff Regulations, it prayed that the Hon'ble Commission may reject the instant Petitions in limine.</td>
<td>ready reference:

(Amount in Rs. Crore)
<table>
<tr><th rowspan="2">Particular</th><th colspan="2">1st Control Period</th><th colspan="2">2nd Control Period</th><th colspan="2">3nd Control Period</th></tr>
<tr><th>Filing</th><th>ERC</th><th>Filing</th><th>ERC</th><th>Filing</th><th>ERC</th></tr>
<tr><td>Investment</td><td>1457.82</td><td>879.49</td><td>7282.52</td><td>3916.00</td><td>10,287</td><td>6676</td></tr>
</table>

From the above, it is evident that the Investment Plan was approved by the Hon'ble Commission for each Control Period only after detailed analysis and consideration of views of stakeholders.</td>
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<td>4</td>
<td>Non-Compliance To The Hon'ble Tserc's Guidelines For Investment Approval (February 2006)</td>
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<td>As can be observed from the Guidelines for Investment Approval mandate the TS Discoms to:
• Obtain prior approval of the Commission for any investment above Rs. 500 lakhs (major investment) providing due justifications. (Such that the waiver granted for implementing Schemes below Rs. 500 lakhs relaxes only the requirement of obtaining prior Hon'ble Commission approval for the investment. The Hon'ble Commission still retains the
• authority to assess the efficiency and economy with which the</td>
<td>The Investment Plans for each year of Control Period (1^{st}, 2^{nd} and 3^{rd}) of the licensees were approved by the Hon'ble Commission duly after conducting public hearings and prudent check.

TS Discoms submits that the Petitions for true up of the 1^{st}, 2^{nd} and 3^{rd} Control periods have been delayed on account of various factors which were detailed in the instant Petitions filed by the TS Discoms.</td>
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<td>Licensee makes any investment and to verify that these investments are consistent with the spirit of the Licence and the Act, and for this purpose may require the Licensee to furnish details of any such scheme, from time to time.)
• Submit the PCC and FCC certificates (On completion of a scheme or a usable module of the scheme) to the effect that the assets created have been duly entered in the Fixed Assets Register by transfer from the CWIP register to OCFA to the Hon'ble Commission within 60 days of completion of work/module/scheme, at the latest. (Such that the Hon'ble Commission or its authorized representative shall have the right to verify the correctness of the PCC and FCC.)
• Undertake a post-completion review of the Scheme to assess whether the objective of the investment is met or not and whether or not the desired benefits are accruing from the Scheme and submit a report to the Commission after twelve months of its completion.</td>
<td rowspan="4">After completion of the sanctioned works in line with the conditions laid down in each scheme/ project, the Superintending Engineer of the concerned Circle issues Work Completion Certificate, after thorough verification. This procedure ensures proper completion of the works, proper verification by Senior Engineers and proper capitalization of the assets.

TSSPDCL has successfully completed IPDS, DDUGJY & SAUBHAGYA schemes within the scheduled time and received appreciation from the Ministry of Power, Government of India.

The Control period wise approved investment and actual investment along with variations are tabulated below:

Investment in Rs. Crores
<table>
<tr><th>Description</th><th>Approved</th><th>Actual</th><th>Variation</th></tr>
<tr><td>1st Control Period</td><td>879.49</td><td>8162.10</td><td>1486</td></tr>
<tr><td>2nd Control Period</td><td>3916</td><td>4464.16</td><td>548.16</td></tr>
<tr><td>3rd Control period</td><td>6676</td><td>8162.10</td><td>1485.93</td></tr>
<tr><td>FY 2019-20</td><td>1120.92</td><td>1384.82</td><td>263.90</td></tr>
<tr><td>FY 2020-21</td><td>1420.34</td><td>1205.88</td><td>-214.46</td></tr>
</table></td>
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<tr>
<td>4.3</td>
<td>It is observed that the Petitioners have flouted the 60 days limit for submission of PCC and FCC certificates. Moreover, in the instant Petition, Petitioners have not provided the mapping of each PCC and FCC with the associated work and cost (along with soft copies of work and cost details) for each year from FY 2006-07 to FY 2020-21 for both TSNPDCL and TSSPDCL. Nor have the Petitioners submitted their Fixed Asset Registers for every year from FY 2006-07 to FY 2020-21.</td>
</tr>
<tr>
<td>4.4</td>
<td>It is prayed that the Hon'ble Commission may take cognizance of the above provisions of the Guidelines for Investment Approval and direct the Petitioners to submit the necessary reports/documents and evidences and the same may be made available on the public domain so that the Objector may submit its objections/comments on the same.</td>
</tr>
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<td>4.5</td>
<td>Furthermore, it is prayed that the Hon'ble Commission may take due action providing due reasoning in accordance to the following</td>
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	provisions of the Guidelines for Investment Approval:	
5	**Non-Compliance To The Hon'ble TSERC'S Directives As Per TSERC Order Dated 29.04.2020**	
5.1	As per the Distribution order dated 29.04.2020 of TS Discoms pertaining to 4th Control Period (FY2019-20 to FY 2023-24) issued by the Hon'ble TSERC. the Hon'ble Commission had directed the TS Discoms as follows:	TSSPDCL has complied to the directives issued by the Hon'ble Commission in the Distribution Business Order dated 29.04.2020 for 4th Control Period. The detailed submissions are as detailed below: **Directive No.1:** TSSPDCL submits that it is in the process of complying to this directive by the Hon'ble Commission. **Directive No.2&4**: In compliance to this directive, the licensee has filed the Petitions for True-up for 1st, 2nd & 3rd Control Periods and Annual Performance Review for FY 2019-20 along with an IA for condonation of delay in filing the Petitions before the Hon'ble Commission. Further, the Physical Completion Certificates (PCCs) & Financial Completion Certificates (FCCs) of the capitalised works details from FY 2010-11 to FY 2020-21 have been submitted along with the instant Petitions. **Directive No.3:** Computation of depreciation in accordance with CERC (Terms and Conditions of Tariff) Regulations, 2019: TSSPDCL is in the process of adopting the CERC Depreciation rates and requests the Hon'ble Commission to consider the claim as per MoP rates till the time TSSPDCL adopts the CERC
	"1. Neutral Wire-HVDC areas The Commission directs the DISCOMs to run neutral wire from 33/11 kV SS to all single-phase transformers both existing and new installations without resorting to use of earth as return conductor. Further, the DISCOMs are directed to strictly implement earthing practices as per 61(1)(a), 67(1A) and 92 of IE Rules, 1956 and provide three earth pits as per the prescribed construction standards. The DISCOMs shall submit half yearly reports by 31st October and 30th April for the periods ending 30th September and 31st March respectively. 2. True-up for 1st, 2nd and 3rd Control Periods The Commission directs the DISCOMs to submit their true-up claims along complete details sought regarding the capitalization claimed for each year of the 1 st, 2nd and 3rd Control Periods in the Petitions to be filed for Annual Performance Review for FY 2019-20. The DISCOMs are also directed to submit the requisite supporting documents such as Physical Completion Certificates (PCCs), Financial Completion Certificates (FCCs) etc. as mandated in the investment approval guidelines. The Commission directs the DISCOMs to make a detailed submission regarding the differential treatment of GoTS under the UDAY scheme	

	and likely consequences of the same in in the Petitions to be filed for Annual Performance Review for FY 2019-20. The Commission directs the DISCOMs to submit the details of long-term loans viz., loans availed for capital expenditure, taken over by GoTS under UDAY scheme in the Petitions to be filed for Annual Performance Review for FY 2019-20. 3. Computation of depreciation in accordance with CERC (Terms and Conditions of Tariff) Regulations, 2019 The Commission directs the DISCOMs to submit the computations of depreciation for each year of 4th Control Period in accordance with the provisions of the CERC Tariff Regulations, 2019 in Annual Performance Review for each year of 4th Control Period. 4. Capital Investments The DISCOMs shall seek approval for individual schemes at least 90 days undertaking the investment in accordance with the Guidelines for Investment Approval. The individual schemes/ projects submitted by the DISCOMs for Commission's approval must provide complete details including those relating to the cost and capitalisation for each year of 4th Control Period. Considering the importance of capitalisation of works, the Commission lays down the following requirements to be fulfilled before accepting inclusion of the value of capitalised work in the Original Cost of Fixed Assets (OCFA): a. On completion of a capital work, a physical completion certificate (PCC) to the effect that the work has been fully executed, physically, and the assets created are put in use, to be issued by the concerned engineer not below the rank of Superintendent Engineer. b. The PCC shall be accompanied or followed by a financial completion certificate (FCC) to the effect that the assets created have	depreciation rates.

	been duly entered in the fixed assets register by transfer from the Capital Works in Progress (CWIP) register to OCFA. The FCC shall have to be issued by the concerned finance officer not below the rank of Senior Accounts Officer. c. The above mentioned certificates have to be submitted to the Commission within 60 days of completion of work, at the latest. The Commission may also inspect or arrange to inspect, at random, a few of the capitalised works included in the OCFA to confirm that the assets created are actually being used and are useful for the business."	
5.2	It is apparent from the instant Petitions of the TS Discoms that the TS Discoms have not complied with the directives of the Hon'ble Commission's Distribution order dated 29.04.2020.	TS Discoms have responded to these objections as part of the above reply.
5.3	It prayed that the Hon'ble Commission may direct the Petitioners to submit a point-by- point compliance report of the aforementioned directives along with all of the necessary supporting documents and evidences and the same may be made available on the public domain so that the Objector may submit its objections/comments on the same.	
5.4	If the Petitioners fail to prove absolute compliance to the Hon'ble Commission's directives in the aforementioned Distribution order dated 29.04.2020, it prayed that the Hon'ble Commission may reject the instant Petitions in limine.	
6	**UDAY MOU Signed Between Ministry Of Power, Govt. Of Telangana And TS DISCOMS**	
6.1	In the instant Petitions, the Discoms have submitted as follows: .... As per the Terms of the UDAY MoU, the Govt. of Telangana had committed to: • Takeover 75% of the debt of the Telangana DISCOMs as on 30th September, 2015 by 31- 03-2017	TSSPDCL: As per the UDAY Scheme the total debts of TSSPDCL to be taken over by Government of Telangana was Rs.5,500.21 Crores (being 75% of total outstanding loans as on 30th September 2015 of TSSPDCL) in the form of 50% as Grant, 25% in the form of Equity and Bonds 25%. The Government of Telangana has taken over Rs. 5,500.21 Crores debt of TSSPDCL under UDAY Scheme by

