

**SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED**



**RESPONSES TO OBJECTIONS / SUGGESTIONS**

**On**

**ARR & Wheeling Tariff Filings Proposals of Distribution Business for Control Period  
FY 2019-20 to FY 2023-24**

## INDEX

<b>S.No.</b>	<b>Name and Address of the Objector</b>	<b>Pg.No.</b>
1.	Sri <a href="#">M. Thimma Reddy</a> , Convenor, People's Monitoring Group on Electricity Regulation, 139, Kakatiyanagar, Hyd-500 008	
2.	Sri <a href="#">M. Venugopala Rao</a> , Senior Journalist & Convener, Centre for Power Studies H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Gopanpally, Serilingampally Mandal, Hyderabad – 500 032	
3.	Sri <a href="#">G Prabhakar Rao</a> , Plot No 241/102, Opp. Jaya Residency, Electric Tower Line road, Jayanagar, Kukatpally, Hyderabad-500 072,	
4.	M/s. <a href="#">ARhyama Solar Power Pvt Ltd</a> , #1-8-31 to 41, 11rd Floor, Kapadia Towers, Lane Opp to ICICI Bank Bapubagh Colony, Penderghast Road, Secunderabad-500003	
5.	<a href="#">Telangana Solar Open Access Developers Association</a> , #8-3-224/4/A, Pt no. 11 & 12, sy no. 01, room no.412 madhura Naar, Yousufguda, Hyderabad- 500038	

S.No.	Summary of Objections / Suggestions	Response of the Licensee
<b>1. Sri M. Thimma Reddy, Convenor, People's Monitoring Group on Electricity Regulation, 139, Kakatiyanagar, Hyd-500 008</b>		
2.1	<p><u>Information Gap</u> According to Regulation 4 of 2005 as part of ARR and FPT filings information related to base year and each year of the Control Period needs to be provided. In the case of operation and maintenance (O&amp;M) costs information related to the base year and year prior to the base year in complete detail together with the forecast for each year of the Control Period shall be provided (Clause 6.3). Base Year information is not provided in the case of several items. In the case of O&amp;M costs while information related to the base year and also year prior to the base year in complete detail is expected to be provided no such information is made available in the present filings.</p>	<p>The line item wise cost &amp; Revenue breakup of Aggregate Revenue Requirement for the Base year (FY 2018-19) in detail is provided by the DISCOM in the MYT Distribution Business Formats enclosed to the ARR Filings from Page No. 48 to 137. The details include actual O&amp;M break up , Scheme wise Capital expenditure, Fixed Asset Particulars &amp; corresponding depreciation, Loans , Consumer grants , load &amp; losses achieved , wheeling revenue etc. These are also provided in the filing write-up to substantiate the projections for the 4<sup>th</sup> MYT Control Period. The details of prior year to the Base Year is provided as an additional information as a part of True-Up to the Honble Commission on 20.01.2020 which is also placed in the TSSPDCL website.</p>
2.2.1 - 2.2.5	<p>According to Clauses 9.1 and 9.2 of Regulation 4 of 2005 the DISCOMs shall file a Resource Plan, containing Sales Forecast, Load, Forecast, Power Procurement Plan and a Distribution Plan (Capital Investment Plan), on 1' April of the year preceding the first year of the Control Plan and the Commission shall approve it as per Guidelines on it. According to Clause 6.3a of this Regulation Capital Investment Plan with capitalisation schedule covering each year of the Control period shall be consistent with the Commission's approved Resource Plan. TSDISCOMs in their filings claimed that their submissions are in consonance with the Resource Plan for the 4th Control</p>	<p>The DISCOM has submitted the Resource Plan filings on 31.10.2018 before Honble Commission which includes Sales Forecast, Loss Trajectory, Load Forecast and Distribution Plan in accordance to the Guidelines for Load</p>

