**Southern Power Distribution Company of Telangana Limited**
#6-1-50, Corporate Office, Mint Compound, Hyderabad 500 063
Phone No.(040) 2343 1008 Fax Nos.(040) 2343 1395/1452 website www.tssouthernpower.com

From
Chief General Manager (RAC),
TSSPDCL, Corporate Office,
6-1-50, Mint Compound,
Hyderabad – 500 063.

To
The Secretary,
TSERC, 11-4-660,
5th Floor, Singareni Bhavan
Red Hills, Hyderabad.

**Lr. No.CGM(RAC)/SE(RAC)/DE(RAC)/F. B.82 /D.No.5849/23, Dt:14-12.2023.**

Sir,

Sub: TSSPDCL -Draft Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023– Submission of responses of TSSPDCL -Reg.

Ref: TSERC Draft Multi Year Tariff Regulation,2023.

***

The Licensee submits the responses on Telangana State Electricity Regulatory Commission Draft (Multi Year Tariff) Regulation, 2023 and requested to place the same before the Hon'ble Commission for approval.

Encl: Responses on Draft MYT Regulation 2023.

TSERC HYDERABAD
INWARD
14 DEC 2023
No. Sign

Yours faithfully

Chief General Manager (RAC)

Comments of TS Discoms on Draft Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023

| APERC (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005 adopted by Telangana | Draft Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023 | | Response of the Licensee |
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| | PART I | PRELIMINARY | |
| | 1 | **Short title, extent, applicability and commencement** | |
| iii) This Regulation shall come into force on the date of its publication in the Andhra Pradesh Gazette. | 1.5 | This Regulation shall come into force from the date of its publication in the Official Gazette:<br><br>Provided that for all purposes, including review matters pertaining to the period till 31.03.2024, the issues relating to determination of Aggregate Revenue Requirement and Tariff shall be governed by the provisions of the Regulations and Guidelines in force during the relevant period. | In draft Regulation, the proviso of Regulation 6.2 (c) states that the Multi Year Tariff Petitions for the Control Period commencing from 01.04.2024 shall be filed by generating entity, transmission licensee, distribution licensee and SLDC by 30.12.2023.<br><br>It needs to be clarified whether the MYT Petition for Distribution Business for the 5th Control period and RST Petition for FY 2024-25 should be filed in accordance to the provisions of the current regulation or the Draft Regulations. |
| | 1.6 | This Regulation shall supersede the following:<br>a) Regulation No. 3 of 2005 being the (Treatment of Other Businesses of Transmission Licensees and Distribution Licensees) Regulation, 2005.<br>b) Regulation No. 4 of 2005 being the (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005 along with Amendments thereof.<br>c) Regulation No. 5 of 2005 being the (Terms and Conditions for determination of Transmission Tariff) Regulation, 2005 along with Amendments thereof.<br>d) Guidelines for Investment Approval (February 2006). | No comments |

<table>
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<tr><th>Clause No.</th><th>Regulation</th></tr>
<tr><td></td><td></td><td>e) Guidelines for Load Forecasts, Resource Plans, and Power Procurement (December 2006).<br>f) Regulation No. 1 of 2006 being the (Levy and Collection of fees and charges by State Load Despatch Centre) Regulation, 2006 along with Amendments thereof.<br>g) Regulation No. 1 of 2019 being the (Terms and Conditions of Generation Tariff) Regulation, 2019 along with Amendments thereof.</td><td></td></tr>
<tr><td></td><td>2</td><td>Definitions</td><td></td></tr>
<tr><td></td><td>2.1 (2)</td><td>"Accounting Statement" means for each Year, the following statements, namely-<br>i. balance sheet, prepared in accordance with the form contained in the Companies Act, 2013 as amended from time to time, as applicable;<br>ii. profit and loss account, complying with the requirements contained in the Companies Act, 2013 as amended from time to time, as applicable;<br>iii. cash flow statement, prepared in accordance with the applicable Accounting Standards of the Institute of Chartered Accountants of India;<br>iv. report of statutory auditors<br>v. reconciliation statement, duly certified by the statutory auditors, showing the reconciliation between the total expenses, revenue, assets and liabilities, of the entity as a Company and the expenses, revenue, assets and liabilities, separately for each business regulated by the Commission and unregulated business operations;<br>vi. cost records prescribed by the Central Government under the Companies Act, 2013, as applicable together with notes thereto, and such other supporting statements and information as the Commission may direct:<br>Provided that separate Accounting Statements shall be prepared and submitted to the Commission for each licensed Business in accordance with the Licence conditions, and for each regulated Business:<br>Provided further that, in case separate Accounting Statements</td><td></td></tr>
</table>

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| | | case may be, as declared by the generating entity. | |
| | 2.1 (23) | **"Distribution Business"** means the Business of operating and maintaining a distribution system for supplying electricity in the area of supply of a distribution licensee; | Business of operating and maintaining a distribution system for supplying electricity in the area of supply of a distribution licensee is required to add including expansion. |
| | 2.1 (29) | **"Generation Business"** means the Business of production of electricity from a Generating Station for the purpose of (i) giving supply to any premises or enabling supply to be so given, or (ii) for the purpose of supply of electricity to any distribution licensee in accordance with the Act and the rules and regulations made thereunder, or (iii) subject to the Regulations made under sub-section (2) of Section 42 of the Act, supply of electricity to any consumer; | Giving supply to any premises shall be deleted. |
| | 2.1 (33) | "**GCV as Received**" means the GCV of **coal** as measured at the unloading point of the thermal **generating station** through collection, preparation and testing of samples from the loaded wagons, trucks, Draft TSERC (MYT) Regulation, 2023 Page 17 of 134 ropeways, Merry-Go-Round (MGR), belt conveyors and ships in accordance with the IS 436 (Part-1/Section 1)- 1964; | In addition to GCV of Coal, Lignite,oil other combustive materials may be added.<br>In addition to thermal **generating station,** bagasse, Biomass, wood waste, municipal waste, solid waste may be added |
| | 2.1 (38) | "**Investment Approval"** means approval by the Board of the generating entity or the transmission licensee or any other competent Draft TSERC (MYT) Regulation, 2023 Page 18 of 134 authority conveying administrative sanction for the project including funding of the project and the timeline for implementation of the project: | In addition to the transmission licensee, the Distribution licensee may be added. |
| | 2.1 (39) | **"Installed Capacity"** means the summation of the name plate capacities of all the Units of the Generating Station or the capacity of the Generating Station (reckoned at the generator terminals); | Name Plate capacities declared by Manufacturer( Like Connected load in GTCS) |
| | 2.1 (42) | **"Landed Fuel Cost"** means the total cost of coal delivered at | In addition to the Coal, Lignite, |

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| | | are not submitted for each licensed Business in accordance with the Licence conditions and for each regulated Business for the Financial Year (FY) 2024-25 onwards, the Petitions filed by the generating entity or licensee or SLDC, may be rejected by the Commission after giving the Petitioner a reasonable opportunity of being heard<br>Provided also that the generating entity or licensee or SLDC shall submit the Statutory Auditor's comments, observations and notes to Accounts, along with the Accounting Statements, and a summary of the key issues highlighted by the Statutory Auditor and the steps taken to address them. | |
| | 2.1 (5) | **"Allocation Statement"** means, for each Year, a statement in respect of each of the Other Businesses of the generating entity or transmission licensee or distribution licensee undertaken for optimum utilisation of its assets, showing the amounts of any revenue, cost, asset, liability, reserve or provision, etc., which has been charged from or to each such Other Business together with a description of the basis of that charge; or determined by apportionment or allocation between different Businesses of the Generating Company or Licensee, together with a description of the basis of the apportionment or allocation:<br><br>Provided that separate Unit wise and Station wise Accounting Statements for generation business shall be prepared and submitted to the Commission wherever possible;<br><br>Provided further that, for the purposes of this Regulation, the Licensed Business of a distribution licensee for its area of supply would be bifurcated into Distribution Wheeling Business and Retail Supply Business. | Provisio to be read in conjunction with Clause 77. |
| | 2.1 (11) | **"Base Rate"** shall mean the one-year Marginal Cost of Funds-based Lending Rate ('MCLR') as declared by the State Bank of India from time to time; | |
| | 2.1 (19) | **"Date of Commencement of Production"** in respect of integrated mine(s) means the date of touching of coal, as the | Notice shall be issued to the Distribution Licencee on **"Date of Commencement of Production".** |

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| | | the unloading point of the generating station and shall include the base price or input price, washery charges wherever applicable, transportation cost (overseas or inland or both) and handling cost, charges for third party sampling and applicable statutory charges. | oil, gas, Diesel, Bagasse Biomass etc. combustive materials may be added. |
| | 2.1 (56) | **"Rated Voltage"** means the voltage at which the transmission system is designed to operate or such lower voltage at which the line is charged, for the time being, in consultation with Transmission System Users; | **"Rated Voltage"** means the voltage at which the **transmission system/ Distribution Sytem** is designed to operate or such lower voltage at which the line is charged, for the time being, in consultation with Transmission System Users; |
| | 2.1 (65) | "**Thermal Generating Station**" means a generating Station or a Unit thereof that generates electricity using fossil fuels such as coal, lignite, gas, liquid fuel or combination of these as its primary source of energy; | a. "**Thermal Generating Station**" means a generating Station or a Unit thereof that generates electricity using fossil fuels such as coal, lignite, gas, liquid fuel or combination of these as its primary source of energy;<br>b. In addition to the above station, RE stations also may be defined. |
| | 2.1 (67) | "**Transmission Licensee**" means a licensee authorised by the Commission to establish or operate transmission lines under Section 14 of the Act; | **Transmission Licensee**" means a licensee authorised by the Commission to establish **and** operate transmission lines under Section 14 of the Act; |
| | **PART II** | **MULTI YEAR TARIFF FRAMEWORK** | |

<table>
<tr><th rowspan="2">APERC (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005 adopted by Telangana</th><th colspan="2">Draft Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023</th><th rowspan="2">Response of the Licensee</th></tr>
<tr><th>Clause No.</th><th>Regulation</th></tr>
<tr><td></td><td>4</td><td>Control Period</td><td></td></tr>
<tr><td rowspan="2"></td><td>4.1</td><td>The Control Period under this Regulation shall be of five (5) financial years.</td><td rowspan="2">TSDISCOMs request the Hon'ble Commission to consider 3 year Control Period as there are many uncontrollable factors and significant uncertainties involved in the projections of ARR by the distribution utilities.<br>Currently 3 year MYT period is applicable in the states of Delhi, Punjab & Uttarakhand.</td></tr>
<tr><td>4.2</td><td>The first application under this Regulation shall be made for the Control Period of five (5) financial years starting from 01.04.2024 to 31.03.2029.</td></tr>
<tr><td></td><td>5</td><td>Multi Year Tariff Framework</td><td></td></tr>
<tr><td>10 MULTI-YEAR TARIFF FRAMEWORK AND APPROACH<br>10.1 The multi-year tariff framework shall be based on the 'following approach, for calculation of aggregate revenue requirement and expected revenue from tariff and charges.</td><td>5.1</td><td>The Commission in specifying this Regulation is guided by the principles contained in the Sections 61 and 62 of the Act, the National Electricity Policy, and the Tariff Policy notified by the Central Government for the determination of tariff for the generating stations in the State, transmission licensee/STU and distribution licensee, and Section 32(3) of the Act for determination of SLDC Charges.</td><td rowspan="2">No comments</td></tr>
<tr><td>10.5 Pass-through of gains and losses on variations in "uncontrollable" items of ARR:- The Distribution Licensee shall be eligible to claim variations in "uncontrollable" items in the ARR for the year succeeding the relevant year of the Control Period depending on the availability of data as per actuals with respect to effect of uncontrollable items:<br>Provided that the Commission shall allow the financing cost on account of the time gap between the time when the true-up becomes due and when it is actually allowed and the corrections shall not be normally revisited.<br>10.6 Sharing of gains and losses on variations in "controllable" items of ARR;. The Distribution Licensee in its annual filings during the Control Period shall present gains and losses for each</td><td>5.2</td><td>The Multi Year Tariff Framework shall be based on the following:<br>a) Approval of capital investment plan for each year of the Control Period;<br>b) Mechanism for truing up;<br>c) Mechanism for pass-through of uncontrollable items;<br>d) Mechanism for sharing of gains or losses on account of controllable items;<br>e) Determination of separate Aggregate Revenue Requirement and Tariff & Charges for each year of the Control Period;<br>f) Determination of Input Price of coal supplied from integrated mine(s).</td></tr>
</table>

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| controllable item of the Aggregate Revenue Requirement. A statement of gain and loss against each controllable item will be presented after adjusting for any variations on account of uncontrollable factors.<br>10.7 For the purpose of sharing gains and losses with the consumers, only aggregate gains or losses for the Control Period as a whole will be considered. The Commission will review the gains and losses for each item of the ARR and make appropriate adjustments wherever required:<br>10.8 Notwithstanding anything contained in this Regulation, the gains or losses in the controllable items of ARR on account of factors that are beyond the control of the Distribution Licensee —force majeure — shall be passed on as an additional charge or rebate in ARR over such period as may be specified in the Order of the Commission. | | | |
| | **6** | **Procedure for filing Petition** | |
| 12.5 True-up for Retail Supply Business<br>a. The Distribution Licensee shall include the power purchase cost variation over the previous year Power Purchase cost in the Tariff Order as expense (in the event of incurring excess cost)/rebate (in case of cost saving) in the ARR as special item with relevant details. To arrive the power purchase cost variation, the least ofthe | 6.1 | The petitions under MYT by the generating entity, transmission licensee/STU, SLDC and distribution licensee shall be filed as per the timelines specified in this Regulation and in compliance with the principles for determination of Aggregate Revenue Requirement as specified in this Regulation, in such form as may be prescribed by the Commission from time to time. | No comments |
| | 6.2 | The petitions to be filed for each Control Period under this Regulation are as under: | |