	• The Borrowings made by the state to takeover DISCOMs debt during 2016-17 would be transferred to the Discoms as a mix of grant, loan or equity. • To issue non-SLR bonds to raise funds for providing grant to the DISCOMs. • Provide Operational Funding Requirement (OFR) support to the DISCOMs, till the DISCOMs achieves turnaround. • Guarantee repayment of principal and interest payment for the balance debt remaining with DISCOMs / bonds issued by DISCOMs. • Guarantee the bonds issued by DISCOMs or issue bonds itself to meet current losses after 1 st October 2015, if any, within the limit of loss trajectory finalised by MoP.	infusion of Equity amounting Rs.4593.84 Crore in 2016-17 and Rs. 282.93 Crore in 2017-18. The amount was released as Equity as per orders of State Government. Therefore, the same shall be treated as equity infusion by the State Government. As regards to treatment of 25% of debt remaining as on 30th September 2015, due to non-availability of Government Guarantee the same was retained by the TSSPDCL. Government of Telangana, as per the Tripartite MoU signed under UDAY scheme, has taken over 5% losses incurred in FY 2016-17 in FY 2017-18. Further the Government of Telangana has issued the GO No.15, Dated. 18.06.2022 towards the takeover of Losses of 2017-18 to 2020-21 as per the clauses under the UDAY scheme for an amount of Rs. 8,925.00 Crore for TSDISCOMs, out of which TSSPDCL share is of Rs. 6,228 Crore (i.e., 392 Crore towards 10% loss of 2017-18, Rs. 1242 Crore towards 25% loss of 2018-19, Rs. 2,470 Crore towards 50% loss of 2019-20 and Rs. 2,124 Crore towards 50% loss of 2020-21). The same is recognized during FY 2021-22 under Revenue from Operations as the funds received from GoTS in the FY 2022-23 before closure of Financials for 2021-22. TSSPDCL and Government of Telangana have fully complied with all terms and conditions of the UDAY scheme. Even after loss takeover the TSSPDCL has accumulated losses which are not covered under UDAY. TSSPDCL further submits that majority of the losses incurred by TSSPDCL are on account of power purchase expenses and in view of the same, takeover of losses by GoTS shall have no impact on the distribution business and accordingly on the instant Petitions.
6.2	As per the UDAY MoU signed between Ministry of Power, Govt. of Telangana and the TS Discoms, the Govt. of Telangana had committed to take the following measures: …..	
6.3	As can be observed, as per the Terms of the UDAY MoU, the Govt. of Telangana had committed to: • Takeover 75% of the debt of the Telangana DISCOMs as on 30th September, 2015 by 3103-2017 • The Borrowings made by the state to takeover DISCOMs debt during 2016-17 would be transferred to the Discoms ***as a mix of grant, loan or equity***. • To issue non-SLR bonds to raise funds for providing grant to the DISCOMs. • Provide Operational Funding Requirement (OFR) support to the DISCOMs, till the DISCOMs achieves turnaround. • Guarantee repayment of principal and interest payment for the balance debt remaining with DISCOMs / bonds issued by	

	DISCOMs. • Guarantee the bonds issued by DISCOMs or issue bonds itself to meet current losses after 1st October 2015, if any, within the limit of loss trajectory finalised by MoP.	
6.4	As per the UDAY MoU signed between Ministry of Power, Govt. of Telangana and the TS Discoms, the TS Discoms had committed to take the following measures:	
6.5	It is prayed that the Hon'ble Commission may ensure that the borrowings made by the state to takeover DISCOMs debt during 2016-17 would be transferred to the Discoms as a mix of grant, loan or equity are strictly in accordance with the Terms of the UDAY MoU and that the other commitments of Govt. of Telangana and the TS Discoms are being strictly complied with.	
6.6	Wherever there is non-compliance of the Terms of the UDAY MoU, it is prayed that the Hon'ble TSERC may take note of the same in its Order and disallow any claims made by the Petitioners which are in violation of the Terms of the UDAY MoU in the instant Petition.	
7	**O&M EXPENSES**	
7.1	The TSSPDCL and TSNPDCL Discoms have claimed a true up of Rs. 2,555.61 Crores & Rs. 1,403.56 Crores respectively towards the variation in the O&M Expenses for the Period from FY 2006-07 to FY 2020-21. The TSSPDCL and TSNPDCL have stated the actual O&M expenses to the tune of Rs. 20,299.95 Crores & Rs. 12,037.99 Crores respectively against the approved value of Rs. 17,744.34 & 10,634.43. The Objections in respect of the variation in O&M expenses claimed by the Licensee are provided below:	TS Discoms in the following paras have replied to the specific objections in the matter of claim of O&M Expenses.
A	**Truing up of O&M expenses is not allowable as it is a Controllable Expense**	
7.2	As per clause 10.4 of the Tariff Regulations, the O&M expenses are 'Controllable' expenses and the Hon'ble Commission in its latest	TS Discoms submit that they have complied with the provisions of Regulation No. 4 of 2005 and have provided the justifications for

	Tariff Order dated 29.04.2020 and past orders had allowed the same on normative basis. In view of the provisions of the APERC Tariff Regulations, 2005, the variation in respect of 'Controllable' expenses are not allowable. The Relevant clauses (10.5 to 10.8) of the APERC Tariff Regulations is interpreted below:	variations between the approved and actual claimed expenses in the instant Petitions. TS Discoms further submit that they shall submit the required information as sought by the Hon'ble Commission during the proceedings.
7.3	Above stated clauses 10.5-10.8 of the defined regulation clearly depicts a picture that only force majeure items are allowed for pass through over and above the normative values, subjected to Commission prudence check.	It is to be noted that Regulation 10.8 states that variation in O&M expenses on account of factors beyond the control of petitioner will be allowed. TS Discoms submit that the variations between the approved and actual claimed were due to the factors which are not under the control of TS Discoms and they were required to incur such expenditure in order to deliver the service as per terms and conditions agreed while granting license to the Discoms by the Hon'ble Commission and also as per the tripartite agreement entered by the Discoms during unbundling of State Electricity Board.
7.4	Contrary to this, the Petitioners have claimed the entire variation in O&M expenses without appreciating that Reg.10.8 provides that only the gains and losses on account of factors which are beyond the control of the Petitioner – force majeure – are to be allowed.	For instance, the approved O&M Cost in the Control Periods are arrived without factoring the wage revision impact, and the major contributor for variation in O&M Cost is due to wage revision which is an uncontrollable factor and beyond the control of the Distribution Licensee as agreed under tripartite agreement entered by the Discoms during unbundling of State Electricity Board.
7.5	Basically, the Operation and Maintenance Expenses consist of three elements: A. Employee Cost Expenses B. Repair and Maintenance Expenses C. Administrative and General Expenses	-
7.6	As Discoms are regulated entities, the Hon'ble Commission has set out the allowable norms for these three components in the relevant tariff orders which are to be strictly adhered. However, both the Discoms have deviated from the approved norms. The major reasons stated in	It is to be noted that Regulation 10.8 states that variation in O&M expenses on account of factors beyond the control of petitioner will be allowed. TS Discoms submit that the variations between the approved and actual claimed were due to the factors which are not

	instant Petitions against the deviation are as below: • Wage Revision • Regularization of outsourcing employees • Actuarial Valuation Report • Leave Encashment • DA hike and new recruitment • Increase in Repairs and Maintenance cost • Increase in travelling and vehicle hire expenses	under the control of TS Discoms and they were required to incur such expenditure in order to deliver the service as per terms and conditions agreed while granting license to the Discoms by the Hon'ble Commission and also as per the tripartite agreement entered by the Discoms during unbundling of State Electricity Board. It is further to be noted that the claimed variation in some of the factors is on account of the fact that such factors were not considered by the Hon'ble Commission while fixing the O&M expenses target for the Distribution Business in the MYT Orders. Since the same have not been considered while arriving the approved norms in the tariff Orders, TS Discom requests the Hon'ble Commission to consider the actual expenses incurred against these factors and approve the same.
7.7	It is reiterated that the Hon'ble Commission may direct the Petitioners to submit the following details, without which prudence check exercise of *Wage Revision, Actuarial Valuation Report, Leave Encashment, Increase in Repairs and Maintenance cost, Increase in travelling and vehicle hire expenses*, would be hampered: • All Actuarial Valuation Reports for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21; • Detailed Report on Wage Revision Impact for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21; • Detailed explanation with supporting documents for increase in Repair and Maintenance Expenses for TSNPDCL and TSSPDCL from FY 2006-07 to FY 2020-21; • Detailed explanation with supporting documents for increase in Administrative and General Expenses for TSNPDCL and	The information as sought by the Hon'ble Commission has been submitted by the TS Discoms and are also available on the website. TS Discoms request the Hon'ble Commission to consider the responses to the additional information submitted for approving the claims made by the TS Discoms.