	<p>Period.</p> <p>As the present ARR and FTP are based on the Resource Plans of the TSDISCOMs it will not be possible to assess the ARR and FTP without access to the Resource Plans filed by the TSDISCOMs. In the present filings TSDISCOMs have only provided summary figures. We request the Commission to direct the TSDISCOMs to make these Resource Plans related to 4th Control Period available to the public</p> <p>The above Regulation also mandates that the ARR is consistent with the Commission's approved Resource Plan (Clause 6.3a). It implies that the Resource Plan in question needs to be approved by the Commission prior to the ARR and FTP. We request the Commission to conduct a public process to approve the same given its importance in the overall tariff setting.</p>	<p>Forecast, Resource Plan and Power Procurement, 2006 and in concurrence to the Regulation 4 of 2005. Due to pending approval of the Honble Commission, the licensee has adopted the Distribution Plan submitted under Resource Plan filings for projection of ARR expenditure for 4<sup>th</sup> MYT Control Period. The existing regulation does not mandate any public hearing process to approve the Load forecast and Resource Plan.</p>																																				
<p>3.1 – 3.3</p>	<p>Electricity Load during 4<sup>th</sup> Control Period(MW)</p> <table border="1" data-bbox="349 868 1317 1063"> <thead> <tr> <th>DISCO M</th> <th>2019-20</th> <th>2020-21</th> <th>2021-22</th> <th>2022-23</th> <th>2023-24</th> </tr> </thead> <tbody> <tr> <td>NPDCL</td> <td>2,829</td> <td>2,940</td> <td>3,043</td> <td>3,145</td> <td>3,248</td> </tr> <tr> <td>SPDCL</td> <td>7,428</td> <td>7,898</td> <td>8,230</td> <td>8,540</td> <td>8,863</td> </tr> <tr> <td>Total</td> <td>10,257</td> <td>10,838</td> <td>11,273</td> <td>11,685</td> <td>12,111</td> </tr> </tbody> </table> <p>The above table shows that during the 4th control period total electricity load at 33 kV level (including losses) in Telangana is projected to increase by 18.08%. While in the case of NPDCL it is projected to increase by 14.81% in the case of SPDCL it is 19.28%.</p> <table border="1" data-bbox="349 1323 1317 1404"> <thead> <tr> <th>Tear</th> <th>DISCOM</th> <th>Base Capital Exp</th> <th>Employee Cost</th> <th>R&amp;M Cost</th> <th>ARR transferred to</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	DISCO M	2019-20	2020-21	2021-22	2022-23	2023-24	NPDCL	2,829	2,940	3,043	3,145	3,248	SPDCL	7,428	7,898	8,230	8,540	8,863	Total	10,257	10,838	11,273	11,685	12,111	Tear	DISCOM	Base Capital Exp	Employee Cost	R&M Cost	ARR transferred to							<p>The load (in MW) represented in the table are the loads computed by considering 80% of contracted demand for HT Voltages and 20% of the contracted demands for LT voltages in view of diversity factor.</p> <p>The base capital expenditure is projected based on the demand forecast for the next 5 years submitted in the Resource plan filings and the existing network infrastructure parameters &amp; its loading pattern. The capital expenditure plan is prepared taking the overloading of the existing network units, proposed network infrastructure to cater to new loads and the cost escalation factor to cover the increase in material &amp; labor costs during 5-year control period.</p> <p>Clause 14.3 of MYT Regulation 4 of 2005 stipulates that, “The composite O&amp;M expenses permissible towards revenue requirement for each year of the Control Period shall be determined , by using pre-determined norms or</p>
DISCO M	2019-20	2020-21	2021-22	2022-23	2023-24																																	
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Tear	DISCOM	Base Capital Exp	Employee Cost	R&M Cost	ARR transferred to																																	

					RSB
2019-20	NPDCL	849	1,859	94	2,614
	SPDCL	1,107	2,469	161	3,935
	Total	1,956	4,328	255	6,549
2020-21	NPDCL	1,300	2,130	118	3,153
	SPDCL	1,175	2,699	192	4,465
	Total	2,475	2,829	310	7,618
2021-22	NPDCL	1,515	2,447	145	3,825
	SPDCL	1,590	2,978	214	4,927
	Total	3,105	5,425	359	8,752
2022-23	NPDCL	2,093	2,894	176	4,649
	SPDCL	1,977	3,328	240	5,544
	Total	4,070	6,222	416	10,193
2023-24	NPDCL	1,939	3,319	213	5,555
	SPDCL	2,102	3,704	273	6,250
	Total	4,041	7,023	486	11,805

During the 4th Control Period distribution expenditure (ARR transferred to retail supply business) is projected to increase by 80.26% in Telangana. When compared to the growth in electricity load in the state it is nearly 5 times higher. The increase in distribution expenditure includes 62.27% increase in employee costs, 90.59% increase in R&M costs and 106.60% increase in base capital expenditure. The Commission needs to see that the distribution expenditure during the 4<sup>th</sup> Control Period is undertaken according to prudent norms.