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| following power purchase quantity is to be considered:<br><br>i)Actual power purchase quantity procured by the Discoms for its consumers.<br>ii)Power purchase quantity computed based on actual sales except LT Agriculture sales. LT Agricultural sales will be limited to Tariff Order quantity. These aggregated sales will be grossed | a) | Multi Year Tariff petition shall be filed by 30th November of the year preceding the first year of the Control Period by generating entity, comprising:<br>i. True-up of preceding year for generation business;<br>ii. True-up of preceding year for integrated mine;<br>iii. Proposal of Tariff for each year of the Control Period for generation business;<br>iv. Proposal of Input Price of coal supplied from integrated mine for each year of the Control Period. | |
| up with approved losses for the relevant year in the MYT orders.<br><br>b. Since the complete information of cost actually incurred relating to previous year will not be available at the time of filing ofARR for a particular tariff year, the Licensee may include provisional cost variation for the previous year in ARR filings which will be subject to final | b) | Multi Year Tariff petition shall be filed by 30th November of the year preceding the first year of the Control Period by transmission licensee, distribution licensee (for wheeling business) and SLDC comprising:<br>i. True-up of preceding year;<br>ii. Aggregate Revenue Requirement for each year of the Control period<br>iii. Proposal of Tariff and Charges for each year of the Control Period. | |
| correction by the Commission as and when final accounts for that year become available.<br><br>c The Licensees shall also include in the ARR the amounts to be collected on final basis being the difference between the cost incurred based on audited annual accounts report and costs provisionally approved by the Commission in the TariffOrder for the year immediately preceding the previous year. | c) | Multi Year Tariff petition shall be filed by 30th November of the year preceding the first year of the Control Period by distribution licensee (for retail supply business) comprising:<br>i. True-up of preceding year;<br>ii. Aggregate Revenue Requirement for each year of the Control Period<br>iii. Revenue from retail sale of electricity at existing tariffs & charges and projected revenue gap for the first year of the Control Period;<br>iv. Proposal of consumer category wise retail supply tariff and charges for first year of the Control Period. | **The Distribution Licensee shall file the ARR with proposal for collecting Fixed charges committed as per PPAs in force in the form of Demand charges/Fixed charges and Variable charges in the form of Energy charges like in case of Generating Entities.**<br><br>True-up shall be Final for a year before preceding year & Provisional for preceding year.<br><br>TSDISCOMs request the Hon'ble Commission to modify the provision to allow filing of ARR for the first year of the Control |

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| | | | Period |
| | | Provided that the Multi Year Tariff petitions for the Control Period commencing from 01.04.2024 shall be filed by generating entity, transmission licensee, distribution licensee and SLDC by 30.12.2023. | TS Discoms request the Hon'ble Commission to modify the provision of requirement of filing of MYT Petitions by 30.12.2023 to "Provided that the Multi Year Tariff petitions for the Control Period commencing from 01.04.2024 shall be filed by generating entity, transmission licensee, distribution licensee and SLDC within 1 (one) month from the date from which the current Regulation shall be in force" considering the fact that the TS Discoms have to make necessary arrangements for filing of the Petitions as per the provisions of current Regulations |
| | d) | After first year of the Control Period and onwards, the annual petitions by generating entity shall comprise of:<br>i. True-up of preceding year for generation business;<br>ii. True-up of preceding year for integrated mine;<br>iii. Proposal of Revised Tariff for ensuing year of the Control Period for generation business;<br>iv. Proposal of Revised Input Price of coal supplied from integrated mine for the ensuing year of the Control Period. | No comments |
| 6.2 The ARR filing for the Distribution business shall be for the entire Control Period. | e) | After first year of the Control Period and onwards, the annual petitions by transmission licensee, distribution licensee (for wheeling business) and SLDC shall comprise of:<br>i. True-up of preceding year;<br>ii. Aggregate Revenue Requirement for ensuing year of the Control period<br>iii. Proposal of Revised Tariff and Charges for ensuing year of the Control Period. | |

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<tr><td>6.2 For the Retail Supply business the ARR filing will be on annual basis for the first Control Period and the entire Control Period for the subsequent Control Periods,</td><td>f)</td><td>After first year of the Control Period and onwards, the annual petitions by distribution licensee (for retail supply business) shall comprise of:<br>i. True-up of preceding year;<br>ii. Revised Aggregate Revenue Requirement for ensuing year of the Control Period<br>iii. Revenue from retail sale of electricity at existing tariffs & charges and projected revenue gap for ensuing year of the Control Period;<br>iv. Proposal of consumer category wise retail supply tariff and charges for ensuing year of the Control Period.</td><td rowspan="2"></td></tr>
<tr><td>6.1 Every Distribution Licensee shall file for each of its licensed business an application for approval of its Aggregate Revenue Requirement (ARR) for each year of the Control Period, not less than 120 days before the commencement of the first year of the Control Period. This filing shall be in such form and in such manner as specified and in accordance with the Guidelines issued by the Commission. The Distribution Licensees may file such applications for ARR of the first Control Period Within a period not less than 90 days before the commencement of the Control Period.</td><td></td><td>Illustration: The timelines for filing the Petitions for the Control Period from FY 2024-25 to FY 2028-29 are as under:<br>Multi Year Tariff petition for the Control Period<br>from FY 2024-25 to FY 2028-29: 30.12.2023<br>Annual Tariff petition for FY 2025-26: 30.11.2024<br>Annual Tariff petition for FY 2026-27: 30.11.2025<br>Annual Tariff petition for FY 2027-28: 30.11.2026;<br>Annual Tariff petition for FY 2028-29: 30.11.2027;</td></tr>
<tr><td></td><td>7</td><td>Capital Investment Plan</td><td></td></tr>
<tr><td></td><td>7.1</td><td>The generating entity, transmission licensee, distribution licensee and SLDC shall file for approval of the Commission a Capital Investment Plan along with its Multi Year Tariff Petition, covering the entire Control Period with separate details for each year of the Control Period.<br>Provided that the capital investment plan filed by the generating entity/transmission licensee/distribution licensee for the Control Period commencing from 01.04.2024, as on date of notification of this Regulations, shall be deemed to have been filed under</td><td>No comments</td></tr>
</table>

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| | | this Regulation | |
| | 7.2 | The capital investment plan shall show separately, on-going projects that will spill over into the Control Period, and such new projects (along with justification) which will commence in the Control Period but may be completed within or beyond the Control Period. | |
| | 7.3 | For renovation and modernisation schemes of power plants and all schemes meant for efficiency gain of power plants, the generating entity shall submit the cost benefit analysis and expected performance targets. | |
| | 7.4 | The transmission planning of Transmission Licensee shall be in accordance with the Manual on Transmission Planning Criteria issued by the Central Electricity Authority from time to time. | |

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| | 7.5 | The licensee shall submit the capital investment plan categorizing the proposed capital investment schemes in the following groups:<br>a) **System improvement:** The schemes under this category shall be those which are primarily driven by a need to improve the performance of the system in terms of reducing losses and/or improving quality and reliability of supply.<br>b) **System expansion:** The schemes under this category shall be those which are primarily driven by expected load growth in an area or to serve new connections, and thus include network reinforcement or expansion to cater to such load growth.<br>c) **Generation Evacuation:** The schemes under this category shall include those which are framed for the purpose of evacuation of power generated from a generating station.<br>d) **System Replacement:** The schemes under this category shall include those which are formulated for the purpose of replacing existing assets due to obsolescence of technology, destruction due to accidents/natural calamities or on expiry of its life period. | |

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<tr><td></td><td>7.6</td><td>For each capital investment scheme, the licensee shall submit the following details:<br>• Brief outline of the different components that constitute it and the salient features of the scheme;<br>• The objectives of the scheme and justification for taking it up along with quantification of the objectives;<br>• A comprehensive sketch / single line diagrams of the proposed work, grid maps of relevant areas where the scheme is proposed to be executed;<br>• Detailed cost estimates for each item of work covered by the scheme<br>• The scheme shall be supported by the results of the load flow study, or any other appropriate tools/techniques employed by the Licensee to simulate the impact of the scheme on network performance. The results of the load flow shall be provided for each year up to a period of five years from the date of commissioning of the scheme<br>• Financing plan supported by documents related to administrative approval, financial tie-up etc.<br>• Phasing of expenditure quarter wise for each work/module, supported with details of corresponding sources of funding<br>• PERT/CPM chart detailing the activities involved in project execution highlighting the anticipated constraints, if any<br>• Methodology of evaluation and measurement of the benefits accruing out of the investment<br>• Cost benefit analysis<br>• Physical benefits of the scheme<br>• Financial benefits of the scheme supported by detailed calculations to demonstrate the payback period of the investment</td><td>TSDISCOMs, submits that it is not possible to submit these details for all the schemes at the time of MYT filing. The capital investment as submitted in MYT Filings provides an appropriation of works to be carried out during the Control Period and the actual formulation of a Scheme requires some additional metrics which are not finalised at the time of filing. Considering the same, TSDISCOMs submits that they will be able to submit the proposed details as and when a scheme is formulated.<br><br>TSDISCOMs, requests the Hon'ble Commission to revise the provision considering above submissions.</td></tr>
<tr><td></td><td>7.7</td><td>The Licensee shall submit the details of the Scheme completed indicating the original cost, interest during construction, expenses capitalised and original schedule of completion, as approved by the Commission for such scheme along with the</td><td>No comments</td></tr>
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| | | actual cost, interest during construction, expenses capitalised, etc. and, date of completion along with true up of respective year. | |
| | 7.8 | On completion of a scheme or a usable module of the scheme, a Physical Completion Certificate (PCC) to the effect that the work in question has been fully executed, physically, and the assets created are put to use, is required to be issued by the engineer concerned not below the rank of Superintendent Engineer. The PCC shall be accompanied with a Financial Completion Certificate (FCC) to the effect that the assets created have been duly entered in the Fixed Assets Register by transfer from the CWIP register to OCFA. The FCC shall have to be issued by an officer not below the rank of Senior Accounts Officer. The Licensee shall submit these certificates to the Commission in the true up of the year in which the work/module/scheme is capitalised. | TSDISCOMs submits that arranging, handling and submitting PCC's and accompanying FCC's for each works would be a challenging cumbersome exercise and is also voluminous considering the quantum of works being executed every year. Considering the same, TS Discoms request the Hon'ble Commission to introduce a limit of Rs. 1 Crore for submission of FCCs and PCCs.<br><br>Alternatively, TSDISCOMs request the Hon'ble Commission to provide for FCC and PCC for circle as a whole in a certain time period and the same is accompanied by a consolidated statement detailing the description of works, amount incurred against the same etc. |
| | 7.9 | The Commission or its authorized representative shall have the right to verify the correctness of the PCC and FCC. | No comments |
| | 7.10 | The Licensee shall also 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 (12) months of its completion. | TSDISCOMs request the Hon'ble Commission to revise the provision as follows:<br>*'The Licensee shall also undertake a post-completion review of the Schemes* ***with capital expenditure greater than Rs 10 Crore*** *to assess whether the objective of the* |

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| | | | *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 (12) months of its completion.'* |
| | 7.11 | The licensee, if the need arises, may undertake capital investment schemes that have not been proposed in the capital investment plan:<br>Provided, that the prior approval of the Commission shall be required for undertaking the capital investment schemes with the estimated capital expenditure above the following limits:<br>Transmission licensee-Rs. 50 Crore;<br>Distribution Licensee-Rs. 10 Crore;<br>SLDC-Rs. 1 Crore;<br>Provided further that the licensee shall submit proposal for prior approval of the Commission complying with the provisions of clause 7.4 to clause 7.6 | As regards to the limit of Capital Investment Scheme for Distribution Licensee,<br>• As per the current Investment Guidelines, 2006 the limit is Rs. 5 Crore. The revised new limit of Rs. 10 Crore in the year 2023 is on lower side even considering the WPI/CPI inflation in the last 17 years. In view of the same, TS Discoms requests the Hon'ble Commission to increase the proposed limit of Rs. 10 Crore to Rs. 20 Crore.<br>• Further, TS Discoms request the Hon'ble Commission to increase the proposed limit by Rs. 2 Crore per year during each year of the Control Period in order to execute the works without any hindrance on account of increase in costs. |
| | 9.<br>9.1 | **Determination of Tariff**<br>**Existing Generating Station**<br>Provides for determination of tariff in accordance with this Regulation. | **The Commission is requested to clarify whether tariff can be re-determined for existing PPAs in accordance with this regulation.** |

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| | 9.2<br><br>9.4 | **New Generating Stations**<br>The tariff determined shall be in accordance with the Regulation.<br><br>The Petitioner shall provide, as part of its Petition and in such form as may be stipulated by the Commission, details of computation of the Aggregate Revenue Requirement and expected revenue from Tariff and charges, and thereafter shall furnish such further information or particulars or documents as the Commission or its Secretary or any Officer designated for the purpose by the Commission may reasonably require to assess such calculation:<br>...<br>Provided further that the Commission may stipulate different formats for details to be submitted by the Petitioner as it may reasonably require for assessing the Aggregate Revenue Requirement and for determining the Tariff: | **TS Discoms request the Hon'ble Commission to direct the Generating Stations to submit the details & relevant Documents against its claim of fixed and variable charges to the Hon'ble Commission.**<br><br>**If the increase in approved capital cost of a Power Plant during a year is more than 15% of approved capital cost (at the time of cut-off period), the Purchaser shall have the right to terminate the PPA.**<br><br>**There shall be a cap on increase in unit rate on account of true-ups. In case variable cost is increased than the determined tariff, the increased variable cost shall be considered for Merit Order Despatch.**<br><br>**The PPA period shall be initially for 5 years only and can be renewed on mutual consent..** |
| | **12** | **Controllable and uncontrollable factors** | |

<table>
<tr><th rowspan="2">APERC (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005 adopted by Telangana</th><th colspan="2">Draft Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023</th><th rowspan="2">Response of the Licensee</th></tr>
<tr><th>Clause No.</th><th>Regulation</th></tr>
<tr><td>10.4 Controllable and Uncontrollable items of ARR:-' The expenditure of the Distribution Licensee considered as "controllable" and "uncontrollable" shall be as follows:<br><br>
<table>
<tr><th colspan="2">Distribution Business</th></tr>
<tr><td>ARR Item</td><td>“Controllable”/”Uncontrollable</td></tr>
<tr><td>O&M 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>
<br>In addition to the above items the retail supply business shall include the following:<br><br>
<table>
<tr><th colspan="2">Retail Supply Business</th></tr>
<tr><td>ARR Item</td><td>“Controllable”/”Uncontrollable</td></tr>
<tr><td>Cost of power purchase</td><td>Uncontrollable</td></tr>
<tr><td>Sale of</td><td>Uncontrollable</td></tr>
</table>
</td><td>12.1</td><td>Variations or expected variations in the performance of the Petitioner, which may be attributed by the Commission to controllable factors include, but are not limited to the following:<br>a) Variation in Distribution losses;<br>b) Variation in Transmission losses<br>c) Variation in operational norms<br>d) Variation in amount of interest on working capital<br>e) Variation in Operation & Maintenance expenses<br>f) Variation in Coal transit losses.</td><td>TS Discoms request the removal of variation in amount of interest on working capital from the controllable factors considering the fact that interest rate to be levied on amount of working capital is an uncontrollable factor which is not under the control of TS Discoms or in fact any utility(ies). Further, the Working capital also includes O&M expenses, sales, revenue from sales etc. which are uncontrollable factors.<br><br>Further, TS Discoms also request removal of variation in O&M expenses from the controllable factors considering the fact that they are dependent on CPI/WPI Inflation rates, Pay Revision(s), increase in R&M on account of Price variations, Force Majeure conditions etc.<br>TS Discoms also request for removal of Variation in distribution losses under controllable factors considering that variation in intra-State transmission losses for distribution licensees is considered under uncontrollable factors.</td></tr>
</table>