	TSSPDCL from FY 2006-07 to FY 2020-21;	
B	**Enabling Provision for O&M expenses computation as per APERC Regulation 2005:**	
7.8	Clause 14 of the APERC Tariff Regulations, 2005 stipulate the following pertaining to Operation and Maintenance Expenses:	-
C	**O&M norms defined in the MYT order dt. 27.03.2015 & 29.04.2020**	
7.9	Notwithstanding the previous points, it is submitted that the Hon'ble Commission vide its Order dt. 27.03.2015 has defined the O&M norms for FY 2015-16 to FY 2018-19 as follows:	TS Discoms appreciate the intention and efforts put in by the objector behind the analysis undertaken for the computation of O&M expenses. However, TS Discoms observe computational errors in the computation provided by the objector. The Employee and A&G expenses arrived by objector and TSSPDCL are different. For the period from FY 2017-18 to FY 2019-20, the employee and A&G expenses as per objector amounts to Rs. 2955.04 Crore which is not correct and have errors in the methodology. TS Discoms feel that computations were intended only towards the reduction of the claim of TS Discoms. In view of the above, TS Discoms request the Hon'ble Commission to consider the claim of O&M Expenses as claimed in the instant Petitions.
7.10	In the same manner, the Hon'ble Commission has also approved the O&M norms for FY 2019-20 and FY 2020-21 as follows vide its Order dt. 29.04.2020:	
7.11	The Objector has computed the allowable True-up for the TSSPDCL and TSNPDCL in accordance to the above norms defined by the Hon'ble Commission and the actual Substations, Line Length, DTR, Consumer and GFA data as available in the Audited Accounts of the Petitioners: ...	
7.13	It is prayed that the Hon'ble Commission may limit the O&M expenses to the approved value for the period 2006-2015 and may	TS Discoms request the Hon'ble Commission to approve the O&M expenses as claimed in the instant Petitions.

	allow the O&M expenses (based on norms approved by the Hon'ble TSERC) as per Objector's Assessment for the period 2016-21.	
8	**Depreciation**	
8.1	It has been observed that the Distribution Licensees have computed depreciation in the instant Petition using the depreciation rates notified by Ministry of Power (MoP), GOI and incorporated the same into the RRB and expenditure calculations.	In the distribution filing of 1st Control Period, the licensees had claimed depreciation at the rates specified by Central Electricity Regulatory Commission (CERC) plus Advance Against Depreciation (AAD). In the para 252 of Tariff Order issued by the erstwhile APERC, the Hon'ble Commission has decided to allow the Discoms to claim depreciation at the MoP rates and disallow the AAD. Further it is to submit that, the Hon'ble Commission allowed depreciation with MoP rates till the 3rd control period and issued MYT Orders accordingly. In the 4th Control Period even though the Discoms have claimed depreciation as per MoP rates, the Hon'ble Commission has adopted CERC depreciation for approving depreciation for 4th Control Period. TSSPDCL is in the process of adopting the CERC Depreciation rates and requests the Hon'ble Commission to consider the claim as per MoP rates till the time TSSPDCL adopts the CERC depreciation rates.
8.2	As per the enabling provision listed in APERC Tariff Regulations, 2005, depreciation ought to be computed as per the defined CERC rates. This is affirmed by the Hon'ble Commission in Clause 15 of its Tariff Regulations: ...	
8.3	Additionally, the Hon'ble Commission's views in this regard as per Distribution Order dated 29.04.2020 are reproduced below:	
8.4	Thus, it is evident from the Tariff Regulations and the above-mentioned Hon'ble Commission's view that Depreciation is to be computed as per the rates specified by CERC from time to time.	
8.5	Therefore, it is prayed that the Hon'ble Commission may direct the petitioner to revise its Depreciation claims in accordance to the Regulation 15 of the APERC Tariff Regulations 2005, and subsequently allow Depreciation after due prudence check.	
9	**Return On Capital Employed**	
9.1	The TSSPDCL and TSNPDCL Discoms have claimed a true up of Rs. 185.99 Crores and Rs.525.01 Crores respectively towards the	TS Discoms in the following paras have replied to the specific objections in the matter of claim of RoCE.

	variation in the Return on Capital Employed (RoCE) for the Period FY 2007 to FY 2021. The TSSPDCL and TSNPDCL has stated that the actual RoCE is to the tune of Rs. 5,080.21 Crores and Rs. 2,524.27 Crores respectively. The Objections in respect of the variation in RoCE claimed by the Licensee are provided below:	
A	**Enabling provision for RoCE computation in the APERC Tariff Regulations, 2005:** ...	-
B	**RoCE Computation Methodology adopted as per the MYT Order dated 27.03.2015:**	TS Discoms submit that they have claimed the RoCE in the instant Petitions in line with Regulation 4 of 2005 and in line with the methodology adopted in the MYT Order dated 27.03.2015. Accordingly, TS Discoms request the Hon'ble Commission to approve the RoCE claimed by the TS Discoms.
9.2	The relevant extract of the MYT Order is reproduced below:	

<table>
<tr><td>9.3</td><td>In line with the Clause 15 of the APERC Tariff Regulations and the RoCE Computation Methodology adopted as per the MYT Order dated 27.03.2015, the Objector has computed the RoCE allowable to TSSPDCL and TSNPDCL based on the Audited Accounts for the respective control Period as follows:</td><td rowspan="2">The claim of RoCE by TSSPDCL in the instant Petitions and the actuals recorded in Annual Reports of the Company for the period from 1st Control Period till FY 2020-21 is placed below for ready reference:
<table>
<tr><th>Period</th><th>ROCE claimed in petition (Rs. in Crs)</th><th>Finance Cost as per Annual Reports (Rs. in Crs)</th></tr>
<tr><td>1st Control Period</td><td>377.82</td><td>776.80</td></tr>
<tr><td>2nd Control Period</td><td>1270.00</td><td>4158.75</td></tr>
<tr><td>3rd Control Period</td><td>2232.75</td><td>4911.46</td></tr>
<tr><td>FY 2019-20</td><td>583.22</td><td>1489.51</td></tr>
<tr><td>FY 2020-21</td><td>615.99</td><td>1905.46</td></tr>
<tr><td>Total</td><td>5079.78</td><td>13241.98</td></tr>
</table>
From the above it is evident that the licensee has claimed the ROCE as per methodology approved in the MYT orders</td></tr>
<tr><td>9.4</td><td>It is prayed that the Hon'ble Commission may allow the ROCE as per Objector's Assessment for the period 2016-21, subjected to prudence check.</td></tr>
<tr><td>10</td><td>Non tariff income</td><td></td></tr>
<tr><td>10.1</td><td>The TSSPDCL and TSNPDCL discoms have claimed the non-tariff income to the tune of Rs. 2,649.18 Crores and Rs. 572.93 Crores against the approved amount of Rs. 2.714.97 Crores and Rs.993.56 Crores for the period of 2006-21 pertaining to distribution business</td><td>It is to submit that the licensee is having two businesses i.e., Distribution Business and Retail Supply Business. In this regard, the Non-Tariff income of the Licensee has to segregate into two businesses based on the nature of element.</td></tr>
<tr><td>10.2</td><td>Non -Tariff income means the income relating to the licensed business</td><td>As the instant Petitions are in respect of Distribution Business only,</td></tr>
</table>

<table>
<tr><td></td><td>other than from tariffs for wheeling and retail sale, excluding any income from Other Business and income on account of Fuel Surcharge Adjustment, Cross-subsidy Surcharge and Additional Surcharge.</td><td rowspan="5">the licensee has claimed to the extent of Non-Tariff income of Distribution Business only in present petition.

TS Discoms submit that the non-tariff income as assessed by the objector does not provide for breakup of the individual items which were considered for distribution business out of the total individual items recorded in the respective schedule of annual audited accounts.

Whereas, TS Discoms have provided the detailed breakup of Non-Tariff income between Distribution Business and Retail Supply Business in the instant Petitions and as part of reply to the additional information requirement sought by the Hon'ble Commission. In view of the same, TS Discoms request the Hon'ble Commission to approve the non-tariff income as claimed by the TS Discoms.</td></tr>
<tr><td>10.3</td><td>The Hon'ble Commission in its tariff regulations 2005 defines the Non-Tariff as a controllable factor. The relevant snip from the tariff regulations is reproduced below:

<table><tr><th colspan="2">Distribution Business</th></tr><tr><th>ARR Item</th><th>"Controllable"/ "Uncontrollable"</th></tr><tr><td>Operation & Maintenance expenses</td><td>Controllable</td></tr><tr><td>Return on Capital Employed</td><td>Controllable</td></tr><tr><td>Depreciation</td><td>Controllable</td></tr><tr><td>Taxes on Income</td><td>Uncontrollable</td></tr><tr><td>Non-tariff income</td><td>Controllable</td></tr></table></td></tr>
<tr><td>10.4</td><td>It has been observed that the Non-Tariff in the Audited Accounts of the Licensees is booked to the tune of Rs. 4,370.15 Crores and Rs. 1,280.96 Crores for TSSPDCL and TSNPDCL respectively for the period of 2006-21.</td></tr>
<tr><td>10.5</td><td>A simple comparison between the claimed non-tariff income and non-tariff income booked in Audited Accounts indicates that there is an understatement in non-tariff income claim made by Licensees.</td></tr>
<tr><td>10.6</td><td>The Hon'ble Commission is requested to the allow the Non-tariff income as per audited accounts as assessed by the Objector and may reduce the same from the claimed true up /ARR claim.</td></tr>
</table>

11	**Other expenditure**	
11.1	TSSPDCL and TSNPDCL have claimed Other Expenditure to the tune of Rs. 124.66 Crores and Rs. 28.82 Crores respectively against approved value of Rs. 7.13 Crores and 30.56 Crores respectively for the period from FY 2006-07 to 2020-21. From the details submitted by TSSPDCL against other expenditure claim.	TSSPDCL submit that the other expenditures claimed are necessary to be incurred during the course of functioning. Considering the fact that Discoms are regulated entities, disallowance of any expenditure incurred contributes to the losses to Discoms. The Discoms have always endeavored to improve their operational and financial efficiencies so as to provide reliable electricity at affordable costs to the consumers of the State. Out of the total other expenditure claimed the major contributor is compensation for Injuries, Death and Damages, in this regard it is to be noted that in most of the cases, it is observed that the damage is incurred due to the negligence of the victim and not department fault. In view of the same, TSSPDCL request the Hon'ble Commission to approve the claims against other expenditure as claimed in the instant Petitions.
11.2	It has been observed that in the case of TSSPDCL, the Increase in Other Expenditure is mainly due to Compensation provided for Injuries, Death and Damages. While there is no rationale/backing provided in the instant Petition for TSNPDCL's other expenditure claim. The Objector's Assessment against such claims is as follows: ..	
11.3	In light of the same, the Objector requests that the Hon'ble Commission may outright disallow the true-up claim of TSSPDCL and TSNPDCL towards Other Expenditure and further direct the TSNPDCL to submit the details of its Other Expenditure Claim.	
12	**Allowable true-up as per objector's assessment**	
12.1	Notwithstanding the prayers at sections no. 2 to 5 of these Objections, the Allowable True-up of the Distribution Business of the TS DISCOMS as per Objector's Assessment is as follows: ...	TS Discoms have responded to the item-wise assessments as proposed by the objector in the abovementioned sections. TS Discoms would request the Hon'ble Commission to consider the true up claims as submitted the Discoms considering the justifications shared on the same.
12.2	Notwithstanding the prayers at sections no. 2 to 5 of these Objections, it is prayed that the Hon'ble Commission may approve a true down of Rs. 6515.85 Crores for TSSPDCL and Rs. 4917.71 Crores for	

	TSNPDCL Crores as assessed by the Objector against true up claim of Petitioner which is Rs. 3259 Crores for TSSPDCL and Rs. 833.54 Crores for TSNPDCL.	
13	**Prayers** Wherefore, the Objector most respectfully prays that this Hon'ble Commission may be pleased to: A. Consider the above Objection Statement filed by the Objector; B. Declare that the instant Petitions filed by the Petitioners are opposed to and ultra vires the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulations, 2005 and the Hon'ble TSERC's Guidelines for Investment Approval (February 2006) and Hon'ble TSERC's directives as per TSERC Order dated 29.04.2020, and reject the same in limine; C. Direct the Petitioners to furnish the data requested by the Objector as per its Letter attached herewith as Appendix-A, along with comprehensive workable excel model for the same; D. Notwithstanding Prayer B, consider the following Prayers of the Objector: E. Ensure that the borrowings made by the state to takeover DISCOMs debt during 2016-17 would be transferred to the Discoms as a mix of grant, loan or equity are strictly in accordance with the Terms of the UDAY MoU and that the other commitments of Govt. of Telangana and the TS Discoms are being strictly complied with; Wherever there is non-compliance of the Terms of the UDAY	TS Discoms have responded to the item-wise assessments as proposed by the objector in the abovementioned sections. TS Discoms would request the Hon'ble Commission to consider the true up claims as submitted the Discoms considering the justifications shared on the same.