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."

The Operation & Maintenance costs which comprises Employee cost (EC), Administration & General Expenses (A&G) and Repairs & Maintenance (R&M) costs are projected based on the norms envisaged by the Honble Commission in the MYT Order dated 27.03.2015 which is in accordance to the Regulation. The Employee cost, A&G and R&M costs are linked to capital investments proposed for the control period. The overall growth in O&M costs in the previous control period and the ensuing control period is tabulated below

Details	2014-15	2015-16	2016-17	2017-18	2018-19	Total	Growth rate (CAGR)
EC	1066	823	1491	1897	2249	7526	21%
A&G	89	101	334	213	163	899	16%
R&M	250	278	139	109	127	903	-16%
Total	1404	1203	1963	2218	2538	9327	16%
Y-o-Y growth		-14%	63%	13%	14%		

It is to be noted that the negative growth reflected in A&G, R&M expenses is mainly due to reclassification of expenses towards Remuneration paid to outsourcing employees from R&M to A&G during 2016-17 and from A&G to EC from 2017-18 on account of regularization of employees in accordance to the High Court orders.

Details	2019-20	2020-21	2022-23	2023-24	2024-25	Total	Growth rate (CAGR)
EC	2469	2699	2978	3328	3704	15177	11%
A&G	178	195	215	241	268	1097	11%

		<table border="1"> <tr> <td>R&amp;M</td> <td>161</td> <td>192</td> <td>214</td> <td>240</td> <td>273</td> <td>1081</td> <td>14%</td> </tr> <tr> <td>Total</td> <td>2808</td> <td>3086</td> <td>3407</td> <td>3809</td> <td>4245</td> <td>17356</td> <td>11%</td> </tr> <tr> <td>Y-o-Y growth</td> <td>11%</td> <td>10%</td> <td>10%</td> <td>12%</td> <td>11%</td> <td></td> <td></td> </tr> </table> <p>It can be seen from the tables above, the Overall growth in O&amp;M expenses in the 3rd control period happens to be 16% whereas the overall growth projected in the 4th Control period is 11% which is rational and close to the actual trend.</p>	R&M	161	192	214	240	273	1081	14%	Total	2808	3086	3407	3809	4245	17356	11%	Y-o-Y growth	11%	10%	10%	12%	11%		
R&M	161	192	214	240	273	1081	14%																			
Total	2808	3086	3407	3809	4245	17356	11%																			
Y-o-Y growth	11%	10%	10%	12%	11%																					
3.4	More than Rs. 12,000 Crore were reported to have been spent in Telangana during 2017-18 to improve distribution network to facilitate 24 X 7 power supply to agriculture sector high expenditure was incurred in the recent past to improve distribution in the state. When such high expenditure was incurred in the recent past to improve distribution network in the state the new proposals on distribution network expansion needs to be assessed more carefully.	<p>The amount invested by DISCOM for strengthening of Distribution network to provide 24x7 power supply to agriculture sector is Rs. 380.69 crores.</p> <p>The distribution network expansion proposed by the DISCOM in the resource plan filings comprises the plan for new Substation Additions due to overloading of existing Substations, Substation addition due to overloaded feeders, New PTR Additions in existing Substations, and PTR up-gradation , Feeder Additions in Existing Substations, DTR Additions to cater to the future load growth and network strengthening.</p>																								
3.5	When the issue of disproportionate expenditure on distribution business is raised Licensees tend to argue that the capital expenditure involves not only expenditure towards augmenting the existing network to meet peak demand but also involves works for network strengthening, renovation and modernization, etc,. In the present filign works related to network strengthening and R&M appear under different heads like other capital expenditure as a part of total capital expenditure, R&M works as a part of O&M expenditure and special appropriation for safety measures. It has to eb seen that there is no duplication of work and expenditure incurred has impact on the ground	<p>The capital expenditure plan proposed by the DISCOM in the Filings comprises of two parts. One is Base Capital expenditure and the second is Other Capital Expenditure. Base capital expenditure covers the Sub-station, PTR, Feeder, DTR up-gradations and additions to meet the projected load growth and network strengthening. Other capital expenditure mainly covers the expenditure for AT&amp;C Loss reduction, Reliability improvement &amp; contingency schemes, Renovation &amp; Modernisation of existing assets, civil infrastructure developments, new consumer additions, Technology upgradation, Land cost for erection of new substations &amp; road cutting charges for laying cables.</p> <p>The expenditure shown in the other capital expenditure is additional to the Base capital expenditure which is proposed to meet the specific goals. The</p>																								