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| Power to the consumers* \| <br> Revenue From Sale of Power from Consumers* \| Uncontrollable <br> *Regulation No.1 of 2023* | 12.2 | The "uncontrollable factors" shall comprise the following factors, which were beyond the control of, and could not be mitigated by the Petitioner, as determined by the Commission: <br> a) Force Majeure events; <br> b) Change in law; <br> c) Variation in fuel cost on account of variation in price of primary and/or secondary fuel prices; <br> d) Variation in sales; <br> e) Variation in the cost of power purchase due to variation in the rate of power purchase, subject to clauses in the power purchase agreement or arrangement approved by the Commission; <br> f) Variation in inter-State Transmission Charges and losses; <br> g) Variation in intra-State transmission losses for distribution licensee; <br> h) Variation in market interest rates for long-term loan; <br> i) Variation in income tax rates; <br> j) Variation in freight rates; <br> k) Revenue from sale of power from consumers. | TS Discoms request the Hon'ble Commission to clarify or make suitable amendment regarding the mechanism of pass-through of gains or losses on account of uncontrollable factors as specified in this clause other than the uncontrollable factors mentioned in clause 13.3 viz. cost of fuel, power purchase and inter-state Transmission Charges. <br><br> As regards to the Revenue from sale of power, TS Discoms request to clarify that whether TS Discoms can claim for revenue true up in their filings. <br><br> TSDISCOMs requests to include variation in O&M expenses and variation in amount of interest on working capital as uncontrollable factors. |
| | **13** | **Mechanism for pass-through of gains or losses on account of uncontrollable factors** | |
| | 13.2 | The aggregate gain or loss to a Distribution Licensee on account of variation in cost of fuel, power purchase, and inter-State Transmission Charges, covered under clause 12.1, shall be passed through under the Fuel Cost Adjustment (FCA) as per the procedure specified in this Regulation. | The reference to Clause 12.1 seems to be a typographical error and TS Discoms request the Hon'ble Commission to rectify the same. <br><br> **The Licensee shall be allowed to collect FCA charges from partial Open Access consumers on the energy consumption made from** |

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| | | | **Licensee and also to the extent of energy availed from open access due to increase in landed power purchase cost of Generating entities having PPA with the Licensee approved by the appropriate Commission.** |
| 12.5.2 Collection of FCA charges | 13.3 | **Collection of FCA charges** | |
| b. The maximum amount of FCA charges that can be levied on the consumers as per this Regulation without the prior approval of the Commission is Rs.0.30 per unit (in kWh):<br><br>Provided that where the FCA charges in any billing month exceeds Rs.0.30 per unit, the distribution licensee shall not recover FCA charges in excess of Rs.0.30 per unit without prior approval of the Commission:<br><br>Provided further that where the amount of FCA charges is negative, the entire savings in FCA charges shall be passed on to the consumers. | (b) | The maximum amount of FCA charges that can be levied on the consumers as per this Regulation without the prior approval of the Commission is Rs.0.30 per unit (in kWh):<br><br>Provided that where the FCA charges in any billing month exceeds Rs.0.30 per unit, the distribution licensee shall not recover FCA charges in excess of Rs.0.30 per unit without prior approval of the Commission:<br><br>Provided further that where the amount of FCA charges is negative, the entire savings in FCA charges shall be passed on to the consumers. | From the relevant regulations applicable for generation stations (Reg. 1 of 2019), It can be observed that generating stations are allowed to pass through the entire variation in fuel cost to the TS Discoms without any limit, whereas the TS Discoms are only entitled for automatic pass though of only Rs. 0.30/unit.<br><br>Even though the TS Discoms are eligible for recovery of FCA over and above ceiling price after approaching the Hon'ble Commission, it is to be noted that the working capital of the TS Discoms till the approval of such excess FCA will be affected and may lead to higher interest rates. In view of the above, TS Discoms request the Hon'ble Commission to exclude the ceiling limit and allow the TS Discoms to pass through the FCA charges either positive or negative subject to post factor approval of the claims made |

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| | | | by the TS Discoms.<br><br>Alternatively, the Hon'ble Commission is requested to consider the approach of limiting the maximum FCA that can be levied without prior approval of Hon'ble Commission as a **percentage (20%) of approved weighted average power purchase cost** as followed in certain other States. TS Discoms request the Hon'ble Commission to evaluate the ceiling limit of FCA of **15% as followed in the States viz. Rajasthan and Haryana.**<br><br>Notwithstanding to the above submissions, TS Discoms request the Hon'ble Commission to allow the recovery of item 'Z' over and above to the ceiling limit of Rs. 0.30 per unit on account of any variation to the determined FCA during the post facto approval of the Hon'ble Commission to be filed by TS Discoms every quarter. |
| b. For computing the FCA charges, the transmission losses in intra-state transmission network and distribution losses in distribution network of concerned distribution licensee to be considered shall be the losses as approved by the Commission in the relevant MYT Transmission and Wheeling tariff orders. | 13.5 | For computing the FCA charges, the transmission losses in intrastate transmission network and distribution losses in distribution network of concerned distribution licensee to be considered shall be the losses as **approved** by the Commission in the relevant MYT Transmission and Wheeling tariff orders. | TS Discoms request to incorporate **actual** inter-state transmission losses while calculating the FCA for the month. |
| d. For arriving the actual Power purchase | 13.7 | For arriving the actual Power purchase cost, **fixed cost** of each | TS Discoms request the Hon'ble |

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| cost fixed cost of each Generating Station as approved in Retail Supply tariff order or actual fixed cost paid to each generating station, whichever is less, shall be considered. | | Generating Station as approved in Retail Supply tariff order or actual fixed cost paid to each generating station, **whichever is less**, shall be considered. | Commission to consider the **actual fixed costs** paid to the Generating Stations during the month since the monthly Fixed Charges claimed by generation stations is including the impact of their true up(s) approved by Appropriate Commissions.<br>Further, the limitation of actual or approved fixed costs is resulting in incurring of additional interest on working capital for a period of more than one year i.e., till the finalization of true up. |
| | **14** | **Mechanism for sharing of gains or losses on account of controllable factors** | |
| | 14.1 | The approved aggregate gain to the generating entity or licensee or SLDC on account of controllable factors shall be dealt with in the following manner:<br>a) **Two-third of the amount of such gain shall be passed on as a rebate** in tariff over such period as may be stipulated in the Order of the Commission;<br>b) The **balance** amount of such gain **shall be retained** by the generating entity or licensee or SLDC. | TS Discoms request the Hon'ble Commission to pass through the aggregate gain or loss on account of controllable factors in the ARR of the Discoms.<br><br>Alternatively, TS Discoms request the Hon'ble Commission to modify the clause as follows:<br>*"The approved aggregate gain and loss on account of controllable factors shall be dealt with in the following manner:*<br>*a) 2/3rd of such gain or loss shall be passed on as a rebate or allowed to be recovered in tariffs over such period as may be specified in the Order of the Commission;* |
| | 14.2 | The approved aggregate loss to the generating entity or licensee or SLDC on account of controllable factors shall be dealt with in the following manner:<br>a) **One-third of the amount of such loss may be passed on** as an additional charge in tariff over such period as may be stipulated in the Order of the Commission;<br>b) The **balance amount** of such loss **shall be absorbed** by the generating entity or licensee or SLDC. | |

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<tr><th>Clause No.</th><th>Regulation</th></tr>
<tr><td></td><td></td><td></td><td>b) The balance amount of such gain or loss may be utilized or absorbed by the Licensee."</td></tr>
<tr><td></td><td>PART III</td><td>POWER PROCUREMENT</td><td></td></tr>
<tr><td></td><td>17</td><td>Power procurement plan</td><td></td></tr>
<tr><td></td><td>17.2</td><td>The power procurement plan of the Distribution Licensee shall comprise the following:<br>a) A quantitative forecast of the unrestricted base load and peak load for electricity within its area of supply;<br>b) An estimate of the quantities of electricity supply from the identified sources of power purchase, including own generation if any;<br>c) An estimate of availability of power to meet the base load and peak load requirement:<br>Provided that such estimate of demand and supply shall be on month-wise basis in Mega-Watt (MW) as well as expressed in Million Units (MU);<br>d) Standards to be maintained with regard to quality and reliability of supply, in accordance with the relevant Regulations of the Commission;<br>e) Measures proposed for energy conservation, energy efficiency, and Demand Side Management;<br>f) The requirement for new sources of power procurement, including augmentation of own generation capacity, if any, and identified new sources of supply, based on (a) to (e) above;<br>g) The sources of power, quantities and cost estimates for such procurement:</td><td>TSDISCOMs submits that forecast of demand is very unpredictable and unreliable since the Discoms have significant agriculture demand which is highly weather dependent and there are cases of extreme demand variation within a day.<br><br>In view of the above, TSDISCOMs request the Hon'ble Commission to remove the clause "A quantitative forecast of the unrestricted base load and peak load for electricity within its area of supply"</td></tr>
</table>

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| | | Provided that the forecast or estimates contained in the long-term procurement plan shall be separately stated for peak and off-peak periods, in terms of quantities of power to be procured (in MU) and maximum demand (in MW);<br><br>Provided further that the forecast or estimates for the Control Period shall be prepared for each month over the Control Period; | |
| | 17.5 | The Distribution Licensee shall forward a copy of its power procurement plan to the State Transmission Utility for verification of its consistency with the transmission planning criteria for the intra-State Transmission System. | |
| | **19** | **Additional power procurement** | |
| | 19.1 | The distribution licensee may undertake additional power procurement during the year, over and above the power procurement plan for the Control Period approved by the Commission, in accordance with this Regulation. | No comments |
| | 19.2 | Where there has been an unanticipated increase in the demand for electricity or a shortfall or failure in the supply of electricity from any approved source of supply during the Year or when the sourcing of power from existing tied-up sources becomes costlier than other available alternative sources, the distribution licensee may enter into additional agreement or arrangement for procurement of power. | |
| | 19.3 | Where the Distribution Licensee has identified a new short-term source of supply from which power can be procured at a tariff that reduces its approved total power procurement cost, it may enter into a short-term power procurement agreement or arrangement with such supplier without the prior approval of the Commission. | |
| | 19.4 | The distribution licensee may enter into a short-term arrangement or agreement for procurement of power without the prior approval of the Commission when faced with emergency conditions that threaten the stability of the distribution system, or when directed to do so by the SLDC to prevent grid failure. | |

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| | 19.5 | Within fifteen (15) days from the date of entering into an agreement or arrangement for short-term power procurement for which prior approval is not required, the distribution licensee shall submit to the Commission its details, including the quantum, tariff computations, duration, supplier particulars, method of supplier selection and such other details as the Commission may require so to assess that the conditions specified in this Regulation have been complied with. | |
| | 19.6 | Where the Commission has reasonable grounds to believe that the agreement or arrangement entered by the Distribution Licensee does not meet the criteria specified in clause 19.2 to clause 19.5, it may **disallow any increase in the total cost of power procurement over the approved level arising there from or any loss incurred** by the distribution licensee as a result, from being passed through to consumers. | TS Discoms request the Hon'ble Commission to allow the **actual power purchase expenses** incurred by TS Discoms in the circumstances specified in clauses 19.2 to 19.5 in total.<br>Alternatively, the Hon'ble Commission may consider **inclusion of a provision limiting the purchase of additional power only till the cases where the cost of power purchase from short-term arrangement or agreement is limited to within 150% of cost of highest variable cost** among all the sources of power admitted by the Hon'ble Commission. |
| | **PART IV** | **FINANCIAL PRINCIPLES** | |
| | **20** | **Financial Prudence** | |
| | 20.2 | In determining the Aggregate Revenue Requirement and Tariff of the generating station or licensee or SLDC, the Commission shall assess the financial prudence exercised with regard to the following factors:<br>a) revenue;<br>b) revenue expenditure;<br>c) capital expenditure, | It is requested the Hon'ble Commission **to allow the entire Aggregate Revenue Requirement of licensee as certain efficiency measures are beyond the control of Licensee**. (eg. Reduction of Distribution |

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| | | Provided that the **Commission may disallow a part of the Aggregate Revenue Requirement, as an efficiency measure**, if it finds the exercise of such prudence to have been deficient. | losses to the approved level, revenue collection as per the demand raised) |
| | 20.3 | The financial prudence with respect to revenue shall be assessed in terms of the following parameters:<br>a) whether category-wise sales projections are based on realistic estimates, and adequate justification has been provided for any anomalous increase in sales projected by the Distribution Licensee;<br>b) whether projected generation is based on realistic estimates, and adequate justification has been provided for any anomalous increase in generation projected by the generating company;<br>c) reduction in arrears receivable from Beneficiaries/consumers;<br>d) percentage of metered consumers and metered consumption out of the total, in the case of distribution licensee;<br>e) percentage of bills raised on the basis of assessed consumption out of the total number of bills raised by the distribution licensee;<br>f) whether revenue collected is in line with the projections made in the Petition and approved by the Commission. | It is requested the Hon'ble Commission that the parameters related to the sales projections are based on the sales requirement projected by the new & upcoming loads received from the concerned but are not realized, reduction in arrears from consumers, percentage of metered consumers and metered consumption in case of Agriculture categories as it involves the decision of Government, percentage of bills raised on the basis of assessed consumption as it depends on the defective nature of meters due to completion of life cycle, **variation in revenue collection than projected are beyond the control of Licensee.** |