	MoU, it is prayed that the Hon'ble TSERC may take note of the same in its Order and disallow any claims made by the Petitioners which are in violation of the Terms of the UDAY MoU in the instant Petition. F. Limit the O&M expenses to the approved value for the period 2006-2015 and may allow the O&M expenses (based on norms approved by the Hon'ble TSERC) as per Objector's Assessment for the period 2016-21. G. Direct the petitioner to revise its Depreciation claims in accordance to the Regulation 15 of the APERC Tariff Regulations 2005, and subsequently allow Depreciation after due prudence check. H. Allow the ROCE as per Objector's Assessment for the period 2016-21, subjected to prudence check. I. Allow the Non-tariff income as per audited accounts as assessed by the Objector and may reduce the same from the claimed true up /ARR claim. J. Disallow the truing up of other expenses as such claims are extraneous to the Tariff Regulations; K. Approve a true down of Rs. 6515.85 Crores for TSSPDCL and Rs. 4917.71 Crores for TSNPDCL Crores as assessed by the Objector; L. Pass necessary orders as may be deemed appropriate in the facts and circumstances of the case in the interest of justice M. Permit the Objector to participate and make additional submission	

	and produce additional details and documentations before and during the course of the Public Hearing, in the interest of justice and equity.	

2. T. Sujatha, Dy. CEO, FTCCI (The Federation of Telangana Chambers of Commerce and Industry)
3. Vinod Kumar Agrawal, General Secretary, Telangana Iron And Steel Manufacturers Association (TISMA)

S.No	Summary of Objections / Suggestions	Response of the Licensee
1	The notice issued by way of publication in the newspaper mentions filing of OP. Nos 39 to 42 of 2021 by TSSPDCL and O.P. Nos 43 to 46 of 2021 by TSNPDCL. From the Commission's website it was difficult to find the filings because of the manner in which they were put up. The copies available on the Commission's website do not give the O.P. Nos of each of the petitions and it has not been possible for us to ascertain which OP. No. pertains to which petition. There are also IA Nos 12 to 15 of 2021 filed by TSSPDCL and IA Nos 16 to 19 of 2021 filed by TSNPDCL. There is no such numbers in the documents put up on the web site and it can only be presumed that these are applications to condone delay in filing. In addition, the newspaper notice mentions O.P. 20 of 2022 filed by TSNPDCL and O.P. No. 22 of 2022 filed by TSSPDCL. There is no information available as to what these OPs are and we have not been able to locate these OPs on the Commission's website. In the circumstances, we proceed on the basis that the OP. Nos 39 to 41 of 2021 and O.P. Nos. 43 to 45 of 2021 are the true up applications filed by the licensees for the 1st to 3rd control periods respectively. These objections are with these matters relating to the True Up for the 1st to 3rd	TS Discoms submit that the copies of the OP. Nos 39 to 42 of 2021 by TSSPDCL and O.P. Nos 43 to 46 of 2021 by TSNPDCL are available in their respective websites and can be accessed from there. The O.P 20 of 20 of 2022 filed by TSNPDCL and O.P. No. 22 of 2022 filed by TSSPDCL were related to the APR Petitions filed for FY 2020-21 of respective Discoms.

	control period.	
3	The objections and submissions made herein are with respect to the particular applications filed by TSSPDCL and the same objections may be treated as being applicable also to the applications filed by TSNPDCL mutates mutandis.	
	Insufficiency of time and particulars	
4	The time allowed for making the submissions is far too short considering that the applications relate to 3 control periods relating to 3 tariff orders. The issues have to be examined in relation to the respective tariff orders. The information given in the applications is scant without compliance with the methodology in the tariff orders and the Regulation. Going into these aspects in detail requires relevant information to be made available by the licensees and also substantial time. The information and time provided is not reasonable or fair. In the circumstances, the submissions made herein may be considered to be preliminary submissions reserving our right to make further submissions in any extended time that may be allowed or at the time of public hearing.	The matter of time allowed to the objectors for filing of objections is under the purview of the Hon'ble Commission. TS Discoms shall abide by the instructions given by the Hon'ble Commission. TS Discoms have submitted the relevant information along with the instant Petitions and also have responded to the additional information request sought by the Hon'ble Commission. TS Discoms shall submit further information as sought by the Hon'ble Commission during the proceedings.
	Gross deficiency of information and necessary particulars	
5	The licensees have filed Petitions without the necessary statements and details as required and contemplated by the Regulation. They have not given relevant information with regard to the expenditure vis-à-vis the norms fixed by the tariff order. In the absence of the same, it is not possible for the Objector to evaluate the claim of the licensee. The Petitions require to be dismissed as being vague, bereft of necessary details and for non-compliance with the requirements of the Regulations.	TS Discoms have submitted the relevant information along with the instant Petitions and also have responded to the additional information request sought by the Hon'ble Commission. TS Discoms shall submit further information as sought by the Hon'ble Commission during the proceedings.
	Scope of the present petitions and consequently the objections	
6	The prayer in the petitions is only for approval of the true ups as per the petition. There is no proposal for pass through in any manner to the consumers. In the circumstances, the objections now made are only with regard to the true up of the ARRs. The question of whether and how the admitted true-up amount is to be passed through is considered beyond the scope of the present petitions.	TS Discoms propose the following recovery mechanism for pass through of gains or losses: • The gains or losses of the 1st (FY 2006-09), 2nd (FY 2009-14) and 3rd (FY 2014-19) Control period as a whole claimed by the licensee be passed on to the consumers

7	In the event that there is any proposal for pass through to the consumers, the consumers are entitled to specific notice thereof so that appropriate objections may be made.	equally in the balance period of this 4th Control period (FY2019-24) i.e for the years FY2022-23 and FY 2023-24 by adjusting in the Aggregate Revenue Requirement of the licensees' of the Distribution business approved in the Aggregate Revenue Requirement and Wheeling Tariffs for Distribution Business for 4th Control Period (FY 2019-20 to FY 2023-24)order dated 29.04.2020. • The Annual Performance True-ups/True-downs of FY 2019-20 (which is being 1st year of the 4th Control period) be considered at the end of the Control period considering the aggregate gains or losses of the 4th control period as a whole in accordance to clause 10.7 of the Regulation 4 of 2005 while the determination of Aggregate Revenue Requirement for the 5th Control Period (FY 2024-29).
	Willful delay in filing the true up petition	
8	In terms of the Regulation, true up for gains and losses arising out of uncontrollable items are to filed along with the ARR of year succeeding the relevant year. In the case of the controllable items, the true up is to be with respect to the control period as a whole, and the relevant application for true up ought to be brought before the Commission immediately after the end of the control period.	TS Discoms submit that the delay in filing of the true up and APR Petitions was on account of the genuine reasons which were elaborated in the instant Petitions and the same were also pointed out by the objector. TS Discoms submit that they were constantly pursuing the matter of filing the true up and APR Petitions considering the fact that periodic true ups shall ultimately benefit Discoms and consumers of the State by improving their financial health.
9	It is stated in the petitions that the true up for the 1st and 2nd control periods was filed for the first time along with the ARR5 & FPT for 2016-17. Nothing is stated as to what happened to those true up applications. The Commission appears to have directed filing the true ups for first two control periods and FY52014-15 and 2015-16 "so as to issue directions to improve performance of Discoms". That appears to been ignored. Eventually the Commission directed filing true ups for the 1st 2nd and 3rd control periods on or before 31.12.2020in the tariff order dated 29.04.2020. That also was not complied with, and the reasons given are nothing but lame excuses.	
10	The licensees say that they could not file the true-ups with ARR filings for	