		<p>R&amp;M shown under Other Capex is investment for Renovation &amp; Modernisation of existing assets while R&amp;M costs shown under O&amp;M expenditure head is Repairs &amp; Maintenance costs which are to be incurred for maintenance and repair of the assets setup in the system.</p> <p>Further, the special appropriation costs shown under the head “Special appropriation for Safety measures” is to ensure safety of the consumers and the employees who work near the network system.</p> <p>Hence there is no duplication of costs proposed in the Filings; instead the costs are divided under different heads according to the purpose it relates to.</p>																		
4.1	<p>In the present filings Licensees have considered cost of debt as 11% for long term loans and 11.5% for working capital loans during the 4th Control Period. As rate of interest in the financial markets in the country is coming down the rate of interest proposed by the Licensees appears to be on higher side. APERC in its Order, one year back, on wheeling charges for the 4th Control Period adopted 10.53% as rate of interest on debt contracted by APDISCOMs. In the meantime, RBI reduced the repo rate several times. In keeping with these developments, we request the TSERC to adopt lower interest rate than the one proposed by TSDISCOMs</p>	<p>The TSDISCOMs has considered cost of debt as 11 % for long term loans and 11.5% for working capital loans based on the latest Rural Electrification Corporation (REC) &amp; Power Finance Corporation (PFC) loan circulars. The Distribution schemes are majorly funded by the REC &amp; PFC institutions. Hence these lending rates form the basis for estimating cost of debt. The lending rates of REC and the Bank Repo rates in the last 5 years is tabulated below</p> <table border="1" data-bbox="1545 893 2271 1396"> <thead> <tr> <th>FY</th> <th>Bank Repo Rate</th> <th>DISCOM lending rate from REC*</th> </tr> </thead> <tbody> <tr> <td>2015-16</td> <td>7.5 % - 6.75%</td> <td>12% -11.5%</td> </tr> <tr> <td>2016-17</td> <td>6.75% - 6.25%</td> <td>11%</td> </tr> <tr> <td>2017-18</td> <td>6.25% - 6%</td> <td>11% - 10.75%</td> </tr> <tr> <td>2018-19</td> <td>6%-6.25%</td> <td>10.75%-11%</td> </tr> <tr> <td>2019-20</td> <td>6%- 5.15%</td> <td>11%</td> </tr> </tbody> </table>	FY	Bank Repo Rate	DISCOM lending rate from REC*	2015-16	7.5 % - 6.75%	12% -11.5%	2016-17	6.75% - 6.25%	11%	2017-18	6.25% - 6%	11% - 10.75%	2018-19	6%-6.25%	10.75%-11%	2019-20	6%- 5.15%	11%
FY	Bank Repo Rate	DISCOM lending rate from REC*																		
2015-16	7.5 % - 6.75%	12% -11.5%																		
2016-17	6.75% - 6.25%	11%																		
2017-18	6.25% - 6%	11% - 10.75%																		
2018-19	6%-6.25%	10.75%-11%																		
2019-20	6%- 5.15%	11%																		