<table>
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<tr><th>Clause No.</th><th>Regulation</th></tr>
<tr><td></td><td>20.4</td><td>The financial prudence with respect to revenue expenditure shall be assessed in terms of the following parameters:<br>a) monitoring of the revenue expenditure as against the revenue earned, such that the expenses and payment obligations of the generating company or licensee to other entities are met in a timely manner;<br>b) mechanism put in place for monitoring adherence to the approved revenue expenditure, including schedule of interest payments for long-term loans and working capital;<br>c) transparent method of power procurement, with the objective of optimising the power purchase expenses, as specified in this Regulation;<br>d) optimum purchase of power considering factors such as requirement of power, Merit Order Despatch, potential for earning additional net revenue based on the differential between the rate for purchase of power from different sources and the market rate for sale of surplus power, if any:</td><td>Revenue expenditure sometimes may be more than the revenue earned due to emergencies faced by the Licensee to maintain uninterrupted power supply as universal service obligation. It is requested the Hon'ble Commission to exempt the Licensees from this clause.</td></tr>
<tr><td></td><td></td><td>Provided that, in case the excess of revenue expenditure over the revenue earned exceeds 5%, the generating company or licensee shall submit detailed justification for the mismatch along with its Petition for true-up, including a comparison of the revenue expenditure and revenue estimated in the Petition with the amounts approved by the Commission and with the actual amount of revenue expenditure and revenue, under key heads;<br>Provided further that the generating entity or licensee shall submit a detailed cash flow statement for the respective Business showing the various sources of revenue, the actual amount of cash collected against the amount billed to different consumer categories for sale of electricity, the comparison of the actual revenue expenditure and capital expenditure with the projected and approved revenue expenditure and capital expenditure:</td><td></td></tr>
</table>

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| | | Provided also that, in case its payment obligations to other entities are not regularly met, the generating entity or licensee shall provide justification for such shortfall with reference to its cash flow statement:<br><br>Provided also that the generating entity or licensee shall **submit the Cost Audit Report along with the true-up Petition** to justify the revenue expenses incurred as well as inventory management policies. | TS DISCOMs request **to delete this proviso**, which provides for submission of Cost Audit Report along with the True-up Petition.<br><br>**Cost Audit Report will not serve the purpose of validating the financial prudence of revenue expenditure** and inventory management due to following reasons:<br>• Cost audit ascertains only accuracy of cost records in conformity with Cost Accounting Policies.<br>• Audited Accounts audited by the external Statutory Auditors with Notes are submitted along with the True Up Petition.<br>• Cost records prepared on cost accounting standards will be different from regulatory principles and will not match with the petitioned numbers.<br>Preparation of Cost Audit Report depends on the completion of statutory audit and hence, cannot be made available by the month of November. |

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<tr><th>Clause No.</th><th>Regulation</th></tr>
<tr><td></td><td>20.5</td><td>The financial prudence with respect to capital expenditure shall be assessed in terms of the following parameters:<br>a) whether projected capital expenditure and capitalisation is based on realistic estimates, and adequate justification has been provided for any anomalous increase in capital expenditure and capitalisation projected by the generating entity or licensee;<br>b) mechanism put in place for monitoring the physical progress of projects with respect to their original schedule;<br>c) optimum drawl of loans in accordance with the physical progress of the capital expenditure schemes, and efficient utilisation of such loans;<br>d) in case the actual capital expenditure or capitalisation exceeds 10% of that approved by the Commission, the generating entity or licensee shall submit detailed justification for such excess along with its Petition for True-up;<br>e) in case any scheme has not been commenced during the year despite the Commission's approval, detailed justification shall be submitted along with the Petition for True-up.</td><td>TSDISCOMs requests the Hon'ble Commission to clarify whether this provision is only applicable for schemes mentioned under Regulation 7.11 i.e., for the capital investment schemes above Rs. 10 Crore.</td></tr>
<tr><td></td><td>21</td><td>Capital Cost</td><td></td></tr>
<tr><td></td><td>21.4</td><td>The capital cost of the concerned asset/s shall be considered after deducting the amount of accumulated depreciation computed till the period of asset utilisation for unregulated business or for the period the assets remain unutilised, for the purpose of tariff determination, in the following instances:<br>a) The asset/s have been used for a period of time for unregulated business or the asset/s have become part of the asset base of the regulated business after lapse of time with respect to the COD of the asset;<br>b) If the asset has not been put to use for the regulated business after COD.</td><td>TSDISCOMs submits that the capital expenditure is undertaken only after due approval from the Commission and if the assets are not utilized for reasons beyond the control of the Licensee, it should not be penalized.<br>Further, TS DISCOMs submit that they may set up infrastructure based on demand projections, however, due to various external factors, the demand may not</td></tr>
</table>

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| | | | materialize, and assets may remain unutilized for genuine reasons. Hence, the Distribution Licensee needs to be allowed to recover the cost after prudence check. |
| | 21.6 | The actual amount of capitalisation during a year against capital investment schemes for which prior approval of the Commission is not required, shall not exceed 10% of the amount of capitalisation approved against capital investment schemes for which prior approval of the Commission has been accorded: | TSDISCOM request the Hon'ble Commission to clarify the applicability of this provision to Distribution Licensee.<br><br>In case of the clause applicable to Distribution Licensees, TS Discoms request the Hon'ble Commission to limit to 30% the applicability of this clause to Distribution Utilities on account of the following reasons:<br>• The capex incurred by TS Discoms during year includes the new consumer capex and such new consumer capex is uncontrollable and is not under the control of TS Discoms. Further, capex incurred by TS Discoms during year includes also includes the capex on account of existing consumer load growth and related unplanned capex In case this clause is retained for Distribution licensees, TS Discoms may not be in position to extend electricity supply to all prospective consumers.<br>• The capex incurred by TS Discoms in an year might also be |

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| | | | on account of uncontrollable factors like Force Majeure viz. natural calamities which demand incurring of capital expenditure. |
| | 21.8 | The capital cost may include initial spares capitalised as a percentage of the Plant and Machinery cost up to the cut-off date, subject to the following ceiling norms:<br>a) Coal based fired Generating Stations: 4.0%;<br>b) Hydel Generating Stations, including pumped storage hydel generating Stations: 4.0%;<br>c) Transmission System and Distribution System<br>Transmission Line & Distribution Line: 1.0%;<br>Transmission sub-Station & Distribution sub-Station: 4.0%; | |
| | **26** | **Consumer Contribution, Deposit Work, Grant and Capital Subsidy** | |
| | 26.1 | The expenses on the following categories of works carried out by the generating entity or licensee or SLDC shall be treated as specified in clause 26.2:<br>a) Works undertaken from funds, partly or fully, provided by the users, which are in the nature of deposit works or consumer contribution works;<br>b) Capital works undertaken with grants or capital subsidy received from the State and Central Governments;<br>c) Other works undertaken with funding received without any obligation of repayment and with no interest costs. | |

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| | 26.2 | The expenses on such capital works shall be treated as follows:-<br>a) normative O&M expenses as specified in these Regulations shall be allowed;<br>b) the debt: equity ratio, shall be considered in accordance with clause 27, after deducting the amount of such financial support received;<br>c) provisions related to depreciation, as specified in clause 28, shall not be applicable to the extent of such financial support received;<br>d) provisions related to return on equity, as specified in clause 29 shall not be applicable to the extent of such financial support received;<br>e) provisions related to interest on loan capital, as specified in 31 shall not be applicable to the extent of such financial support received. | |
| | **27** | **Debt-equity ratio** | |
| | 27.1 | For the purpose of determination of tariff, debt-equity ratio as on date of commercial operation in case of a new generating station, transmission line and distribution line or substation commissioned or capacity expanded on and/or after 01.04.2024, shall be 75:25. Where equity employed is more than 25%, the amount of equity for the purpose of tariff shall be limited to 25% and the balance amount shall be considered as normative loan. Where actual equity employed is less than 25%, the actual equity shall be considered: | TS Discoms request the Hon'ble Commission to remove *"Where actual equity employed is less than 25%, the actual equity shall be considered:"* considering the following:<br>There are only two sources of equity for a utility viz. (i) fresh equity infusion from GoTS every year and (ii) utilization of positive reserves and surplus from previous years. In case of TS Discoms, fresh equity infusion from GoTS is not being seen in recent past and since the TS Discoms are incurring losses the possibility of arranging funds from reserves and surplus is also nullified. Considering the same, all the |

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| | | | works which are currently being done are from utilizing the loan funding and considering the same the proposed clause is detrimental to the business of TS Discoms. Further, from the proposed clauses it is clear that for the loan amount more than 75% there is no accounting and TS Discoms are not being allowed either interest on loan or return on equity. This proposed clause shall make the business of TS Discoms riskier.<br><br>Considering the above, TSDISCOMs requests the Hon'ble Commission to revise the provision as below;<br><br>*"For the purpose of determination of tariff, debt-equity ratio as on date of commercial operation in case of a new generating station, transmission line and distribution line or substation commissioned or capacity expanded on and/or after 01.04.2024, shall be 75:25. Where equity employed is more than 25%, the amount of equity for the purpose of tariff shall be limited to 25% and the balance amount shall be considered as normative loan."* |
| | 27.4 | The generating entity or the licensee or the SLDC, as the case may be, shall submit the resolution of the Board of the company or approval of the competent authority in other cases regarding | No comments |

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| | | infusion of funds from internal resources in support of the utilization made or proposed to be made to meet the capital expenditure of the generating station or the transmission system or the distribution system or SLDC, as the case may be. | |
| | 27.5 | In case of generating station or a transmission system or distribution network asset, which has completed its useful life as on or after 01.04.2024, the accumulated depreciation as on the completion of the useful life less cumulative repayment of loan shall be utilized for reduction of the equity. | The provision will lead to reduction in equity base and therefore, erosion in RoE of the Utility over the useful life of the Project.<br><br>CERC proposed similar proviso for reduction of equity in its draft Regulations, but after public consultation, did not include the same in the final Regulations, as this step would discourage prospective investments and result in substantial loss to existing generators.<br>Further, there would be no incentive for generators to run their plant after useful life and this will adversely impact the beneficiaries, as they will have to purchase costlier power from other sources. Operational life is more than accounting life and such steps would promote decommissioning of plants immediately after accounting life.<br>Further, it is submitted that the Tariff Policy stipulates that the Commission should follow a consistent regulatory approach essential to attract private investment and the benefits of |

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| | | | depreciated assets should remain available for the beneficiaries. If the proposal is retained, equity will be withdrawn by the investors from the regulated business and shall be invested in other businesses.<br>TS DISCOMs submit that Return on Equity (RoE) should be permissible up to 25% even after the depreciated cost of 75% in order to provide incentive to maintain and operate the assets. |
| | **28** | **Depreciation** | |
| 17.2 For each year of the Control Period, depreciation shall be calculated on the amount of Original Cost of the Fixed Assets included in the RRB at the beginning of each year of the Control Period:<br>Provided that depreciation on assets funded by consumer / user contributions or through any capital subsidy/grant etc shall not be allowed in the revenue requirement of the Distribution Licensee. | 28.1 | The generating entity, licensee, and SLDC shall be permitted to recover depreciation on the value of fixed assets used in their respective regulated businesses, computed in the following manner: | |
| | (a) | The approved original cost of the fixed assets shall be the value base for calculation of depreciation:<br>Provided that the depreciation shall be allowed on the entire capitalised amount of the new assets after reducing the approved original cost of the retired or replaced or de-capitalised assets. | |
| 17.3 Depreciation allowance for each year of the Control Period shall be determined, generally based on methodology, rates and other terms as decided by CERC from time to time. | (b) | Depreciation shall be computed annually based on the straight line method on the basis of the expected useful life specified in the **Annexure I** to this Regulation. | It can be observed that the Hon'ble Commission has approved Depreciation in deviation to the current followed CERC methodology wherein the Depreciation is calculated as per the Depreciation rates mentioned in Annexure 1 of CERC (Terms and Conditions of Tariff) Regulations, 2019.<br>Hon'ble Commission has provided |

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| | | | the following explanation in Explanatory Memorandum wherein it opined as follows:<br>*"In the regulated power sector, depreciation is used as a source of funds to meet the repayment obligations in order to minimise debt risk, as the cash flow of the regulated business is limited to the ARR approved by the Commission, which does not include the amount required for repayment of loan."*<br><br>From the above, it can be observed that the Hon'ble Commission itself has acknowledged the fact that depreciation is used as a source of funds to meet the repayment obligations in order to minimise debt risk. Despite the same, the Hon'ble Commission has deviated from the current approach without providing any reason whether there has been a change in the market scenario resulting in mitigation of debt risk or provided any additional measure to alleviate the utilities from any risk on account of this change.<br>The proposed change in calculation of depreciation shall result in uniform cashflows during the entire life of the asset(s), however it will burden the TS Discoms in servicing of loans which are usually to be repaid |

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| | | | within 12 or 13 years of availing the loan. Considering the current financial situation of TS Discoms, this lower cashflows during the term of repayment will further affect the operations of TS Discoms and shall make its business riskier resulting in lower receipt of funds from financial institutions.<br><br>Considering the above, the TS Discoms request the Hon'ble Commission to retain the current followed methodology of allowing Depreciation in line with the methodology specified in CERC (Terms and Conditions of Tariff) Regulations, 2019. |
| | (c) | The salvage value of the asset shall be considered at ten per cent of the allowable capital cost and depreciation shall be allowed upto a maximum of ninety per cent of the allowable capital cost of the asset:<br>Provided that the generating entity or Licensee or SLDC shall submit certification from the Statutory Auditor for the capping of depreciation at ninety per cent of the allowable capital cost of the asset:<br>Provided further that the salvage value of Information Technology equipment and computer software shall be considered at zero per cent of the allowable capital cost. | TSDISCOM seeks the more clarity regarding the timing of the submission of certificate from the Statutory Auditor. |
| | 28.4 | The generating entity or Licensee or SLDC shall submit the depreciation computations separately for assets added upto 31.03.2024 and assets added on or after 01.04.2024. | No comment |
| | 28.5 | Depreciation allowed for each year of the Control Period shall be deemed to be equal to the loan repayment, up to the ceiling of seventy five percent (75%) of asset cost or actual debt | The provision will lead to reduction in equity base and therefore, erosion in RoE of the |