	2017-18 as they could not ascertain the impact of Uday on the true ups for 2006-07.That was also a mere lame excuse because there is nothing in the present petition also which indicates the impact of Uday.	
11	The conduct of the licensees therefore has been to willfully evade and avoid the exercise of true ups for reasons best known to themselves and willfully suppressed. In fact the conduct of the licensees has been to even avoid and evade filing ARRs for reasons best known to themselves and willfully suppressed so that even annual tariffs are not determined.	
12	In the circumstances the delays in filing the petition cannot be excused. Even if the true ups are now carried out for academic and record purposes there cannot be any pass through whatsoever to the consumers with respect to the first three control periods. The IAs for condonation of delay deserve to be dismissed. and consequently the OPs themselves are to be dismissed.	
	Impact of Uday Scheme	
13	The true up petitions do not show the impact of the Uday scheme. The licensees may be directed to specifically provide details in respect of each of the control periods.	In line with the directive of the Hon'ble Commission in the Distribution MYT Order dated 29.04.2020, TS Discoms have submitted the information related to UDAY scheme and its impact in the APR Petitions for FY 2019-20.
	Scope of the Distribution Business ARR & Scope of True-up	
14	In terms of Clause 3.3 of the Regulation, the ARR determined for the Distribution Business is the basis for the fixation of the wheeling tariff/charges. So much of the Distribution Business ARR as is relevant to the Retail Supply Business of the licensee is to be considered in the ARR for the Retail Supply Business pursuant to Clause 6.4(b) of the Regulation.	TS Discoms submit that the instant true up and APR petitions were prepared in conformity with the Regulation 4 of 2005 except from certain deviations and has also provided necessary justifications for such deviations in the instant Petitions and in reply to the additional information requirement sought by the Hon'ble Commission.
15	In a True-up exercise, such as the one purportedly being undertaken presently, the methodology must necessarily be the same as in the Distribution Tariff Order. There cannot be any variation. It is only the actuals, subject to prudence check, that had to be substituted for the estimates considered in the original Distribution Tariff Order. This is settled law.	
16	Clearly the licensees have not projected their true-ups by adopting the	

	settled principle that the true-up is to be carried out on the same methodology as in the tariff order. For each of the control periods the licensees may be directed to furnish the true ups on the basis of the same methodology as in the tariff order together with the relevant factual data of the actuals.	
	Uncontrollable Items	
17	The only uncontrollable item in the Distribution Business is "Taxes on Income". Nothing more needs to said on this item as the deviations stated are marginal and nominal.	
	Controllable Items	
18	With respect to the Distribution Business, the controllable items as per the Regulation are (a) O& M expenses, (b) RoCE, (c) Depreciation and (d) Non-Tariff Income.	
19	In each of the above cases the licensee has to present the actuals for true-upon the same methodology and basis as in the relevant tariff order. Where norms were the basis of the determination in the relevant item, the same norms are to be applied on the actuals of the relevant variables. For example, if the approved expenditure is on the basis of estimated ckt kms etc, the true up expenditure must be computed on the basis of the actual ckt kms applying the same norm.	
20	It is submitted that the classification of expenses as uncontrollable and controllable must be given a purposive meaning and effect in the consumer interest. "Controllable" means that it is within the control of the licensee and therefore any losses arising on such items cannot be allowed. Only such parts of excess expenditure on such items as are shown by specific and explicit pleadings and evidence to have been due to uncontrollable force majeure factors can be considered. Otherwise, all losses on controllable	

	items are to the account of the licensee alone and cannot be allowed. On the other hand, if there are gains on any controllable items, the same are subject to sharing or passthrough. Share for the licensee in gains ought to be allowed only if the gain has been due to any identifiable efficiency improvement in the working of the utility, and not otherwise. For example, if a gain is the result of not carrying out works which ought to have been carried out, no share ought to be allowed to the licensee on the gains.	
21	The Regulation requires the licensee to present a statement of gain/loss against each controllable item after adjusting for any variations on account of uncontrollable factors. The licensees have not complied with the requirements of this Clause. The licensees have not pleaded or demonstrated by details or evidence any force majeure circumstances with respect to any of the losses in any controllable item.	
22	The submissions hereafter are without prejudice to the aforesaid submissions.	
	Employees Cost & A&G Expenses	
23	For the 1st control period the tariff order discusses the issue but allows only a specified increase year by year. The licensee cannot contend that the Commission disregarded the methodology proposed by it at the time of the tariff order and go on to claim true up on an entirely different basis. The licensee is bound by the tariff order operating as an inviolable budget, and even employee costs are to be controlled by the licensee within the amount approved. The same applies to the 2nd control period. For the 3rd control period the tariff order sets out norms irrespective of the actual cost. These norms cannot be varied in a true-up exercise. The employees cost includes all components such as salaries, benefits, pension, leave encashment etc. The norms have to be applied to the actual number of substations, Line ckt.km., DTR, and number of consumers. No details are available in the Petition as to these actuals. The licensees may be	It is to be noted that Regulation 10.8 states that variation in O&M expenses on account of factors beyond the control of petitioner will be allowed. TS Discoms submit that the variations between the approved and actual claimed were due to the factors which are not under the control of TS Discoms and they were required to incur such expenditure in order to deliver the service as per terms and conditions agreed while granting license to the Discoms by the Hon'ble Commission and also as per the tripartite agreement entered by the Discoms during unbundling of State Electricity Board. It is further to be noted that the claimed variation in some of the factors is on account of the fact that such factors were not considered by the Hon'ble Commission while fixing the O&M

	directed to furnish the necessary information so as to enable the Objector to evaluate the amount allowable in true-up. Further, the increase in the sub-stations, lines, DTRs etc is also to be limited to the approved increase. Clause 9 of the Regulation provides for, inter alia, a capital investment plan to be approved by the Commission and these are to be adopted for the determination of tariff. Para 36 read with Table 5.16 of the said tariff Order deals with the Investment plan approved. The Hon'ble Commission has already considered the increases in the MYT period and determined the EC&AG expenses according to the norms. Therefore, no increase whatsoever over the approved amounts for each year of the control period can be allowed to the licensees. On the other hand, if there are gains to the licensees by applying the same methodology, the same are to be passed on to the consumers in the next ARR. No share of gains on this account may be allowed to the licensees as the norms are asset based. It is re-iterated that allowing additional expenditure over and above that computed as per the norms and the approved capital plan is not permissible in a true-up exercise. It is tantamount to modifying the norm itself which is impermissible in a true-up exercise.	expenses target for the Distribution Business in the MYT Orders. Since the same have not been considered while arriving the approved norms in the tariff Orders, TS Discom requests the Hon'ble Commission to consider the actual expenses incurred against these factors and approve the same. For instance, the approved O&M Cost in the Control Periods are arrived without factoring the wage revision impact, and the major contributor for variation in O&M Cost is due to wage revision which is an uncontrollable factor and beyond the control of the Distribution Licensee as agreed under tripartite agreement entered by the Discoms during unbundling of State Electricity Board.
	R & M Expenses	
24 & 27	R&M expenses are also to be allowed only on normative basis. It is submitted that the GFA itself is not unregulated (please see hereunder under the heading GFA). The GFA to be considered for the purposes of R & M expenses is the approved Opening GFA as per the approved investment plan or the actual opening GFA whichever is less. **O & M Expenses** The O & M expenses, being the aggregate of the Employees Costs, AG Expenses and the R&M expenses will have to be determined in true-up on the basis of the submissions supra.	

	Gross Fixed Assets (GFA)	
25	Chapter III of the tariff order for the 3rd control period deals with the approval of the Investment Plan. In para 38, under Table 3.11, the said order clearly directs that "The Discoms shall strictly adhere to the head-wise investment schedule mentioned in Annexure E while incurring capital investment." Annexure E to the Order specifies the approved investment for each Discom. The Hon'ble Commission was mindful of the fact that the investments made by the licensees will have financial consequences on the consumers, and that the investments need to be regulated. Accordingly, the investments were regulated. The Order of the Commission with regard to the investment approved will have to be given effect to; and the licensees will have to themselves bear the brunt of consequences arising out of not complying with the order and direction of the Commission. There is no explanation or details in the Petition with regard to the deviation from the amounts of investments approved by the Commission. Consequently, the GFA to be considered for all purposes in true up (viz R&M, RRB, depreciation etc) will have to be limited to the approved GFA or the actual GFA whichever is lower.	TS Discoms, with the commitment for providing power supply with quality and reliability has carried out the works as per the standards and in course of the same there were slight deviations of the actual expenditure incurred from the approved expenditure by the Hon'ble Commission. In view of the same, the Hon'ble Commission is requested to approve the claims as made by the Discoms.
26	It is necessary also to ascertain the gross value of the assets no longer in use in each financial year and to remove such value from the GFA.	
	Regulated Rate Base	
28	Regulated Rate Base is defined in Clause 2(o) of the Regulation as the value of GFA net of consumer contribution and accumulated depreciation. however, the RRB for the purposes of computing RoCE in terms of Clause 15.1 of the Regulation is different. Keeping that anomaly aside, the working capital is taken as part of the RRB. It is clear from the definition of RRB~-i in Clause 15.1 that the RRB for the ith year is to be determined on the basis of the approved capital	TS Discoms submit that they have claimed the RoCE in the instant Petitions in line with Regulation 4 of 2005 and in line with the methodology adopted in the MYT Order dated 27.03.2015. Accordingly, TS Discoms request the Hon'ble Commission to approve the RoCE claimed by the TS Discoms. The claim of RoCE by TSSPDCL in the instant Petitions and the actual RoCE recorded in Annual Reports of the Company

	investment plan referred to in Clause 16.1. Therefore, the RRB calculation for RoCE has to be on the basis of the GFA as approved in the investment plan or the actual GFA whichever is lower. The working capital component WC~ for computation of RoCE is to be computed in true up on the basis of the allowable O&M expenses as submitted supra.	for the period from 1st Control Period till FY 2020-21 is placed below for ready reference:
	Return on Capital Employed (ROCE)	
29	RoCE is to be computed having regard to the submissions supra on the GFA, RRB and working capital.	
30	However, it is submitted that any loss of RoCE ought not to be allowed as a pass through to the consumer. It should be borne by the licensee alone. On the other hand, if there is a gain in RoCE, the licensee ought to be declined any share of the gain.	From the above it is evident that the licensee has claimed the ROCE as per methodology approved in the MYT orders
	Depreciation	
31	It is not clear from the Petitions as to how the depreciation has been computed.	In the distribution filing of 1st Control Period, the licensees had claimed depreciation at the rates specified by Central Electricity Regulatory Commission (CERC) plus Advance Against Depreciation (AAD). In the para 252 of Tariff Order issued by the erstwhile APERC, the Hon'ble Commission has decided to allow the DISCOMS to claim depreciation at the MoP rates and disallow the AAD. Further it is to submit that, the Hon'ble Commission allowed depreciation with MoP rates till the 3rd control period and issued MYT Orders accordingly. In the 4th Control Period even though the Discoms have claimed depreciation as per MoP rates, the Hon'ble Commission has
32	Clause 17 requires the methodology as decided by CERC from time to time. It is not clear whether this has been done, or according to which CERC order or what exactly is the method employed. Prima facie, it does not appear that the depreciation has been computed as per the applicable CERC Regulations. MoP guidelines are inapplicable in the teeth of specific provisions in the Regulation. It is also settled law that if the tariff order departs from the Regulation the departure will have to be corrected at the time of true up in conformity with the Regulation.	
33	Clause 17.4 provides that Depreciation shall be allowable only from financial year following the financial year in which the asset was first put to use. It is not clear whether this has been done. It is not clear as to what	