		<p>This shows that the DISCOM lending rates are showing mixed trend over the years and on an average it stood at 11% p.a. during 2018-19 &amp; 2019-20. Hence the proposal of the DISCOM is in-line with the current state of financial affairs.</p>
4.2	<p>The present filings show that the TSDISCOMs are expecting Return on equity at 14% for the 4th Control period as per the approved norm for the third control period. Return on equity is linked to the rate of interest. As the rate of interest is coming down return on equity also needs to be reduced and brought down to below 14%. As there is no risk to the DISCOMs in this regard and total costs are being recovered under the present Regulatory framework we propose return on equity at 12%</p>	<p>In accordance with Section 3 of the Electricity Act, 2003, the Ministry of Power, Government of India notified the Tariff Policy ,2016. The Tariff Policy stipulates as under:</p> <p><i>“5.0 GENERAL APPROACH TO TARIFF</i></p> <p><i>5.11 Tariff policy lays down following framework for performance based cost of service regulation in respect of aspects common to generation, transmission as well as distribution. These shall not apply to competitively bid projects as referred to in para 6.1 and para 7.1 (6). Sector specific aspects are dealt with in subsequent sections.</i></p> <p><b>a) Return on Investment</b></p> <p><i>Balance needs to be maintained between the interests of consumers and the need for investments while laying down rate of return. Return should attract investments at par with, if not in preference to, other sectors so that the electricity sector is able to create adequate capacity. The rate of return should be such that it allows generation of reasonable surplus for growth of the sector.</i></p> <p><i>The Central Commission would notify, from time to time, the rate of return on equity for generation and transmission projects keeping in view the assessment of overall risk and the prevalent cost of capital which shall be followed by the SERCs also. <b>The rate of return notified by CERC for transmission may be adopted by the State Electricity Regulatory Commissions (SERCs) for distribution with appropriate modification taking into view the higher risks involved.....</b></i></p> <p>.....</p>

		<p><i>The State Commission may consider ‘distribution and supply margin’ as basis for allowing returns in distribution business at an appropriate time..”</i></p> <p>The Return on Equity determined by the CERC for Transmission projects vide its Tariff Regulations,2019 is 15.5%. The Honble Commission has determined the Return on Equity of 14% for Distribution Business and 2% of supply margin for Retail supply business in the MYT order dt. 27.03.2015. In accordance to the NTP guidelines and the Honble Commission regulations &amp; orders, the licensee has claimed 14% Return on Equity.</p>
4.3	<p>In SPDCL filings while on page 14 escalation factor is mentioned as 4.68% on page 29 escalation factor is mentioned as 5.42% while claiming to follow identical methodology. We request the Commission to adopt 4.68% as the escalation factor to compute capital cost</p>	<p>The escalation factor of 4.68% proposed on page 14 is based on the CPI &amp; WPI indices for the period <b>2012 to 2017</b> which is considered in the Resource Plan filings that was filed before Honble Commission on 31.10.2018.</p> <p>However the escalation factor of 5.42% proposed on page 29 is based on the CPI &amp; WPI indices for the period <b>2012 to 2018</b> for computation of O&amp;M expenses.</p> <p>As the periods under consideration are different and the submissions are at different dates, the escalation factor has varied and the DISCOM has considered the updated data with 2018 values in its MYT filings for O&amp;M expenses projections.</p>
5.1	<p><b><u>Targets for distribution losses:-</u></b></p> <p>Targets for distribution losses: 5.1 The distribution losses projected by TSDISCOMs for the 4th control period in some cases are higher than that approved by the Commission for the third control period or equal to the levels already achieved during the third control period. In the case of SPDCL the Commission approved 5% LT losses for the 3 Control Period. But SPDCL has shown that it had achieved</p>	<p>As per clause 5.3 (h)(2) of National Tariff Policy “In cases where operations have been much below the norms for many previous years the initial starting point in determining the revenue requirement and the improvement trajectories should be recognized at “relaxed” levels and not the “desired” levels.” Hence TSSPDCL has considered the actual losses achieved in FY 2018-19 as basis for projection of loss trajectory for 4<sup>th</sup> MYT Period. The DISCOM could not achieve the stringent loss targets approved by the Honble Commission for 3<sup>rd</sup> MYT Period despite extensive loss reduction measures taken during the period.</p>