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| | | component used for funding such asset in case the debt funding is higher than seventy five percent (75%) of the asset cost:<br>Provided that depreciation allowed for each year of the Control Period beyond seventy five percent (75%) of asset cost or actual debt component used for funding such asset in case the debt funding is higher than seventy five percent (75%) of the asset cost, shall be utilised for reduction of equity during that year. | Utility over the useful life of the Project.<br><br>CERC proposed similar proviso for reduction of equity in its draft Regulations, but after public consultation, did not include the same in the final Regulations, as this step would discourage prospective investments and result in substantial loss to existing generators.<br>Further, there would be no incentive for utilities to run their plant(s)/assets after useful life and this will adversely impact the beneficiaries, as they will have to purchase costlier power from other sources. Operational life is more than accounting life and such steps would promote decommissioning of plants immediately after accounting life.<br>Further, it is submitted that the Tariff Policy stipulates that the Commission should follow a consistent regulatory approach essential to attract private investment and the benefits of depreciated assets should remain available for the beneficiaries. If the proposal is retained, equity will be withdrawn by the investors from the regulated business and shall be invested in other businesses. |

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| | | | TS DISCOMs submit that Return on Equity (RoE) should be permissible up to 25% even after the depreciated cost of 75% in order to provide incentive to maintain and operate the assets. |
| | **29** | **Return on Equity** | |
| 15 RETURN ON CAPITAL EMPLOYED | 29.1 | Return on Equity shall be computed in rupee terms, on the equity base determined in accordance with clause 27. | |
| 15.1 Return on Capital Employed (RoCE) for the RRB for the year 'i' shall be computed in the following manner:<br>$RoCE = WACC * RRB_i$ | 29.2 | Return on Equity shall be computed at the following base rates:<br>a) Thermal generating stations: 15.50%;<br>b) Run of river hydro generating stations: 15.50%;<br>c) Storage type hydro generating stations including pumped storage hydro generating storage and run of rover hydro generating station with pondage: 16.50%; Provided that:<br>i. In case of a new project, the rate of return on equity shall be reduced by 1.00% for such period as may be decided by the Commission, if the generating station is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO) or Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system based on the report submitted by the SLDC;<br>ii. in case of existing generating station, as and when any of the requirements under (i) above of this clause are found lacking based on the report submitted by the SLDC, rate of return on equity shall be reduced by 1.00% for the period for which the deficiency continues;<br>d) Transmission licensee: 14%;<br>e) Distribution licensee: 16%;<br>f) SLDC: 14%. | TSDISCOMs request the Hon'ble Commission to make suitable amendments regarding the Return on Equity allowed for a Distribution Licensee as follows:<br>1. Distribution wheeling business - 14%.<br>2. Retail Supply Business – 2 paise per unit of electricity handled during a year |

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| | | Provided that **in case of delay in submission of tariff/true-up filings** by the generating entity or licensee or SLDC, as required under this Regulation, **rate of RoE shall be reduced by 0.5% per month or part** thereof. | TS Discoms request the Hon'ble Commission **to provide for a additional Provisio stating that the penalty clause shall not be applicable in case the utilities could not be able to submit the filings on account of uncontrollable factors which are beyond the reasonable control of the utilities.** |
| | 29.3 | The Return on Equity shall be computed in the following manner:<br>a) Return at the allowable rate as per this clause, applied on the **amount of equity capital** at the commencement of the Year; plus<br>b) Return at the allowable rate as per this Regulation, applied on 50 per cent of the equity capital portion of the allowable capital cost, for the investments put to use in generation business or transmission business or distribution business or SLDC, for such Year. | TSDISCOMs requests the Hon'ble Commission to replace sub clause a with the following:<br><br>*"(a) Return at the allowable rate as per this clause, applied on the amount of equity portion in the* ***Gross Fixed Assets*** *at the commencement of the Year; plus"* |
| | **31** | **Interest and finance charges on loan** | |
| 15.1 Return on Capital Employed (RoCE) for the RRB for the year 'i' shall be computed in the following manner:<br>$RoCE = WACC * RRB_i$ | 31.1 | The loans arrived at in the manner indicated in clause 27 on the assets put to use shall be considered as gross normative loan for calculation of interest on loan:<br>Provided that in case of retirement or replacement or decapitalisation of assets, the loan capital approved as mentioned above, shall be reduced to the extent of outstanding loan component of the original cost of such assets based on documentary evidence. | No comments |
| | 31.2 | The normative loan outstanding as on 01.04.2024, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.03.2024, from the gross normative loan. | |
| | 31.3 | The loan repayment during each year of the Control Period shall be deemed to be equal to the depreciation allowed for that year, | |

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| | | up to the ceiling of seventy five percent (75%) of asset cost or actual debt component used for funding such asset in case the debt funding is higher than seventy five percent (75%) of the asset cost. | |
| | 31.4 | Notwithstanding any moratorium period availed, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed. | |
| | 31.5 | The rate of interest shall be the weighted average rate of interest computed on the basis of the actual long-term loan portfolio at the beginning of each year:<br>Provided that at the time of Truing-up, the weighted average rate of interest computed on the basis of the actual long-term loan portfolio during the concerned year shall be considered as the rate of interest: | |
| | 31.6 | The interest on loan shall be computed on the normative average loan of the year by applying the weighted average rate of interest:<br>Provided that at the time of Truing-up, the normative average loan of the concerned year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year. | |
| | 31.7 | The above interest computation shall exclude interest on loan amount, normative or otherwise, to the extent of capital cost funded by Consumer Contribution, Deposit Works, Grants or Capital Subsidy. | |
| | 31.8 | The **finance charges incurred for obtaining loans from financial institutions** for any Year shall be allowed by the Commission at the time of Truing-up, subject to prudence check:<br>Provided that **the finance charges** such as credit rating charges, collection facilities charges, financing cost of delayed payment surcharge, bank charges and other finance charges of similar nature **shall be part of A&G expenses**. | |
| | 31.10 | The generating entity or the licensee or the SLDC, as the case may be, shall make every effort **to re-finance the loan as long** | In case of refinancing resulting in increase in net increase on interest, |

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<tr><td></td><td></td><td>as it results in net savings on interest and in that event, the costs associated with such refinancing shall be borne by the Beneficiaries and the net savings shall be shared between the Beneficiaries and them in the ratio of 2:1, subject to prudence check by the Commission:<br>Provided that refinancing shall not be done if it results in net increase on interest:<br>Provided further that if refinancing is done and it results in net increase on interest, then the rate of interest shall be considered equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed:</td><td>TS Discoms request the Hon'ble Commission to allow the latest weighted average rate of interest rate corresponding to the loan for which refinancing was done.</td></tr>
<tr><td></td><td>31.11</td><td>Interest shall be allowed only on the amount held in cash as security deposit from Transmission System Users, Distribution System Users and Retail consumers at the Bank Rate as on 1st April of the Year for which the interest is payable:<br>Provided that at the time of Truing-up, the interest on the amount of security deposit for the year shall be considered on the basis of the actual interest paid by the Licensee during the year, subject to prudence check by the Commission.</td><td>In the context of this Provisio, TS Discoms request clarity/or necessary amendment whether the variation in interest paid on security deposits observed during true up is considered as uncontrollable or controllable. TS Discoms request the Hon'ble Commission to consider the same as uncontrollable and pass through gain or loss on account of the same.</td></tr>
<tr><td></td><td>33</td><td>Interest on Working Capital</td><td></td></tr>
<tr><td></td><td>33.3</td><td>Distribution</td><td></td></tr>
<tr><td></td><td>(a)</td><td>The working capital requirement of the Distribution Wires Business shall cover:<br>i. Normative Operation and maintenance expenses for one (1) month;<br>ii. Maintenance spares at one percent (1%) of the opening Gross Fixed Assets for the Year; and<br>iii. Receivables equivalent to forty-five (45) days of the<br>iv. Aggregate Revenue Requirement; minus<br>v. Amount held as security deposits other than those in the form of Bank Guarantees, if any, from Distribution System Users:</td><td>In clauses 33.3 and 33.4, the Hon'ble Commission provided separate methods of calculating Interest on Working Capital for both Wheeling and Retail Supply Businesses. However, in allocation matrix provided as part of clause 77.1, the Interest on Working Capital is proposed to be apportioned by a ratio of 90%:10% for Wheeling and Retail</td></tr>
</table>

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| | | Provided further that for the purpose of Truing-up for any year, the working capital requirement shall be re-computed on the basis of the values of revised normative Operation & Maintenance expenses and actual Revenue from sale of electricity excluding incentive, if any, and other components of working capital approved by the Commission in the Truing-up before sharing of gains and losses; | Supply Businesses.<br>In this regard, TSDISCOMs respectfully requests the Hon'ble Commission to clarify/address the self- contradictory clauses. |
| | 33.4 | Retail Supply of Electricity | |
| | (a) | The working capital requirement of the Retail Supply Business shall cover:<br>i. Normative Operation and maintenance expenses for one (1) month;<br>ii. Maintenance spares at one percent (1%) of the opening Gross Fixed Assets for the Year; and<br>iii. Receivables equivalent to sixty (60) days of the Aggregate Revenue Requirement, **minus**<br>iv. Amount held as security deposits other than those in the form of Bank Guarantees, if any, from retail supply consumers:<br>v. Forty-five (45) days equivalent of cost of power purchased, including the Transmission Charges and SLDC Charges, based on the annual power procurement plan:<br><br>Provided further that for the purpose of Truing-up for any year, the working capital requirement shall be re-computed on the basis of the values of revised normative Operation & Maintenance expenses and actual Revenue from sale of electricity excluding incentive, if any, and other components of working capital approved by the Commission in the Truing-up before sharing of gains and losses; | In clauses 33.3 and 33.4, the Hon'ble Commission provided separate methods of calculating Interest on Working Capital for both Wheeling and Retail Supply Businesses. However, in allocation matrix provided as part of clause 77.1, the Interest on Working Capital is proposed to be apportioned by a ratio of 90%:10% for Wheeling and Retail Supply Businesses.<br>In this regard, TSDISCOMs respectfully requests the Hon'ble Commission to clarify/address the self- contradictory clauses. |
| | 33.6 | Rate of interest on working capital shall be on normative basis and shall be equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed, plus 150 basis points: | TS Discoms request the Hon'ble Commission to allow the Interest on working capital on normative basis notwithstanding that the |

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| | | Provided that for the purpose of Truing-up for any year, interest on working capital shall be allowed at a rate equal to the weighted average Base Rate prevailing during the concerned Year plus 150 basis points. | generating company or licensees have not taken loan for working capital from any outside agency as seen in CERC (Terms and Conditions of Tariff) Regulations, 2019.<br><br>Notwithstanding to the above submission, TS Discoms request the Hon'ble Commission to allow the latest weighted average rate of interest for Truing-up for any year. |
| | 33.7 | For the purpose of Truing-up for each year, the variation between the normative interest on working capital computed at the time of Truing-up and the actual interest on working capital incurred by the generating entity or licensee or SLDC, substantiated by documentary evidence, shall be considered as an efficiency gain or efficiency loss, as the case may be, on account of controllable factors, and shared between it and the respective Beneficiary or consumer as the case may be: | TS Discoms request the Hon'ble Commission to allow the Interest on working capital on normative basis notwithstanding that the generating company or licensees have not taken loan for working capital from any outside agency as seen in CERC (Terms and Conditions of Tariff) Regulations, 2019.<br><br>Notwithstanding to the above submission, TS Discoms request to allow the variation between the normative interest on working capital computed at the time of Truing-up and the actual interest on working capital incurred in total. |
| | **34** | **Carrying Cost or Holding Cost** | TS Discoms request the Hon'ble Commission to allow the Interest on working capital on normative basis notwithstanding that the generating company or licensees |

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| | | | have not taken loan for working capital from any outside agency as seen in CERC (Terms and Conditions of Tariff) Regulations, 2019.<br><br>Notwithstanding to the above submission, TS Discoms request to allow the variation between the normative interest on working capital computed at the time of Truing-up and the actual interest on working capital incurred in total. |
| | 34.1 | The Commission shall allow Carrying Cost or Holding Cost, as the case may be, on the admissible amounts, with simple interest, at the weighted average Base Rate prevailing during the concerned Year, plus 150 basis points:<br>Provided that Carrying Cost or Holding Cost shall be allowed on the net entitlement after sharing of efficiency losses and gains as approved after true-up: | No comment |
| | **35** | **Rebates and Penalties** | |
| | 35.1 | For payment of bills of generation Tariff and Charges within 7 days of presentation of bills, through Letter of Credit or through NEFT/RTGS, a rebate of 2% on billed amount, excluding the taxes, cess, duties, etc., shall be allowed. | TSDISCOMs submit that if the prompt payment rebate is passed through in the ARR, then the interest on borrowing availed to pay the Genco/Transco bills for availing the rebate should be allowed to be recovered through ARR at normative rates. |
| | 35.2 | Penalties paid, if any, by the Generating Company or Licensee shall not be allowed as an expense for the Generating Company or Licensee. | No comment |
| | **36** | **Delayed Payment Charge and Delayed Payment Surcharge** | |
| | 36.1 | In case the payment of bills of generation Tariff by the Beneficiary is delayed beyond a period of 60 days from the date | |

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<tr><td></td><td></td><td>of billing, Delayed Payment Charge at the Base Rate as on 1st day of the respective billing month plus 150 basis points per annum on the billed amount shall be levied for the period of delay by the generating entity, notwithstanding anything to the contrary as may have been stipulated in the Agreement or Arrangement with the Beneficiaries.</td><td></td></tr>
<tr><td></td><td>36.2</td><td>Such Delayed Payment Charge earned by the generating entity shall not be considered under its Non-Tariff Income.</td><td>In case the Delayed payment Charges earned by generating entity is not considered as Non-Tariff Income, TS Discoms request the Hon'ble Commission not to allow any additional interest on working capital, if any (on the working capital arranged by generating company in case of delay in payment by TS Discoms)</td></tr>
<tr><td></td><td>36.6</td><td>In case the payment of bills of retail Tariff by the consumers is delayed beyond a period of 15 days, Delayed Payment Surcharge on the billed amount, including the taxes, cess, duties, etc., shall be levied at the Base Rate as on 1st of the respective billing month plus 150 basis points per annum on the billed amount shall be levied for the period of delay.</td><td rowspan="2">No comments</td></tr>
<tr><td></td><td>36.7</td><td>Such Delayed Payment Surcharge earned by the distribution licensee shall be considered under its Non-Tariff Income.</td></tr>
<tr><td></td><td></td><td></td><td>Provision For Bad And Doubtful Debt<br>TSDISCOMs request the Hon'ble Commission to include a provision for Bad and doubtful debt as follows:<br><br>"In the MYT Order, for each Year of the Control Period, the Commission may allow a provision for writing off of bad and doubtful debts up to 1.5% of</td></tr>
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| | | | ***the amount shown as Trade Receivables or Receivables from Sale of Electricity and wheeling charges*** *in the latest Audited Accounts of the Distribution Licensee in accordance with the procedure laid down by the Licensee, subject to prudence check:*<br>*Provided that the Commission shall true up the bad debts written off in the Aggregate Revenue Requirement, based on the actual write off of bad debts during the year, subject to the above ceiling of 1.5% of the amount shown as Trade Receivables or Receivables from Sale of Electricity and wheeling charges in the audited accounts of the Distribution Licensee for that Year, after prudence check:*<br>*Provided further that if subsequent to the write off of a particular bad debt, revenue is realized from such bad debt, the same shall be included as an uncontrollable item under the Non-Tariff Income of the year in which such revenue is realized."* |
| | **PART VIII** | **DISTRIBUTION WHEELING BUSINESS** | |
| | 77 | **Separation of Accounts of Distribution Licensee** | |