Period	ROCE claimed in petition (Rs. in Crs)	Finance Cost as per Annual Reports (Rs. in Crs)
1st Control Period	377.82	776.80
2nd Control Period	1270.00	4158.75
3rd Control Period	2232.75	4911.46
FY 2019-20	583.22	1489.51
FY 2020-21	615.99	1905.46
Total	**5079.78**	**13241.98**

	part of the additions to fixed assets in a financial year was put to use in the same financial year. In the absence of such necessary information, the amount of depreciation cannot be verified or computed.	adopted CERC depreciation for approving depreciation for 4^{th} Control Period. TSSPDCL is in the process of adopting the CERC Depreciation rates and requests the Hon'ble Commission to consider the claim as per MoP rates till the time TSSPDCL adopts the CERC depreciation rates.
34	It is reiterated that the depreciation is to be allowed only on the opening GFA (to the extent the assets have been put to use) or the actual opening GFA (also to the extent the assets have been put to use) whichever is lower. Any gains on this account are only to the share of the consumers.	
35	By way of caution, it is submitted that the GFA or depreciation claimed in the audited accounts, which may be in terms of the requirements of the Companies Act, is not relevant in the regulatory context. Also, the treatment of consumer contribution in the audited accounts is not relevant if different from that in the regulatory framework. It is the depreciation as per the Regulation 4 of 2005 that is relevant and applicable.	
	Special Appropriations — Safety Measures	
36	Purchase of safety material such as earth discharge rods etc are normally routine and regular purchase items within the O&M expenses.	TS Discoms have adhered to the guidelines and directions by Hon'ble TSERC and have taken actions to reduce the electrical accidents in the state. The expenditure shown by TS Discoms in the instant petitions is utilized for improvement of safety measures and reduction of electrical accidents.
37	The object and purpose of the Commission allowing a special appropriation as a one-time measure is to give a quantum leap in safety measures so as to achieve a drastic reduction in electrical accidents and compensations paid for electrical accidents. That objective has not been served as the there is continuous increase in electrical accidents and fatalities. The special appropriations was not utilised. Now again the special appropriation allowed is barely utilised and the object is not served.	
38	What the licensees appear to do is to divert routine regular expenditure on safety material from O&M expenses to Special appropriations. That should not be permitted. The amounts stated to have been spent ought to be properly considered as part and parcel of O&M expenses. The entire amount of approved special appropriations ought to be treated as a gain and allowed to be a pass through entirely to the consumers.	
	Other Expenditure	
39	There appears to be diversion from other heads to this head, the details of	TS Discoms submit that the other expenditures claimed are

	which is not clear. If expenses that are properly part of O&M or A&G expenses have been diverted to this account, it ought to be excluded altogether. A careful examination of this head of account is necessary. In any case, unless expressly shown by pleadings and evidence that they are due to uncontrollable factors, no part of such losses can be allowed.	necessary to be incurred during the course of functioning. Considering the fact that Discoms are regulated entities, disallowance of any expenditure incurred contributes to the losses to Discoms. The Discoms have always endeavored to improve their operational and financial efficiencies so as to provide reliable electricity at affordable costs to the consumers of the State.
40	Moreover, Other Expenditure is neither classified as an uncontrollable item or a controllable item in Clause 10.4, and therefore it is not an item subject to truing up either in terms of Clause 10.5 to 10.7 or 10.8 of the Regulation. The losses are entirely to be disallowed.	Out of the total other expenditure claimed the major contributor is compensation for Injuries, Death and Damages, in this regard it is to be noted that in most of the cases, it is observed that the damage is incurred due to the negligence of the victim and not department fault. In view of the same, TS Discoms request the Hon'ble Commission to approve the claims against other expenditure as claimed in the instant Petitions.
	Non-Tariff Income	
41 & 42	Non Tariff Income is defined in Clause 2(l) of the Regulation. It relates to both distribution and retail supply. The Petitions do not state as to what part of the non-tariff business relates to distribution business and what part relates to retail supply business. It should not be that the licensee can, or does, claim losses in non-tariff income in the true up of both.	It is to submit that the licensee is having two businesses i.e., Distribution Business and Retail Supply Business. In this regard, the Non-Tariff income of the Licensee has to segregate into two businesses based on the nature of element. As the instant Petitions are in respect of Distribution Business only, the licensee has claimed to the extent of Non-Tariff income of Distribution Business only in present petition. TS Discoms submit that the non-tariff income as assessed by the objector does not provide for breakup of the individual items which were considered for distribution business out of the total individual items recorded in the respective schedule of annual audited accounts. Whereas, TS Discoms have provided the detailed breakup of

		Non-Tariff income between Distribution Business and Retail Supply Business in the instant Petitions and as part of reply to the additional information requirement sought by the Hon'ble Commission. In view of the same, TS Discoms request the Hon'ble Commission to approve the non-tariff income as claimed by the TS Discoms.
	Other Submissions	
43, 44 & 45	The entire approach and content of the Petitions are misconceived, casual and without necessary details or explanations. The Petitions are also not in conformity with the Regulation. Properly, the Petitions ought to be dismissed or returned to the licensees. All Objections taken are without prejudice to one another. We desire to be heard through counsel at the hearing.	TS Discoms submit that they have complied with the provisions of Regulation No. 4 of 2005 and have clearly provided the justifications for variations between the approved and actual claimed expenses in the instant Petitions. TS Discoms would abide by any further directions and orders of Hon'ble TSERC

5. M. Venugopala Rao, Senior Journalist & Convener, Centre for Power Studies H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Serilingampally Mandal, Hyderabad – 500 032		
S. No	**Summary of Objections / Suggestions**	**Response of the Licensee**
	True-up claims of TSSPDCL and TSNPDCL for their distribution business for the years from 2006-07 to 2020-21	
1	TSSPDCL and TSNPDCL have sought a true-up of Rs.4092.23 crore - Rs.3259 crore by SPDCL and Rs.833.23 crore by NPDCL – for their distribution business for the first three control periods and 2019-20 and 2020-21, i.e., from 2006-07 to 2020-21. As per applicable regulations, the DISCOMs have to file their true-up claims for	TS Discoms submits that the Petitions for true up of the 1st 2nd and 3rd Control periods have been delayed on account of various factors which were detailed in the instant Petitions filed by the TS Discoms. A brief of the various factors led to delay of filing are stated below:

	distribution business after completion of the control period concerned. Filing true-up claims for three control periods at a time is violation of the regulations concerned. The reasons given by the DISCOMs for such an abnormal delay in filing the subject claims are untenable, as a period of several years is not required to complete the formalities they have explained in the subject petitions. It is the responsibility of the DISCOMs to file the claims as per the regulations of the Commission and of the Government of the day to direct them to do so. Therefore, non-compliance of the regulations of the Commission for such an abnormal period should be treated as a failure of omission both by the State Government and its DISCOMs. The abnormal delay in filing the subject true-up claims for the first three control periods by the two TS DISCOMs before TSERC for a hefty sum of Rs.3260 crore to be collected from their consumers is unwarranted and impermissible. Such a delay is not in the interest of the DISCOMs, because they have been deprived of what has been due to them during the said period. Nor is it in the interest of the consumers, because such an accumulated burden, coupled with the highest tariff hike in force for the year 2022-23, will unjustifiably overburden the consumers, besides leaving scope for imposing true-up burdens on new consumers for the consumption of power by old consumers under the same service connection. It will also leave scope for imposing the true-up burden of a particular control period on consumers who have taken new connections after that control period. For the last three financial years, the DISCOMs did not file their ARR and tariff revision proposals in time. Hon'ble TSERC rightly returned their belated filings, as they were not filed in time. However, TSERC permitted the DISCOMs to collect tariffs for the last three years as per the earlier tariff order given four years back. True-up claims are for additional expenditure incurred by the DISCOMs or loss of revenue as determined in the annual tariff order/MYT order issued by the Commission. Since for the last three years, no public hearings were held and no retail supply tariff orders	• The Hon'ble TSERC in O.P. No.79 of 2015 of Distribution tariff order for 3rd control period has directed the TS Discoms to file the true up proposals of Distribution Business for both control periods (i.e., 1st Control Period and 2nd Control Period) after segregating the assets and liabilities of Anantapur and Kurnool districts from APCPDCL and seven mandals of APNPDCL in line with AP Reorganisation Act, 2014, as per prevailing Regulation. • In compliance to the directive, the TS Discoms had filed the True-ups for 1st and 2nd Control Periods along with Filings for ARR and FPT for FY 2016-17. • The Hon'ble Commission in the Tariff Order 2016-17 taken cognizance of the TS Discoms filings (Para No. 5.96 of the TO 2016-17) on true up and a directive was issued to file the true up of Distribution business for the first two Control Periods and for FY 2014-15 and FY 2015-16 in order to issue necessary directions to improve the performance of TS Discoms. • Subsequently, the licensees in their filings for FY 2017-18 have mentioned that "as Government of Telangana (GoTS) is considering signing UDAY scheme this year the Licensee will file true-up for FY15-16 and FY16-17 along with tariff proposal after considering final MoU signed by GoTS and GoI. • As the clarification regarding equity infusion and fund transfers on account of UDAY has been received only in FY 2017-18, the licensees couldn't ascertain the impact of UDAY on the true-ups of 1st Control Period and have not filed the true up Petitions along with ARR filings for FY 2018-19. • The Hon'ble TSERC vide its letter dt. 20.11.2018 has directed the TS Discoms to file the true up proposals for the distribution business for earlier Control Periods duly segregating the assets and liabilities relating to the districts of Ananthapur and Kurnool

	were issued by the Commission, the question of determining annual revenue requirement by the Commission and variations therein for true-up claims would not arise. The very valid reason for which TSERC returned the belated ARR and tariff proposals of the DISCOMs for the last three financial years should equally apply to the belated true-up claims of the DISCOMs for their distribution business. For the failure of non-submission of true-up claims in time, the Government should bear that burden of true-up claims and provide permissible amount to the DISCOMs. It is to be noted that the DISCOMs could not file their true-up claims for their retail supply business for the last three financial years which should be done on yearly basis as per the applicable regulations of the Commission.	along with seven mandals relating to APNPDCL. • Consequently, TS Discoms have made submissions regarding the true-up claims for 1st, 2nd and 3rd Control Periods along with ARR filings for Distribution business for the 4th control period (FY 2019-2024). • The Hon'ble Commission in its Tariff Order dt. 29.04.2020, has directed the DISCOMs to submit their true-up claims along with complete details regarding the capitalisation claimed for each year of the 1st, 2nd and 3rd Control Periods in the Petitions to be filed for Annual Performance Review for FY 2019-20 before 31.12.2020. (Directive No. 3). • Interlocutory applications to condone the delay in filing the true up Petition have been submitted along with the Petitions. • In line with the Hon'ble TSERC's directive in Tariff Order 29.04.2020, TS Discoms are filing the instant Petitions and request the Hon'ble Commission to accept the claims made by the TS Discoms.
2	The hefty sum claimed under true-up by the DISCOMs is after adjusting non-tariff income, revenue from wheeling charges/open access and amounts received by them from the State Government under UDAY. It should not have been difficult for the DISCOMs to file their true-up claims for distribution business control period-wise, even with some delay for unavoidable reasons. There is no justification in filing the claims for three control periods together, for, the issues pertaining to a control period would not have any relevance or impact on the claims for the immediate previous control period. Obviously, the abnormal and impermissible delay in filing the subject claims involves elements of dereliction and redtapism at the levels of the DISCOMs and the State Government, much more so in the case of the latter, because the DISCOMs have nothing to gain by delaying filing of the subject petitions inordinately. Needless to say, for filing true-up claims of the first control period (for three years up to 2008-09), a period of more than twelve years is not required. For filing true-up claims for the second control period (2009-10 to 2013-14), a period of more than seven years is not required. For filing true-up claims of the third control period (2014-15 to 2018-19), a period of more than two years is not required. In this connection, it may be noted that TS	