	<p>6.05% LT losses during 2018-19 and projected to bring down these losses to 5.93% to 5.47% during the 4th Control Period. Similarly, while the Commission prescribed 4.25% 11 kV losses SPDCL achieved 4.70% in 2018--19 and projected to bring it down to 4.47% in 2023-24. NPDCL projected to bring down distribution losses by 0.01% only at the end of the 4th Control period compared to the levels achieved in 2018-19. Given the huge investments made in expanding and strengthening of distribution network and human resources there should be commensurate reduction in distribution losses</p>	<p>The DISCOM has projected 2% year-on-year loss reduction under LT voltage, 1% for 11 kV and 0.5% loss reduction for 33 kV voltage levels. Achieving slight reduction in losses after reaching certain bench mark levels will be quite ambitious and requires huge capital investments backed by technology upgradation. Thus the Discom has proposed investments commensurate to load growth including loss reduction.</p>								
<p>6.1</p>	<p><b><u>Safety issues:</u></b> Over the years number of deaths due to electrocution have been increasing. Sagging conductors, unsafe DTRs and absence of technical help at the grass roots level are some of the important reasons for these avoidable deaths. It is welcome measure that the DISCOMs have designated officers at the Circle level as Safety Officers. Along with this, it has to be seen that capital investments made and R&amp;M works taken up results in decline in deaths due to electrocution. All these years though thousands of crores of rupees were spent on expansion and modernisation of T&amp;D network there was no let up in the deaths due to electrocution.</p>	<p>As per the directions of Hon'ble TSERC, TSSPDCL has taken all preventive measures to avoid accidents. The measures taken are</p> <ol style="list-style-type: none"> <li>a) Intermediate Poles are erected wherever there are loose spans/Sagging conductors</li> <li>b) Providing of proper earthing/plinth raising/fencing around DTRs where unsafe DTR existing.</li> <li>c) Providing of SMC Distribution boxes</li> <li>d) Rectification of DTR Structures, AB Switches, HG Fuses.</li> <li>e) Safety week is conducted to create awareness among the consumers about the precautionary measures to be taken. Also farmers are being educated by the local staff and advised not to meddle with live electrical equipment.</li> <li>f) providing fuse controls to DTRs</li> <li>g) Reconductoring</li> </ol> <p>The above said works taken up under R&amp;M works by TSSPDCL and giving good results, the comparison on accidents for last 3 years and shows reduction in accidents year wise are as follows:</p> <table border="1" data-bbox="1534 1312 2386 1430"> <thead> <tr> <th></th> <th>2017-18</th> <th>2018-19</th> <th>2019-20 (Upto Dec'19)</th> </tr> </thead> <tbody> <tr> <td>SPDCL</td> <td>333</td> <td>294</td> <td>169</td> </tr> </tbody> </table>		2017-18	2018-19	2019-20 (Upto Dec'19)	SPDCL	333	294	169
	2017-18	2018-19	2019-20 (Upto Dec'19)							
SPDCL	333	294	169							

		And further ensuring keen monitoring of Distribution network, keeping in view of aging of existing network and proposing proper plan of action time to time to strengthening and maintaining the Distribution Network in healthy condition to reduce fatal deaths due to electrocution.
6.2	In safety related issues along with investments on T&D network staffing patterns also play an important role. In rural areas there is lack of technical staff at the ground level. In the absence of adequate number of line men in rural areas consumers, mostly farmers, are trying to attend to the repairs to the DTRs and conductors on their own and meeting with accidents. While officer level posts are being filled up there are vacancies in the case of technical staff at the ground level, particularly in rural areas. While examining O&M costs staffing pattern also needs to be examined.	As per the departmental administrative procedures, the O&M staff are being allotted to the operation sections. Where the posts are vacant, vacancies are filled in a phased manner and also the services of artisans are utilizing for maintenance work. Keeping in view of absence of adequate number of O&M Staff at the ground level, Recently TSSPDCL has taken up the recruitment process for 2500 Nos. JLM's which are going to complete shortly and further the consumers/farmers are informed that if any grievance arises may be intimated to the concerned AE/Operation or Toll free No. 18004253600 for early rectification. <b>“The farmers are requested not to climb the pole or not to make any repairs to the DTRs and conductors on their own”.</b>
6.3	In response to the Commission's directive to run neutral wire from 33/11 kV SS to single phase transformers both existing and new installations without resorting to use of earth as return conductor TSDISCOMs submitted as follows: "Since the hamlets are spread over at distant places, running a neutral wire from 33/11 kV Sub-station is very expensive Hence, it as been decided, earthing of neutral at intermediate cations,needs additional expenditure' • decided to provide local ground earthing by maintaining the earth resistance as per REC construction standards." At the same time SPDCL as a part of Special Appropriations for Safety Measures proposed Rs. 4 crore each year of the 4th Control period towards running of neutral wire from SS. NPDCL proposed about Rs. 7 crore each under Other heading. This may be	Field officers were instructed to ensure to provide local ground earthing by maintaining the earth resistance as per the REC Construction standards wherever 1-Ph DTRs are existing in the villages and continuously pursuing for the compliance