<table>
<tr><th rowspan="2">APERC (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005 adopted by Telangana</th><th colspan="2">Draft Telangana State Electricity Regulatory Commission (Multi Year Tariff) Regulation, 2023</th><th rowspan="2">Response of the Licensee</th></tr>
<tr><th>Clause No.</th><th>Regulation</th></tr>
<tr><td></td><td>77.1</td><td>Every distribution licensee shall maintain separate accounting records for the Wheeling Business and Retail Supply Business and shall prepare an Allocation Statement to enable the Commission to determine the Tariff separately for:<br>a) Distribution Wheeling Business;<br>b) Retail Supply of electricity:</td><td>No comments</td></tr>
<tr><td>5 SEGREGATIONS OF ACCOUNTS INTO DISTRIBUTION AND RETAIL SUPPLY<br><br>Till such time as there is a complete segregation of accounts between Distribution and Retail Supply businesses, the ARR for each business shall be supported by an Allocation Statement that contains the apportionment of costs and revenues to that business. The allocation statement shall also contain the methodology that has been used for the apportionment.</td><td></td><td>Provided that in case complete accounting segregation has not been done between the Wheeling Business and Retail Supply Business of the distribution licensee, the Aggregate Revenue Requirement of the distribution licensee shall be apportioned between the Wheeling Business and Retail Supply Business in accordance with the following Allocation Matrix:
<table>
<tr><th>Particulars</th><th>Wheeling Business (%)</th><th>Retail Supply Business (%)</th></tr>
<tr><td>Power Purchase Expenses</td><td>0%</td><td>100%</td></tr>
<tr><td>Inter-State Transmission Charges</td><td>0%</td><td>100%</td></tr>
<tr><td>Intra-State Transmission Charges</td><td>0%</td><td>100%</td></tr>
<tr><td>Operation & Maintenance Expenses</td><td>90%</td><td>10%</td></tr>
<tr><td>Depreciation</td><td>90%</td><td>10%</td></tr>
<tr><td>Interest and finance charges on Loan</td><td>90%</td><td>10%</td></tr>
<tr><td>Interest on working capital</td><td>90%</td><td>10%</td></tr>
<tr><td>Return on Equity</td><td>90%</td><td>10%</td></tr>
</table></td><td>In clauses 33.3 and 33.4, the Hon'ble Commission provided separate methods of calculating Interest on Working Capital for both Wheeling and Retail Supply Businesses. However, in allocation matrix of current clause, the Interest on Working Capital is proportioned to be apportioned by a ratio of 90%:10% for Wheeling and Retail Supply Businesses.<br><br>Similarly, in clauses 81 and 89, the Hon'ble Commission provided separate computation of O&M for both Wheeling and Retail Supply Businesses.<br><br>As regards to Depreciation, Interest and finance charges on Loan & Return on Equity which are dependent on capital investments, the Hon'ble Commission in clauses 80 and 88 has provided separate clauses for both Wheeling and Retail Supply Businesses.<br><br>In this regard, TSDISCOMs respectfully requests the Hon'ble</td></tr>
</table>

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| | | Provided further that the above Allocation Matrix shall be applied for all or any of the heads of expenditure and revenue, where actual accounting separation has not been done between the Distribution Wires Business and Retail Supply Business:<br>Provided also that the Commission may require the Distribution Licensee to file separate Petitions for determination of Tariff for the Distribution Wires Business and Retail Supply Business. | Commission to clarify/address the self- contradictory clauses. |
| | **78** | **Applicability** | |
| 3.3 The ARR determined for Distribution Business will be the basis for the fixation of the wheeling tariff/charges. | 78.1 | The provisions contained in this Part shall apply to the determination of Wheeling Charges payable for usage of distribution wires of a Distribution Licensee by a Distribution System User. | |
| | **79** | **Components of Aggregate Revenue Requirement for Distribution Wheeling Business** | |
| 6.3 **ARR for Distribution Business:-** The ARR filings shall contain the following :<br><br>a. The Operation and Maintenance (O&M) costs which include employee-related costs, repair & maintenance costs and administrative & general costs,, estimated for the Base Year and the year prior to the Base Year in complete detail, together with the forecast for each year of the Control Period based on the norms proposed by the Distribution Licensee including indexation and .other appropriate mechanisms in terms of the principles enunciated in this Regulation for O&M cost allowance.<br><br>c. Load dispatch charges;<br>d. Operation and maintenance expenses;<br>e. Return on capital employed;<br>f. Depreciation;<br>g. Taxes on Income;<br>h. Corrections for "uncontrollable" items and "controllable" items (indexed to external parameters); | 79.1 | The Wheeling Charges of the distribution licensee shall provide for the recovery of the Aggregate Revenue Requirement of the Distribution Wheeling Business for the respective Years of the Control Period, as approved by the Commission and comprising the following components:<br>a) Operation and maintenance expenses;<br>b) Depreciation;<br>c) Interest and finance charges on Loan;<br>d) Interest on working capital;<br>e) Return on Equity;<br>**minus**:<br>f) Income from Open Access charges;<br>g) Non-Tariff income;<br>h) Income from Other Business, to the extent specified in these Regulations;<br>**Add**:<br>i) Impact of true-up for prior period as approved by the Commission:<br>Provided further that prior period income/expenses shall be allowed by the Commission at the time of truing up based on audited accounts, on a case to case basis, if the income/expenses in that prior period have been allowed on actual basis, subject to | TS Discoms request the Hon'ble Commission to add a new component of ARR viz. Special Appropriations- & Safety Measures as was included in earlier Distribution Business ARR. |

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| i. Any other relevant expenditure<br><br>e. Details of depreciation, including Advance against depreciation if any required and capitalisation schedules for each year of the Control Period. | | prudence check:<br>Provided also that all penalties and compensation payable by the Licensee to any party for failure to meet any Standards of Performance or for damages, as a consequence of the orders of the Commission, Courts, Consumer Grievance Redressal Forum, and Ombudsman, etc., shall not be allowed to be recovered through the Aggregate Revenue Requirement:<br>Provided also that the Distribution Licensee shall maintain separate details of such penalties and compensation paid or payable by the Licensee, if any, and shall submit them to the Commission along with its Petition. | TS Discoms request the Hon'ble Commission to allow the compensation/ex-gratia paid to consumers on account of fatal accidents even in cases where the accidents occur due to fault of consumers. In this regard, the Hon'ble Commission had earlier issued directions to compensate the affected consumer families. In case of non allowance of such claims, TS Discoms shall not be position to provide compensation/ex-gratia to the affected families considering the existing financial situation in which the TS Discoms are prevailing. |
| 7 FILING FOR PROPOSED TARIFF (FPT)<br><br>7.1 The FPT for Distribution business and Retail Supply business shall be filed along with the respective ARR filings.<br>7.2 The application shall be made for determination of tariff for:<br>a. Wheeling of electricity, i.e. Wheeling Charges to recover the ARR of Distribution Business<br>7.3 **Distribution Business:-** The application for FPT shall contain the following<br>a. The Distribution system or network usage forecast for each year of the Control Period consistent with the Resource Plan.<br><br>b. Proposals for computation of tariffs for | 79.2 | The Wheeling Charges of the Distribution Licensee shall be determined by the Commission on the basis of a Petition for determination of Tariff filed by the Distribution Licensee:<br>Provided that the Wheeling Charges shall be denominated in terms of Rupees/kVA/month for long-term and medium-term Open Access and in terms of Rupees/kVA/hr for short-term Open Access, for the purpose of recovery from the Distribution System User, or any such denomination, as may be stipulated by the Commission:<br>Provided further that the Wheeling Charges shall be determined separately for LT voltage, 11 kV voltage, and 33 kV voltage, as applicable. | As regards to the tariff to be proposed for Short Term Open Access consumers, TS Discoms request the Hon'ble Commission to include the following provisio:<br>*"Provided that the charges shall be billed for the entire contracted period by the user irrespective of the hours in which the a quantum of power is drawn from the grid considering that the contracted capacity is kept reserved by the licensee for the user."* |

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| wheeling of electricity for each of the years of the Control Period, including the losses to be charged in kind and the procedure therefor.<br>c. Proposals for Non-Tariff Income with item-wise description and details.<br>d. Proposals in respect of income from Other Business.<br>e. The proposed wheeling charges shall be voltage-wise. For the first Control Period, however, the Distribution Licensee may propose these charges computed on normative basis.<br>f. Expected Revenue from the proposed Wheeling Charges, Non-Tariff Income and Income from Other Business(es). | | | |
| d. Targets proposed for reduction of distribution losses during the Control Period duly adhering to the Licensees' Standards of Performance Regulation.<br>f. Description of external parameters proposed to be used for indexation;<br>h. Any other relevant expenditure;<br>i. Proposals for sharing of gains and losses;<br>j. Proposals for efficiency parameter targets;<br>k. Proposals for rewarding efficiency in performance<br>l. Any other matters considered appropriate | | | |
| | **80** | **Capital Investment Plan** | |
| 16 INVESTMENT PLAN<br><br>16.1 The Commission shall adopt the Capital Investment Plan approved as part of the Resource Plan in terms of clause 9 of this Regulation for the purpose of determining the Regulated Rate Base (RRB) at the commencement of the Control Period: | 80.1 | The distribution licensee shall submit a detailed Capital Investment Plan, financing plan and physical targets for each Year of the Control Period for strengthening and augmentation of its distribution network, meeting the requirement of load growth, reduction in distribution losses, improvement in quality of supply, reliability, metering, reduction in congestion, etc., to the Commission for approval, as a part of the Multi-Year Tariff Petition for the entire Control Period. | As regards to Depreciation, Interest and finance charges on Loan & Return on Equity which are dependent on capital investments, the Hon'ble Commission in clauses 80 and 88 has provided separate clauses for both Wheeling and Retail Supply |

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| Provided that for the first Control Period, the Distribution Licensee shall file its Capital Investment Plan for the Control Period as part of its Multi-Year Filings for Commission's approval.<br><br>16.2 The Distribution Licensee shall 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 | | | Businesses.<br>In this regard, TSDISCOMs respectfully requests the Hon'ble Commission to clarify/address the self- contradictory clauses.<br><br>Further, TS Discoms request to consider the submissions made against the clause 7 above against this clause. |
| individual schemes/ projects submitted by the Distribution Licensee for Commission's approval must provide complete details including those relating to cost and capitalization for each year of the Control Period.<br><br>16.3 The Commission may provide corrections in | 80.2 | The Capital Investment Plan shall be a least cost plan for undertaking investments and shall cover all capital expenditure projects of a value exceeding Rs. 10 Crore or such other amount as may be stipulated by the Commission from time to time and shall be in such form as may be stipulated by the Commission from time to time. | Notwithstanding to the above submissions, TS Discoms request the Hon'ble Commission to clarify the difference between the distribution sub-stations and consumer sub-stations referred in the clause. |
| 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. The Distribution Licensee shall justify the deviations beyond 10 percent of each individual scheme/ project and any other material deviations from the Capital Investment Plan including introduction of; or substitution of existing | 80.3 | The Capital Investment Plan shall be accompanied by such information, particulars and documents as may be required including but not limited to the information such as number of distribution sub-stations, consumer sub-stations, transformation capacity in MVA and details of distribution transformers of different capacities, HT:LT ratio as well as distribution line length showing the need for the proposed investments, alternatives considered, cost-benefit analysis and other aspects that may have a bearing on the Wheeling Charges. | TS Discoms request the Hon'ble Commission to clarify the difference between the distribution sub-stations and consumer sub-stations referred in the clause. |
| schemes / projects by, new scheme / project (s). | 80.4 | The Commission shall consider the Capital Investment Plan along with the Multi-Year Aggregate Revenue Requirement for the entire Control Period submitted by the distribution licensee taking into consideration the prudence of the proposed expenditure and estimated impact on Wheeling Charges. | |
| | **81** | **Operation and Maintenance Expenses** | |
| 14 OPERATION AND MAINTENANCE COSTS | 81.1 | The O&M expenses for distribution licensee shall comprise of:<br>• Employee cost including unfunded past liabilities of pension and gratuity; | No comments |

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| 14.1 Operation and Maintenance (O&M) costs shall comprise the following:<br>a. Salaries, wages and other employee costs;<br>b. Administrative and General costs;<br>c. Repairs and maintenance, and<br>d. Other miscellaneous expenses, like legal charges, audit fees, lease charges, rent, rates and taxes. | | • Repairs and Maintenance (R&M) expenses; and Administrative and Generation (A&G) expenses. | |
| 14.2 The Distribution Licensee in its filings for the Control Period shall submit the consolidated O&M expenses for the Base Year shall be determined based on latest audited accounts, best estimates of Distribution Licensee of actual O&M expenses for relevant years and other factors considered relevant. The O&M expenses for each year of the Control Period.<br><br>14.3 The composite O&M expenses permissible towards revenue requirement for each year of the Control Period shall be determined, by using pre-determined norms or formulae for this purpose. These norms or formulae shall be determined by the Commission based on Distribution Licensee's submissions in this regard, previous years' actual expenses and any other factors considered relevant by the Commission. | 81.2 | The O&M expenses for distribution licensee for each year of the Control Period shall be approved based on the formula shown below:<br>$\mathbf{O\&M_n = EMP_n + R\&M_n + A\&G_n}$<br>Where,<br>• $O\&M_n$ – Operation and Maintenance expense for the $n^{th}$ year;<br>• $EMP_n$ – Employee Costs for the $n^{th}$ year;<br>• $R\&M_n$ – Repair and Maintenance Costs for the $n^{th}$ year;<br>• $A\&G_n$ – Administrative and General Costs for the $n^{th}$ year; | |
| | 81.3 | The above components shall be computed in the manner specified below:<br>$\mathbf{EMP_n = (EMP_{n-1}) \times (CPI\ Inflation);}$<br>$\mathbf{R\&M_n = K \times (GFA_n) \times (WPI\ Inflation)}$ **and**<br>$\mathbf{A\&G_n = (A\&G_{n-1}) \times (WPI\ Inflation)}$<br>Where,<br>• $EMP_{n-1}$ – Employee Costs for the $(n-1)^{th}$ year;<br><br>• "K" is a constant specified by the Commission in %. Value of K for each year of the control period shall be determined | TS Discoms request the Hon'ble Commission to consider the following suggestions for projection of O&M expenses for each year of the Control Period:<br><br>The filing for Distribution MYT for next control period would be done in November of the last year |