	TRANSCO filed its true-up/true-down claims periodically and up to 2020-21.	
3	Contrary to its practice, the Hon'ble Commission has not sought any clarifications, responses and further information from the DISCOMs relating to the subject petitions before inviting objections and suggestions from the interested public. Even if the Commission has sought and got such further information from the DISCOMs, it is not made public in its web site. Though the subject petitions were received by the Commission on September 1, 2021, public notices were issued in the month of August, 2022. In other words, it can be presumed that a period of nearly one year from the date of filing of the subject petitions is not sufficient for the Hon'ble Commission to study the same and seek relevant clarifications and further information, if any, from the DISCOMs, or that it has considered that no further clarifications and information are required from the DISCOMs to meet regulatory requirements. The subject petitions and annexers thereto filed by the DISCOMs run into 783 pages - 526 pages by SPDCL and 257 pages by NPDCL – pertaining to a period of 15 years. It is difficult to study and analyse the same and prepare required submissions within a short period from the date of uploading the subject petitions on the web site of the Hon'ble Commission. I request the Hon'ble Commission to extend time for filing objections and suggestions at least by 20 days and reschedule date of public hearing suitably.	TS Discoms submit that the Hon'ble Commission has sought additional information requirement in respect of the instant Petitions and TS Discoms have submitted response to the additional information requirement and the same can be accessed from respective Discom websites. The matter of time allowed to the objectors for filing of objections is under the purview of the Hon'ble Commission. TS Discoms shall abide by the instructions given by the Hon'ble Commission.
4	Relating to its annual performance for distribution business for the year 2019-20, TSSPDCL has submitted that, under the Financial Restructuring Package 2012, the then State government assumed the liability of the DISCOM (erstwhile APCPDCL) to the extent of Rs.4026 crore covering the short-term borrowings towards expensive power of the DISCOM. TSNPDCL has submitted that under FRP, the State government assumed liability of the DISCOM (erstwhile APNPDCL) to the extent of Rs.1744 crore. The DISCOMS have	TS Discoms submit that Government of India formulated and approved the scheme for Financial Restructuring Package (FRP) of State Distribution Companies vide office memorandum No.20/11/2012-APDRP, Govt. of India, Ministry of Power, New Delhi dated 5.10.2012 to enable the turnaround of the State Discoms and ensure their long-term variability. The scheme contains measures to be taken by the State Discoms and State Government for achieving financial turnaround by restructuring their debt with

	contended that the FRP covered the liability of the DISCOMs towards borrowing for purchasing expensive power which was not admitted by the Hon'ble Commission in the fuel surcharge adjustment/power purchase true-ups and that the impact of FRP cannot be considered under the true-ups of the DISCOMs. In this connection, it needs to be submitted and examined whether the liability of Rs.4026 crore and Rs.1744 crore taken over by the State government under FRP cover only FSA/power purchase true-ups claimed by the DISCOMs but rejected by the Hon'ble Commission.	support through a Transitional Finance Mechanism by Central Government. Aligning the State Government commitment towards the past short-term liabilities with the FRP of Govt. of India, the State Government assumed the liability of Rs.4026 Crore of TSSPDCL vide G.O.Ms.No.62, dated 14-11-2013. Therefore, the liability of Rs.4026 Crore assumed by the State Government under FRP pertains to short term loans to enable the turnaround of the TSSPDCL and ensure its long term variability. FRP covered the liability of the DISOM towards borrowing for purchasing expensive power. Even after takeover of liabilities under FRP, TSSPDCL is incurring losses. Hence, True up claim submitted by TSSPDCL may be considered by the Hon'ble Commission
5	Under UDAY scheme signed in 2017, GoTS took over Rs.5550.21 crore (75% of total outstanding) of TSSPDCL as on 21.23.2017 by infusing equity of Rs.4593.84 crore in 2016-17 and Rs.282.93 crore in 2017-18, the DISCOM has explained. Similarly, under UDAY scheme signed in 2017, GoTS took over Rs.3373 crore (75% of total outstanding) of TSNPDCL as on 21.23.2017 by infusing equity of Rs.2396 crore in 2016-17 and Rs.450 crore in 2017-18, the DISCOM has explained. Since this equity infusion is not capital grant, it attracts a return on equity @ 14% as per Regulation 4 of 2015, the DISCOMs have contended. Furthermore, as per the national tariff policy 2016, equity in excess of the normative level of 25% attracts weighted average rate of interest and as such, "no benefit has been accrued to the DISCOM due to UDAY," the DISCOMs have submitted. In other words, the implied purport of the submission of the DISCOMs is that, since it is infusion of equity by GoTS under UDAY, instead of giving a capital grant, that amount cannot be adjusted for reducing the true-up claims of the DISCOMs. Infusion of equity by GoTS is unrelated	TSSPDCL: As per the UDAY Scheme the total debts of TSSPDCL to be taken over by Government of Telangana was Rs.5,500.21 Crores (being 75% of total outstanding loans as on 30th September 2015 of TSSPDCL) in the form of 50% as Grant, 25% in the form of Equity and Bonds 25%. The Government of Telangana has taken over Rs. 5,500.21 Crores debt of TSSPDCL under UDAY Scheme by infusion of Equity amounting Rs.4593.84 Crore in 2016-17 and Rs. 282.93 Crore in 2017-18. The amount was released as Equity as per orders of State Government. Therefore, the same shall be treated as equity infusion by the State Government. As regards to treatment of 25% of debt remaining as on 30th September 2015, due to non-availability of Government Guarantee the same was retained by the TSSPDCL. Government of Telangana, as per the Tripartite MoU signed under

	to the terms of UDAY scheme and, as such, it is not fulfilling its obligation under UDAY. Therefore, the contention of the DISCOMs that GoTS infused the said equity under UDAY is untenable. I request the Hon'ble Commission to take into account what has been due to the DISCOMs from GoTS under UDAY and adjust the same towards true-up claims of the DISCOMs.	UDAY scheme, has taken over 5% losses incurred in FY 2016-17 in FY 2017-18. Further the Government of Telangana has issued the GO No.15, Dated. 18.06.2022 towards the takeover of Losses of 2017-18 to 2020-21 as per the clauses under the UDAY scheme for an amount of Rs. 8,925.00 Crore for TSDISCOMs, out of which TSSPDCL share is of Rs. 6,228 Crore (i.e.. 392 Crore towards 10% loss of 2017-18, Rs. 1242 Crore towards 25% loss of 2018-19, Rs. 2,470 Crore towards 50% loss of 2019-20 and Rs. 2,124 Crore towards 50% loss of 2020-21). The same is recognized during FY 2021-22 under Revenue from Operations as the funds received from GoTS in the FY 2022-23 before closure of Financials for 2021-22. TSSPDCL and Government of Telangana have fully complied with all terms and conditions of the UDAY scheme. Even after loss takeover the TSSPDCL has accumulated losses which are not covered under UDAY. TSSPDCL further submits that majority of the losses incurred by TSSPDCL are on account of power purchase expenses and in view of the same, takeover of losses by GoTS shall have no impact on the distribution business and accordingly on the instant Petitions.
6	The reason given by the Commission for approving around 50% of the excess amount of cost of power purchase claimed by the DISCOMs under true-up for the year 2016-17, is that the DISCOMs had not substantiated savings due to UDAY scheme under which the Government of Telangana had to take over 75% of outstanding debt of the DISCOMs as on 30.9.2015. The Hon'ble Commission considered the true-up/true-down claims of the DISCOMs provisionally in the tariff order for 2017-18. In the retail supply tariff order for the year 2018-19, the Hon'ble TSERC maintained that "the Government of India, Government of Telangana State and the Licensees have entered into a Tripartite MoU (UDAY MoU) dated 04.01.2017 in order to improve the operational and financial efficiency of the Licensees to	Government of Telangana, as per the Tripartite MoU signed under UDAY scheme, has taken over 5% losses incurred in FY 2016-17 in FY 2017-18. Further the Government of Telangana has issued the GO No.15, Dated. 18.06.2022 towards the takeover of Losses of 2017-18 to 2020-21 as per the clauses under the UDAY scheme for an amount of Rs. 8,925.00 Crore for TSDISCOMs, out of which TSSPDCL share is of Rs. 6,228 Crore (i.e.. 392 Crore towards 10% loss of 2017-18, Rs. 1242 Crore towards 25% loss of 2018-19, Rs. 2,470 Crore towards 50% loss of 2019-20 and Rs. 2,124 Crore towards 50% loss of 2020-21). The same is recognized during FY 2021-22 under Revenue from Operations as the funds received from GoTS in the FY 2022-23 before closure of Financials for 2021-22.