	towards running of neutral wire from SS. The Commission has to see that its directive on running neutral wire is complied with by TSDISCOMs strictly	
7.1	Non-transparent erection of substations, transmission towers and drawing of transmission lines is leading to consternation among farmers from whom huge chunks of land is being acquired for these installations. Farmers are not being compensated adequately, as allowed under the existing rules and regulations. Farmers are being made to run from pillar to post to claim their legitimate compensation. The central government rules have empowered the Commission to see that farmers get adequate compensation with in time. The Commission is requested to see that farmers are not harassed and that they get their compensation at the earliest.	Issue dealt by TSTRANSCO
8.1	Following the norms set by the Regulation 4 of 2005 True up of distribution business of Licensees of the 3rd control period has to be taken up. According to TSSPDCL annual accounts for base year [2018-19] have been finalised (p.ivpara 13). As the necessary information is available with the DISCOMs we request the Commission to direct the TSDISCOMs to file true up/down claims for the 3 <sup>rd</sup> control period.	The TSSPDCL has submitted true-up claims for the 3 <sup>rd</sup> Control Period as a part of Additional information to the MYT filings for 4 <sup>th</sup> Control Period on 20.01.2020 which is also placed in the TSSPDCL website.

S.No.	Summary of Objections /Suggestions	Response of the Licensee
<b>2.</b>	<b>Sri .M. VenugopalaRao , Senior Journalist &amp;Convener, Centre for Power Studies, H.No.1-100/MP/101, Monarch Prestige, Journalists' Colony, Serilingampally Mandal, Hyderabad – 500 032</b>	<b>Gopanpally,</b>
1	<p>We have been requesting the Hon'ble Commission since its inception to direct the Discoms to submit long-term load forecast, resource and procurement plans, hold public hearings on the same and issue its order to ensure orderly development of power sector. In the subject filings, both the TS Discoms have informed that they had filed resource plan for the fourth control period which, inter alia, contains sales forecast, distribution loss trajectory, load forecast and distribution plan as per the guidelines for the approval of the Hon'ble Commission on 31.10.2018. However, no public hearing is held on the same, whatever be the reasons. Long-term load forecast, resource and procurement plans should be the basis for addition of installed capacities periodically in tune with projected demand growth, and addition of transmission and distribution capacities. They have also informed that the Hon'ble Commission, through its letters dated 11.12.2018 and 10.1.2019, informed that their petition of ARR for distribution business for the 4<sup>th</sup> control period was assigned I.A.Nos. 44 of 2018 and 1 of 2019 and that the same would be taken up along with the ARR (for the year 2019-20) when it was filed and numbered. ARR for a financial year itself is a complicated issue which needs considerable time to study and analyse. Similarly, long-term load forecast and related plans also are of complicated nature and need detailed study to file objections and suggestions. Therefore, they need to be taken up for public hearings separately. Before taking up the subject petitions and MYT filings of TS Transco and SLDC for the 4<sup>th</sup> control period, the Hon'ble Commission should have taken up long-term load forecast, etc., for public hearing.</p>	<p>The DISCOM has submitted the Resource Plan filings on 31.10.2018 before Honble Commission which includes Sales Forecast, Loss Trajectory, Load Forecast and Distribution Plan in accordance to the Guidelines for Load Forecast, Resource Plan and Power Procurement, 2006 and in concurrence to the Regulation 4 of 2005. Due to pending approval of the Honble Commission, the licensee has adopted the Distribution Plan submitted under Resource Plan filings for projection of ARR expenditure for 4<sup>th</sup> MYT Control Period. The existing regulation does not mandate any public hearing process to approve the Load forecast and Resource Plan.</p>