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| | | by the Commission in the MYT order based on distribution licensee's filing, benchmarking of repair and maintenance expenses, approved repair and maintenance expenses vis-à-vis GFA approved by the Commission in past and any other factor considered appropriate by the Commission;<br>• GFAn - Opening Gross Fixed Asset of the generating station for the nth year;<br>• A&Gn-1 – Administrative and General Costs for the (n-1)th year;<br>• CPI Inflation – is the point to point change in the Consumer Price Index (CPI) for Industrial Workers (all India) as per Labour Bureau, Government of India; in case CPI Inflation is negative, the escalation/change shall be 0%;<br>• WPI Inflation – is the point to point change in the Wholesale Price Index (WPI) as per the Office of Economic Advisor of Government of India;<br>• Provided that for the first year of the Control Period, the employee cost and A&G expenses shall be the average of the truedup expenses after adding/deducting the share of efficiency gains/losses, for the immediately preceding Control Period, excluding abnormal expenses, if any, subject to prudence check by the Commission. | of current control period. Hence the actual figures for the last year of the current control period would not be available at the time of filing.<br><br>**Last year of the current control period** – It is suggested to consider the actual values of O&M expenses of preceding year and escalate the same to arrive at the projected O&M of last year of current control period.<br><br>The above result may be considered as base value(s) and accordingly projection for each year of the next Control Period can be done.<br><br>Accordingly, TS Discoms request the Hon'ble Commission to delete the Provisio viz. "*Provided that for the first year of the Control Period, the employee cost and A&G expenses shall be the average of the truedup expenses after adding/deducting the share of efficiency gains/losses, for the immediately preceding Control Period, excluding abnormal expenses, if any, subject to prudence check by the Commission*"<br>With regard to the escalation of individual components of O&M |

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| | | | the methodology specified by the Hon'ble Commission is as follows:<br><br>**$EMP_n$ = ($EMP_{n-1}$) x (CPI Inflation);**<br>**$R\&M_n$ = K x ($GFA_n$) x (WPI Inflation) and**<br>**$A\&G_n$ = ($A\&G_{n-1}$) x (WPI Inflation)**<br><br>TS Discoms request the Hon'ble Commission to address/clarify and make necessary amendments on the following concerns:<br><br>**Employee Exp:** The methodology specified by the Commission ignores three aspects viz. (i) the impact of variation in number of employees year on year, (ii) impact of Pay Revision of employees and (iii) impact of the yearly increments of the employees of the licensees.<br>As regards to impact of variation in number of employees, TS Discoms request the Hon'ble Commission to also include Gn factor with definition as "*Gn is a growth factor for the nth year and greater than zero. Value of Gn shall be determined by the Commission in the tariff order for meeting the additional manpower requirement based on generating* |

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| | | | *companies or licensees filings, benchmarking, and any other factor that the Commission feels appropriate*"<br><br>As regards to impact of Pay Revision and yearly increments, TS Discoms request the Hon'ble Commission to include a Provisio which allows generating companies or licensees to allow the actual impact of the same to be submitted in the true up filings.<br><br>**A& G Exp:** Currently the Security Expenses are being included in A&G Expenses and since the impact of wage revision on security expenses is not being included in the methodology specified by the Hon'ble Commission, it is requested to allows generating companies or licensees to allow the actual impact to be submitted in the true up filings for the year in which Wage Revision occurs.<br><br>Further, TS Discoms requests the Hon'ble Commission to add a 'Provision' to the A&G calculation which enables generating companies or licensees to claim for any cost for initiatives or other one-time expenses as proposed and validated by the |

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| | | | Hon'ble Commission. |
| | 81.4 | For a new deemed distribution licensee commencing operations during a Control Period, the O&M expenses shall be approved based on the proposal of such deemed distribution licensee in its petition for tariff determination. | |
| | 81.5 | Provisioning of expenses shall not be considered as actual expenses at the time of true-up, and only expenses as actually incurred shall be considered. | |
| | **82** | **Non-tariff income** | |
| | 82.1 | The amount of Non-Tariff Income relating to the Distribution Wheeling Business as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in determining the Wheeling Charges of the Distribution Wheeling Business: | |
| | 82.2 | The Non-Tariff Income shall include:<br>a) Income from rent of land or buildings;<br>b) Net income from sale of de-capitalised assets;<br>c) Income from sale of scrap;<br>d) Income from statutory investments;<br>e) Interest income on advances to suppliers/contractors;<br>f) Income from rental from staff quarters;<br>g) Income from rental from contractors;<br>h) Income from hire charges from contactors and others;<br>i) Income from consumer charges levied in accordance with Schedule of Charges approved by the Commission;<br>j) Supervision charges for capital works;<br>k) Income from advertisements;<br>l) Income from sale of tender documents;<br>m) Any other Non-Tariff Income. | |
| | **83** | **Income from Other Business** | |

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| | 83.1 | In the event a licensee engages in any other business for optimum utilisation of the assets, the licensee shall give prior intimation in writing to the Commission of such Other Business, along with, inter-alia, the following details:<br>a) nature of other Business;<br>b) proposed capital investment in the other Business;<br>c) impact of the use of assets and facilities of the Licensed Business for Other Business;<br>d) manner in which the assets and facilities of the Licensed Business and of the Other Business shall be used, demonstrating that there would be no adverse impact on the Licensed Business and on the ability of the Licensee to carry out the duties and obligations of the Licensed Business;<br>e) proposal for sharing of revenue derived from the Other Business with the Licensed Business. Such proposal shall include the methodology used for arriving at the proposed sharing. | Clauses 83.1 to 83.6 is same as Regulation No. 3 of 2005 i.e., Treatment of Other Businesses of Transmission Licensees and Distribution Licensees. |
| | 83.2 | The licensee shall have the absolute responsibility to ensure that the utilisation of the assets and facilities of the Licensed Business for Other Business shall not in any manner affect the performance of the obligations under the Licensed Business or the quality of service required from the licensee, and any such utilisation shall be entirely at the cost and risk of the licensee. | |
| | 83.3 | Failure to submit prior intimation in writing to the Commission will invite a penalty which may extend upto the annual revenue of the Other Business. | |

<table>
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<tr><th>Clause No.</th><th>Regulation</th></tr>
<tr><td></td><td>83.4</td><td>The licensee shall for each of the Other Business:<br>a) maintain separate accounting records, such as amount of revenue, costs, assets liabilities, reserves or provisions which have been charged from or to the Other Business. The licensee shall maintain a description of basis for the charge or its determination by apportionment or allocation between the various business activities;<br>b) prepare on a consistent basis from such records accounting statements for each financial year comprising a profit and loss account, a balance sheet and a statement of sources and application of funds;<br>c) provide in respect of the accounting statements prepared, a report by the Auditors in respect of each financial year, stating whether in their opinion the statements have been properly prepared and give a true and fair view of the revenue, costs, assets, liabilities, reserves and provisions reasonably attributable to the business to which the statements relate;<br>d) submit copies of the accounting statements and Auditor's report not along with true-up of the relevant year;<br>e) submit to the Commission such additional information that the Commission requires from time to time.</td><td></td></tr>
<tr><td></td><td>83.5</td><td>The licensee shall establish to the satisfaction of the Commission that the Other Business bears an appropriate share of overhead costs and other common costs.</td><td></td></tr>
<tr><td></td><td>83.6</td><td>Where the distribution licensee has engaged in any Other Business under Section 41 of the Act for optimum utilisation of its assets, an amount equal to two-thirds of the revenues from such Other Business after deduction of all direct and indirect costs attributed to such Other Business shall be deducted from the Aggregate Revenue Requirement in calculating the Aggregate Revenue Requirement of the Distribution Wheeling</td><td>It can be observed that the Hon'ble Commission vide this clause has proposed for a new methodology for treatment of revenue earned from Other Businesses.<br>However, this clause and Clauses 83.9 and 83.10 are in contradiction</td></tr>
</table>

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| | | Business:<br>Provided that the distribution licensee shall follow a reasonable basis for allocation of all joint and common costs between the Transmission Business and the Other Business and shall submit the Allocation Statement, duly certified by the Statutory Auditor, to the Commission along with its Petition for determination of Aggregate Revenue Requirement:<br>Provided further that where the sum total of the direct and indirect costs of such Other Business exceeds the revenues from such Other Business, no amount shall be allowed to be added to the Aggregate Revenue Requirement of the distribution licensee on account of such Other Business. | as the same also speaks about treatment of revenue earned from Other Businesses. Considering the same, TS Discoms requests the Hon'ble Commission to address the same by making suitable amendments. |
| | 83.7 | The licensee shall not in any manner utilise the assets and facilities of the Licensed Business or otherwise directly or indirectly allow the Other Business to be undertaken in a manner that the Licensed Business results in subsidising the Other Business. | Clauses 91.7 to 91.10 is same as Regulation No. 3 of 2005 i.e., Treatment of Other Businesses of Transmission Licensees and Distribution Licensees. |
| | 83.8 | The licensee shall not in any manner, directly or indirectly encumber the assets and facilities of the Licensed Business for Other Business or for any activities other than the Licensed Business. | No comments |
| | 83.9 | The Other Business shall pay to the Licensed Business a reasonable proportion of the revenue of the Other Business, subject to a maximum amount which may reflect the allocable costs or market value of the assets and facilities of the Licensed Business utilised/being utilised for Other Business. | |
| | 83.10 | The Commission will determine the reasonable proportion of revenue of the Other Business and the minimum amount to be paid to the Licensed Business, on a case-to-case basis, as and when a licensee informs the Commission about its intention of utilising the assets and facilities for use for any Other Business. In deciding the amount to be paid by the Other Business, the Commission will consider the submissions of the licensee, but may use any alternate approach or methodology that it considers appropriate. | |

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| | | Provided that as and if deemed appropriate by it, the Commission may determine the reasonable proportion of revenues, etc. to be paid to the Licensed Business in respect of a class of Other Businesses as a whole, instead of on a case-to-case basis. | |
| | **84** | **Wheeling Losses** | |
| | 84.1 | The distribution licensee shall propose the trajectory of the voltage wise wheeling losses for the Control Period in its MYT Petition for the Control Period with detailed justification for the proposed loss trajectory. | |
| | 84.2 | The Distribution Wheeling Business shall be allowed to recover, in kind, the approved target level of Wheeling Losses arising from the operation of the distribution system: | |
| | **PART IX** | **RETAIL SUPPLY OF ELECTRICITY** | |
| | **85** | **Applicability** | |
| 3.4 The ARR determined for Retail Supply Business will be the basis for the fixation of the Tariff/Charges for retail sale of electricity including surcharges. | 85.1 | The provisions contained in this Part shall apply to the determination of Tariff for retail supply of electricity by a distribution licensee to its consumers. | |
| | **86** | **Components of Aggregate Revenue Requirement for Retail Supply Business** | |
| 6.4 **ARR for Retail Supply Business: -** The ARR for Retail Supply Business shall contain: | 86.1 | The Tariff for retail supply of the Distribution Licensee shall provide for the recovery of the Aggregate Revenue Requirement of the Retail Supply Business for the respective Years of the Control Period, as approved by the Commission and comprising the following components: | No comments |
| a, Power purchase costs for each year of the Control Period. The power purchase costs shall also include the transfer price of own generation for the supply business in line with the Power Procurement Plan approved by the Commission as part of the Distribution Licensee's Resource Plan.<br>b. All other items mentioned for the distribution business to the extent applicable and in | | a) Power purchase expenses;<br>b) Inter-State Transmission Charges;<br>c) Intra-State Transmission Charges;<br>d) SLDC Charges;<br>e) Operation and Maintenance expenses;<br>f) Depreciation;<br>g) Interest and finance charges on Loan;<br>h) Interest on working capital;<br>i) Interest on consumer security deposits; | |

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| accordance with cost allocation statement mentioned in clause 5 of this Regulations.<br>13.1 The Distribution Licensee shall be allowed to recover transmission and load dispatch charges payable to the Transmission Licensees (CentraL Transmission Utility, State Transmission Utility etc.) and System Operators (Regional Load Despatch Centre, State Load Despatch Centre etc.) for access to and use of the inter-state transmission system, intra-state transmission system and availing load dispatch services on long-term basis in accordance with the tariffs approved from time to time by CERC and the Commission, as the case may be.<br><br>13.2 The Distribution Licensee shall also be allowed to recover the expenses, at the approved level, pertaining to (a) use of transmission and load dispatch facilities under short-term procurement of power for the Retail Supply Business; and (b) wheeling charges for use of the distribution system of other Distribution Licensee for procurement of power for the Retail Supply Business. | | j) Return on Equity Capital;<br>**minus**:<br>k) Non-Tariff income<br>l) Income from Other Business, to the extent specified in these Regulations;<br>m) Receipts on account of Cross-Subsidy Surcharge;<br>n) Receipts on account of Additional Surcharge:<br>**Add**:<br>o) Impact of true-up for prior period as approved by the Commission:<br>Provided that Depreciation, Interest and finance charges on loan, Interest on working capital, Interest on consumer security deposits, Return on Equity, for Retail Supply Business shall be allowed in accordance with the provisions specified in **Part IV** of this Regulation:<br>Provided further that prior period income/expenses shall be allowed by the Commission at the time of truing up based on audited accounts, on a case to case basis, if the income/expenses in that prior period have been allowed on actual basis, subject to prudence check:<br>Provided also that all penalties and compensation payable by the Licensee to any party for failure to meet any Standards of Performance or for damages, as a consequence of the orders of the Commission, Courts, Consumer Grievance Redressal Forum, and Ombudsman, etc., shall not be allowed to be recovered through the Aggregate Revenue Requirement:<br>Provided also that the Distribution Licensee shall maintain separate details of such penalties and compensation paid or payable by the Licensee, if any, and shall submit them to the Commission along with its Petition. | TS Discoms request the Hon'ble Commission to modify the sub clause 'o' as follows:<br>"Impact of true-up for prior period as approved by the Commission including loss incurred by licensees on account of judgements passed in various courts in favor of consumers in the matters related to tariff approved by the Commission in earlier tariff Orders" |
| 7 FILING FOR PROPOSED TARIFF (FPT)<br>7.1 The FPT for Distribution business and Retail Supply business shall be filed along with the respective ARR filings.<br>7.2 The application shall be made for determination of tariff for: | 86.2 | The Tariff for retail supply by the Distribution Licensee shall be determined by the Commission on the basis of a Petition for determination of Tariff filed by the Distribution Licensee in accordance with this Regulation:<br>Provided that the Aggregate Revenue Requirement of the Distribution Licensee shall be allocated or apportioned between | |