	enable their financial turnaround. Under the said scheme, the Government of Telangana State is to take over 75% of the outstanding debt of the Licensees as on 30.09.2015 by the end of FY 2016-17. The Commission directed the Licensees to submit the savings on their distribution businesses upon implementation of UDAY. In reply, the Licensees submitted that the savings due to UDAY Scheme may be considered at the end of the Control Period. The Commission does not find merit in the submissions of the DISCOMs particularly when the savings have been indicated and considered by the Commission in the Tariff Order for FY 2017-18. Hence, the Commission has considered the savings as Rs.743.88 crore and Rs.372.54 crore for SPDCL and NPDCL respectively, the same as considered in the Tariff Order for FY 2017-18" (page 85 of Tariff Order for 2018-19). I request the Hon'ble Commission to take the same stand on the obligation of the GoTS to take over liabilities of the TS DISCOMs under UDAY and adjust the same to reduce their true-up claims for distribution business. Infusion of equity by GoTS, instead of taking over their liabilities under UDAY, does not contribute to enable the financial turnaround of the DISCOMs and reduction of the burden of true-up on the consumers. Since infusion of equity took place, supposedly under UDAY, in the years 2016-17 and 2017-18, it is obvious that the DISCOMs had deliberately avoided to show the same in their submissions then by contending that the savings due to UDAY scheme may be considered at the end of the control period, despite the direction of the Hon'ble Commission to the licensees to submit the savings on their distribution businesses upon implementation of UDAY. It was because infusion of equity under UDAY was untenable and it cannot be treated as taking over of liabilities of the DISCOMs as per the terms of the said scheme. TSSPDCL has submitted that it had incurred a loss of Rs.4940.24 crore loss for the year 2019-20. Similarly, TSNPDCL has shown a loss of Rs.1116.29 crore for the year 2019-20. I also request the Hon'ble Commission to examine the	TSSPDCL and Government of Telangana have fully complied with all terms and conditions of the UDAY scheme. Even after loss takeover the TSSPDCL has accumulated losses which are not covered under UDAY.

	latest accumulated loss of both the DISCOMs and make it public.	
7	While the then government assumed liabilities of the DISCOMs under FRP which covered the liability of the DISCOMs towards borrowing expensive power which was not admitted by the Hon'ble Commission in the fuel surcharge adjustment/power purchase true-ups and as such, as rightly claimed by the DISCOMs, the impact of FRP cannot be considered under the true-ups of the DISCOMs. In other words, assuming of liabilities of the DISCOMs by the State government under FRP benefited the DISCOMs and their consumers, in the form of reduction of liabilities of the DISCOMs, on the one hand, and reduction of the burden of true up claims on the consumers, on the other. The TRS government did not assume liabilities of the DISCOMs under UDAY which it should have as per the terms of the scheme. Infusing equity, instead of assuming liabilities, i.e., sanctioning a grant to redeem liabilities, means doing business and expecting return thereon, i.e., earning profit. Such an arrangement cannot benefit the DISCOMs in the form of reduction of their liabilities and the consumers in the form of reducing the burdens of true-up claims. That is not the intended objective under UDAY. Irrespective any scheme like FRP or UDAY, it is always open to the State government to sanction funds for meeting requirements of equity of its power utilities. Projecting or treating infusion of equity by the State government in the DISCOMs as taking over liabilities of the latter under a scheme like UDAY would be a blatant distortion and legally untenable and defeat the very purpose of the scheme to which the State government has been a willing signatory. The DISCOMs themselves have admitted that "no benefit has been accrued to the DISCOM due to UDAY as infusion by the GoTS attracts return on equity of 14% which is higher than the cost of debt that would have incurred in the absence of UDAY scheme." Moreover, it is to be ascertained whether the amount intended for infusion of equity by GoTS was actually spent for that purpose or for redeeming the	Government of Telangana, as per the Tripartite MoU signed under UDAY scheme, has taken over 5% losses incurred in FY 2016-17 in FY 2017-18. Further the Government of Telangana has issued the GO No.15, Dated. 18.06.2022 towards the takeover of Losses of 2017-18 to 2020-21 as per the clauses under the UDAY scheme for an amount of Rs. 8,925.00 Crore for TSDISCOMs, out of which TSSPDCL share is of Rs. 6,228 Crore (i.e., 392 Crore towards 10% loss of 2017-18, Rs. 1242 Crore towards 25% loss of 2018-19, Rs. 2,470 Crore towards 50% loss of 2019-20 and Rs. 2,124 Crore towards 50% loss of 2020-21). The same is recognized during FY 2021-22 under Revenue from Operations as the funds received from GoTS in the FY 2022-23 before closure of Financials for 2021-22. TSSPDCL and Government of Telangana have fully complied with all terms and conditions of the UDAY scheme. Even after loss takeover the TSSPDCL has accumulated losses which are not covered under UDAY. TSSPDCL further submits that majority of the losses incurred by TSSPDCL are on account of power purchase expenses and in view of the same, takeover of losses by GoTS shall have no impact on the distribution business and accordingly on the instant Petitions.

	liabilities of the DISCOMs. If that amount was used for equity to create assets and capitalise them for distribution business of the DISCOMs and earn return thereon, it won't come under UDAY. If that amount was used for redeeming the liabilities of the DISCOMs, those liabilities cannot be allowed as components of true-up claims. Therefore, I request the Hon'ble Commission to direct the DISCOMs to get what is due to them from the State government under UDAY and adjust that amount for reducing their true-up claims to the extent the Hon'ble Commission considers them uncontrollable and permissible for their distribution business.	
8	With adequate time given by the Hon'ble Commission to the Discoms to send their responses to objections and suggestions, we hope that they would send their responses to our submissions, with relevant information and clarifications, well in time to enable us to study the same and make further submissions during the public hearings rescheduled to be held on 21.10.2022. I request the Hon'ble Commission to consider the above-mentioned submissions and my earlier submissions, among others, and provide me an opportunity to make further submissions after receiving responses of the DISCOMs and during the public hearings.	TS Discoms make a note of this suggestion made by the objector and will reply to the objections in a timely manner.

6. Sreekumar Nhalur, Prayas (Energy Group), Unit III, Devgiri, Joshi Museum Lane, Kothrud Industrial Area, Kothrud, Pune - 411 038, India, Phone: +91-20- 2542 0720, Fax: 2543 9134; Website : www.prayaspune.org/peg

S. No	Summary of Objections / Suggestions	Response of the Licensee
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	TS Discoms submit that the delay in filing of the true up and APR Petitions was on account of the genuine reasons which were elaborated in the instant Petitions and the same were also pointed out by the objector.

	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.	TS Discoms submit that they were constantly pursuing the matter of filing the true up and APR Petitions considering the fact that periodic true ups shall ultimately benefit Discoms and consumers of the State by improving Discoms' financial health. In view of the above, TS Discoms request to approve the true up and APR claims as claimed by the TS Discoms.
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 3rd Control period. Since the document is not searchable or amenable to copying, it takes a very long time to analyse the numbers.	TS Discoms submit that the instant Petitions can also be accessed through the respective websites of the Discoms. The copies of the instant Petitions available in websites are individual copies of Petitions instead of a combined file. TS Discoms make note of the observations made by the stakeholder in the context of uniformity of format and searchability of the Petitions.
	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 1st Control period, overspending in the 2nd Control period and very significant underspending in the 3rd 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

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

TSSPDCL has been taking actions to reduce the electrical accidents subsequent damage caused by such accidents.

It is to submit that the following safety measures are being taken up to avoid electrical accidents:

i. Yearly once, pre-monsoon inspections of lines are conducted with a program and the scheduled maintenance works are being carried out duly publishing in newspapers in advance, every month Second Saturday maintenance works at each substation are carried out.
ii. A detailed survey is being conducted for 33 KV, 11 KV and LT lines regularly to identify loose spans, leaned poles, rusted/damaged poles, in adequate clearances and the following rectification works are being carried promptly.
    a) Insertion of intermediate poles.
    b) Replacement of damaged poles.
    c) Replacement of damaged conductors.
    d) Providing of spacers.
    e) Restringing of loose spans.
    f) Replacement of Disc's/Insulators.
    g) Rectification of stays.
    h) Replacement of damaged AB switches.
iii. Survey of Distribution Transformer structures is being conducted regularly and rectification works are being executed on top priority as follows:
    a) Arresting of leakages and refilling of Transformer oil.
    b) Rectification of defective AB switches.
    c) Rectification of earth pipes and earthing.
    d) Load balancing of DTRs.
    e) Correction of HG Fuse gaps.
    f) Replacement of LT bushing rods.
    g) Rectification of section fuses.

	lakh/DT (FY2014). This also needs close scrutiny.	h) Providing of fencing at vulnerable places. i) Raising of plinth In addition to the above, various rectification works were carried out under Palle Pragathi and Pattana Pragathi Schemes. iv. Strict instructions were issued to the field officers to adhere to the department standard procedure for earthing of Distribution Transformers. In addition to the above, TSSPDCL conducts awareness programs among the general public and also taking up diligent technical check up of lines etc., periodically to curb fatal & Non-fatal accidents due to electrocution and TS Discoms are also imparting training to all the field staff on the subject of safety measures. TSSPDCL is conducting safety week in the first week of May every year. Awareness is being created among the consumers not to utilize the sub-standard materials like house wiring, switches and service wires and electrical appliances TSSPDCL has adhered to the guidelines and directions by Hon'ble TSERC and has taken actions to reduce the electrical accidents. The expenditure shown by TSSPDCL in the instant Petitions is utilized for improvement of safety measures for reduction of electrical accidents and payment of Ex-gratia to Electrical accidents. But the safety measures like erection of intermediate poles for proper clearance, Providing of Earthing, Reconstruction of damaged DTR plinth expenditure was booked in the Capital expenditure. Hence, the incurred expenditure is less than the approved value. As regards to safety audit, TSSPDCL shall abide by the directions of the Hon'ble Commission.

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)

[illegible]

* 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.

As per the UDAY Scheme the total debts of TSSPDCL to be tal over by Government of Telangana was Rs.5,500.21 Crores (be 75% of total outstanding loans as on 30th September 2015 TSSPDCL) in the form of 50% as Grant, 25% in the form of Equ and Bonds 25%. The Government of Telangana has taken over 5,500.21 Crores debt of TSSPDCL under UDAY Scheme by infus of Equity amounting Rs.4593.84 Crore in 2016-17 and Rs. 282 Crore in 2017-18. The amount was released as Equity as per orders State Government. Therefore, the same shall be treated as equ infusion by the State Government.