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| b. Retail sale of electricity, i.e,, Tariffs for Retail sale of electricity to recover the ARR of Retail Supply Business<br>**Retail Supply of Electricity Business:-** The application for FPT shall contain the following<br>a. Proposal for retail sale of electricity to the consumers pertaining to its retail supply business and the details may include tariffs for each consumer category, slab-wise and voltage-wise. The tariffs proposed may also include energy charges, fixed/demand charges and minimum charges.<br>b. Proposals for Non-Tariff Income with item-wise description and details.<br>c. Each tariff proposal submitted by the Distribution Licensee shall be supported with a cost-of-service model allocating the costs of the licensed business in respect of each category of consumers based on appropriate assumptions.<br>d. Expected Revenue from the proposed Retail Sale Tariffs, Non-Tariff Income and income from Other Business(es) and other matters considered appropriate by the Distribution Licensee, including incentive schemes to consumers, voltage surcharge and power factor surcharge. | | the Wheeling Business and Retail Supply Business in accordance with the provisions of clause 77.1:<br>Provided further that the Tariff for retail supply may comprise any combination of fixed/demand charges, energy charges, and any other charges, for the purpose of recovery from the consumers, as may be stipulated by the Commission: | |
| | 87 | **Sales forecast** | |
| | 87.1 | The distribution licensee shall submit a month-wise forecast of the expected sales of electricity to each Tariff category/sub-category and to each Tariff slab within such Tariff category/sub-category to the Commission for approval along with the Multi-Year Tariff Petition, as specified in this Regulation:<br>Provided that the sales forecast filed by the distribution licensee for the Control Period commencing from 01.04.2024, before the notification of this Regulation shall be deemed to have been filed under this Regulation. | From the proposed clause it can be observed that the Sales forecast for each year of the Control Period submitted by the TS Discoms along with MYT Petition before start of the Control Period cannot be changed in the Annual Petitions to be filed after the first year of the Control Period. |

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| | | | In this regard, TS Discoms submit that the accuracy of the Sales projections made before start of a Control Period cannot be made accounted for, as the projection of sales shall be affected on account of uncertainties like new Industrial Policies, free power to various categories of consumers which drive the consumption of electricity of the 4 major categories (Domestic, Agricultural, LIS and Industrial) of the State. Further, additional loads (in Industrial, Commercial and LIS categories) may not be projected for more than 2 year period in advance. Considering the same, the TS Discoms request the Hon'ble Commission to submit revised sales for the ensuing year of the Control Period along with the Tariff Proposals so that any significant variation in sales of major categories of consumers is accounted for in the filings and Tariff. |
| | 87.2 | The sales forecast shall be consistent with the load forecast prepared as part of the power procurement plan and shall be based on past data and reasonable assumptions regarding the future. | No comment |
| | **88** | **Capital Investment Plan** | |
| 16 INVESTMENT PLAN<br>16.1 The Commission shall adopt the Capital Investment Plan approved as part of the Resource | 88.1 | The distribution licensee shall submit a detailed Capital Investment Plan, financing plan and physical targets for each Year of the Control Period for meeting the requirement of | As regards to Depreciation, Interest and finance charges on Loan & Return on Equity which |

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| Plan in terms of clause 9 of this Regulation for the purpose of determining the Regulated Rate Base (RRB) at the commencement of the Control Period:<br>Provided that for the first Control Period, the Distribution Licensee shall file its Capital Investment Plan for the Control Period as part of its Multi-Year Filings for Commission's approval.<br>16.2 The Distribution Licensee shall 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 Licensee for Commission's approval must provide complete details including those relating to cost and capitalization for each year of the Control Period.<br>16.3 The 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. The Distribution Licensee shall justify the deviations beyond 10 percent of 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). | | growth in number of consumers, reduction in distribution losses, metering, etc., to the Commission for approval, as a part of the Multi-Year Tariff Petition for the entire Control Period. | are dependent on capital investments, the Hon'ble Commission in clauses 80 and 88 has provided separate clauses for both Wheeling and Retail Supply Businesses.<br>In this regard, TSDISCOMs respectfully requests the Hon'ble Commission to clarify/address the self- contradictory clauses. |
| | 88.2 | The Capital Investment Plan shall be a least cost plan for undertaking investments and shall cover all capital expenditure projects of a value exceeding Rs. 10 Crore or such other amount as may be stipulated by the Commission and shall be in such form as may be stipulated by the Commission from time to time. | No Comment |
| | 88.3 | The Capital Investment Plan shall be accompanied by such information, particulars and documents as may be required showing the need for the proposed investments, alternatives considered, cost-benefit analysis and other aspects that may have a bearing on the Tariff for retail supply of electricity. | |
| | 88.4 | The Commission shall consider the Capital Investment Plan along with the Multi-Year Aggregate Revenue Requirement for the entire Control Period submitted by the distribution licensee taking into consideration the prudence of the proposed expenditure and estimated impact on the Tariff for retail supply of electricity. | |
| | **89** | **Operation and Maintenance Expenses** | |
| | 89.1 | The O&M expenses for distribution licensee shall comprise of:<br>• Employee cost including the unfunded past liabilities of pension and gratuity;<br>• Repairs and Maintenance (R&M) expenses; and • Administrative and Generation (A&G) expenses. | The Hon'ble Commission in clauses 81 above provided computation of O&M which is similar. In view of the same, TS Discoms request the Hon'ble |

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| | 89.2 | The O&M expenses for distribution licensee for each year of the Control Period shall be approved based on the formula shown below:<br>$O\&M_n = EMP_n + R\&M_n + A\&G_n$<br>Where,<br>• $O\&M_n$ – Operation and Maintenance expense for the nth year;<br>• $EMP_n$ – Employee Costs for the nth year;<br>• $R\&M_n$ – Repair and Maintenance Costs for the nth year;<br>• $A\&G_n$ – Administrative and General Costs for the nth year; | Commission to consider the comments/suggestions as provided against clause 81 above. |
| | 89.3 | The above components shall be computed in the manner specified below:<br>$EMP_n = (EMP_{n-1}) \times (CPI\ Inflation)$;<br>$R\&M_n = K \times (GFA_n) \times (WPI\ Inflation)$ and<br>$A\&Gn = (A\&G_n\text{-}1) \times (WPI\ Inflation)$<br>Where,<br>• $EMP_n\text{-}1$ – Employee Costs for the $(n\text{-}1)^{th}$ year;<br>• "K" is a constant specified by the Commission in %. Value of K for each year of the control period shall be determined by the Commission in the MYT order based on distribution licensee's filing, benchmarking of repair and maintenance expenses, approved repair and maintenance expenses vis-à-vis GFA approved by the Commission in past and any other factor considered appropriate by the Commission;<br>• $GFA_n$ - Opening Gross Fixed Asset of the generating station for the nth year;<br>• $A\&G_{n-1}$ – Administrative and General Costs for the (n-1)th year;<br>• CPI Inflation – is the point to point change in the Consumer Price Index (CPI) for Industrial Workers (all India) as per Labour Bureau, Government of India; in case CPI Inflation is negative, the escalation/change shall be 0%;<br>• WPI Inflation – is the point to point change in the Wholesale Price Index (WPI) as per the Office of Economic | |

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| | | Advisor of Government of India;<br>Provided that for the first year of the Control Period, the employee cost and A&G expenses shall be the average of the truedup expenses after adding/deducting the share of efficiency gains/losses, for the immediately preceding Control Period, excluding abnormal expenses, if any, subject to prudence check by the Commission. | |
| | 89.4 | For a new deemed distribution licensee commencing operations during a Control Period, the O&M expenses shall be approved based on the proposal of such deemed distribution licensee in its petition for tariff determination. | |
| | 89.5 | Provisioning of expenses shall not be considered as actual expenses at the time of true-up, and only expenses as actually incurred shall be considered. | |
| | **90** | **Non-Tariff Income** | |
| | 90.1 | The amount of Non-Tariff Income relating to the Retail Supply Business as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in determining the Tariff for retail supply of electricity by the distribution licensee: | The definition of NTI in this clause is similar to the definition provided in clause 82 above. In this regard, TS Discoms request the Hon'ble Commission to |

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| | 90.2 | The Non-Tariff Income shall include:<br>a) Income from rent of land or buildings;<br>b) Net income from sale of de-capitalised assets;<br>c) Income from sale of scrap;<br>d) Income from statutory investments;<br>e) Interest income on advances to suppliers/contractors;<br>f) Income from rental from staff quarters;<br>g) Income from rental from contractors;<br>h) Income from hire charges from contactors and others;<br>i) Supervision charges for capital works;<br>a) Income from consumer charges levied in accordance with Schedule of Charges approved by the Commission;<br>b) Income from recovery against theft and/or pilferage of electricity;<br>c) Income from advertisements;<br>d) Income from sale of tender documents;<br>e) Any other Non-Tariff Income: | clarify/address for any variation. |
| | **91** | **Income from Other Business** | |

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| | 91.1 | In the event a licensee engages in any other business for optimum utilisation of the assets, the licensee shall give prior intimation in writing to the Commission of such Other Business, along with, inter-alia, the following details:<br>nature of other Business;<br>a) proposed capital investment in the other Business;<br>b) impact of the use of assets and facilities of the Licensed Business for Other Business;<br>c) manner in which the assets and facilities of the Licensed Business and of the Other Business shall be used, demonstrating that there would be no adverse impact on the Licensed Business and on the ability of<br>d) the Licensee to carry out the duties and obligations of the Licensed Business;<br>e) proposal for sharing of revenue derived from the Other Business with the Licensed Business. Such proposal shall include the methodology used for arriving at the proposed sharing. | Clauses 91.1 to 91.6 is same as Regulation No. 3 of 2005 i.e., Treatment of Other Businesses of Transmission Licensees and Distribution Licensees. |
| | 91.2 | The licensee shall have the absolute responsibility to ensure that the utilisation of the assets and facilities of the Licensed Business for Other Business shall not in any manner affect the performance of the obligations under the Licensed Business or the quality of service required from the licensee, and any such utilisation shall be entirely at the cost and risk of the licensee. | |
| | 91.3 | Failure to submit prior intimation in writing to the Commission will invite a penalty which may extend upto the annual revenue of the Other Business. | |

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| | 91.4 | The licensee shall for each of the Other Business:<br>a) maintain separate accounting records, such as amount of revenue, costs, assets liabilities, reserves or provisions which have been charged from or to the Other Business. The licensee shall maintain a description of basis for the charge or its determination by apportionment or allocation between the various business activities;<br>b) prepare on a consistent basis from such records accounting statements for each financial year comprising a profit and loss account, a balance sheet and a statement of sources and application of funds;<br>c) provide in respect of the accounting statements prepared, a report by the Auditors in respect of each financial year, stating whether in their opinion the statements have been properly prepared and give a true and fair view of the revenue, costs, assets, liabilities, reserves and provisions reasonably attributable to the business to which the statements relate;<br>d) submit copies of the accounting statements and Auditor's report not along with true-up of the relevant year;<br>e) submit to the Commission such additional information that the Commission requires from time to time. | |
| | 91.5 | The licensee shall establish to the satisfaction of the Commission that the Other Business bears an appropriate share of overhead costs and other common costs. | |
| | 91.6 | Where the distribution licensee has engaged in any Other Business under Section 41 of the Act for optimum utilisation of its assets, an amount equal to two-thirds of the revenues from such Other Business after deduction of all direct and indirect costs attributed to such Other Business shall be deducted from the Aggregate Revenue Requirement in calculating the Aggregate Revenue Requirement of the Distribution Wheeling Business:<br>Provided that the distribution licensee shall follow a reasonable | It can be observed that the Hon'ble Commission vide this clause has proposed for a new methodology for treatment of revenue earned from Other Businesses.<br>However, this clause and Clauses 91.9 and 91.10 are in contradiction as the same also speaks about treatment of revenue earned from |

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| | | basis for allocation of all joint and common costs between the Transmission Business and the Other Business and shall submit the Allocation Statement, duly certified by the Statutory Auditor, to the Commission along with its Petition for determination of Aggregate Revenue Requirement:<br>Provided further that where the sum total of the direct and indirect costs of such Other Business exceeds the revenues from such Other Business, no amount shall be allowed to be added to the Aggregate Revenue Requirement of the distribution licensee on account of such Other Business. | Other Businesses. Considering the same, TS Discoms requests the Hon'ble Commission to address the same by making suitable amendments. |
| | 91.7 | The licensee shall not in any manner utilise the assets and facilities of the Licensed Business or otherwise directly or indirectly allow the Other Business to be undertaken in a manner that the Licensed Business results in subsidising the Other Business. | No comments |
| | 91.8 | The licensee shall not in any manner, directly or indirectly encumber the assets and facilities of the Licensed Business for Other Business or for any activities other than the Licensed Business. | |
| | 91.9 | The Other Business shall pay to the Licensed Business a reasonable proportion of the revenue of the Other Business, subject to a maximum amount which may reflect the allocable costs or market value of the assets and facilities of the Licensed Business utilised/being utilised for Other Business. | |
| | 91.10 | The Commission will determine the reasonable proportion of revenue of the Other Business and the minimum amount to be paid to the Licensed Business, on a case-to-case basis, as and when a licensee informs the Commission about its intention of utilising the assets and facilities for use for any Other Business. In deciding the amount to be paid by the Other Business, the Commission will consider the submissions of the licensee, but may use any alternate approach or methodology that it considers appropriate. Provided that as and if deemed appropriate by it, the Commission may determine the reasonable proportion of revenues, etc. to be paid to the Licensed Business in respect of a class of Other Businesses as a whole, instead of on a case-to- | |

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| | | case basis. | |