2	<p>The Discoms have submitted that they were required to file the ARR &amp; FPT for distribution business for the 4<sup>th</sup> control period by 30<sup>th</sup> November, 2018, i.e., not less than 120 days before the commencement of fourth control period. There is no justification in not filing the same in time and seeking permission of the Hon'ble Commission to permit them to file the same along with ARR for retail supply business for the year 2019-20. Their submission that values in the finalized annual accounts for the base year need to be considered for making revisions in the cost estimates of ARR for distribution business to be filed for 4<sup>th</sup> control period goes against the need for filing the latter in time and cannot justify unwarranted delay in finalizing annual accounts for the base year.</p>	<p>The DISCOM has sought time extension for valid reasons submitted under various petitions before Honble Commission. The Honble Commission has admitted the petitions and stated that the applications will be taken up along with the main petition. The MYT filings comprise of 5-year plan of costs and expected revenues of the DISCOM based on the Base year values. Hence the Base year values have significant material impact on the projections of the ARR for 5-year of Control Period. As the annual accounts happened to get finalized before the event of DISCOM filings, the DISCOM has considered appropriate to include the actual audited values in the filings for projection of Costs and Revenues which are going to be fixed for next 5-year control period.</p>
3	<p>The Discoms have submitted that true-ups of 1<sup>st</sup> and 2<sup>nd</sup> control periods will be filed along with the filings of true-ups for 3<sup>rd</sup> control period “shortly” and “in due course of time.” Claims for true-up/true-down for the past control period need to be filed, examined and determined after holding public hearings. True-up/true-down determinations give a realistic picture to project future requirements. Therefore, consideration of true-up/true-down for past periods should precede consideration of MYT for the 4<sup>th</sup> control period. I request the Hon'ble Commission to direct the Discoms to submit true-up/true-down claims for the past control periods forthwith, hold public hearings and issue its order.</p>	<p>The TSSPDCL has submitted true-up claims for the 3<sup>rd</sup> Control Period as a part of Additional information to the MYT filings for 4<sup>th</sup> Control Period on 20.01.2020 and true-up claims for 1<sup>st</sup> and 2<sup>nd</sup> control period as a part of Additional Information -2 on 28.01.2020 which are also placed in the TSSPDCL website.</p>
4	<p>The Discoms have submitted that, as the Hon'ble Commission's approval for sales forecast, distribution loss trajectory, load forecast and distribution plan for the 4<sup>th</sup> control period is still awaited, they have adopted the distribution plan submitted in the resource plan filings in the current multi-year and annual filings. Failure of the Government of Telangana State in filling up posts of the Chairman and Members of the Hon'ble Commission in time is the reason for non-issuance of several orders in time. While former</p>	<p>In accordance to the orders of the Honble Commission, the DISCOM levies the tariffs as applicable on 31.03.2019 from 01.04.2019 till the disposal of applications finally.</p>

Member of the Commission Sri L Manohar Reddy garu retired on 7.8.2016, another Member Sri H Srinivasulugaru retired on 7.4.2018 and former Chairman Sri Ismail Ali Khan garu retired on 9.1.2019. The present Hon'ble Chairman and Members of the Commission assumed office on 30.10.2019. Clause 85 (2) of Electricity Act, 2003, says: "The State Government shall, within one month from the date of occurrence of any vacancy by reason of death, resignation or removal of the Chairperson or a Member and six months before the superannuation or end of tenure of the Chairperson or Member, make a reference to the Selection Committee for filling up of the vacancy." Sub-clause 3 of clause 85 says: "The Selection Committee shall finalise the selection of the Chairperson and Members within three months from the date on which the reference is made to it." Sub-clause 4 says: "The Selection Committee shall recommend a panel of two names for every vacancy referred to it." The inordinate delay, without any justification whatsoever, in forming the selection committee and making a reference to it for selection of Chairman and Members of the Commission is a blatant violation of law by the State Government. It has led to a defunct Commission, without Chairman and Members, for a long period and resultant non-issuance of annual tariff order for 2019-20 and MYTs for TS Transco, SLDC and the Discoms for the 4<sup>th</sup> control period in time. It has led to collection of retail supply tariffs by the Discoms from 1<sup>st</sup> April, 2019, without any order of the Commission, and such collection is also illegal. It has led to non-realisation of substantial revenue which is otherwise due to the Discoms, if annual tariff order for 2019-20 and MYT for the 4<sup>th</sup> control period were issued by the Commission in time. It will lead to accumulation of huge true-up claims as well by the Discoms. The Hon'ble Commission passed an interim order dated 6.11.2019 allowing the Discoms to levy wheeling charges and losses in kind as applicable as per the order dated 27.3.201, pending disposal of I.A.No.4 of 2019 in O.P.Nos.78

	<p>&amp; 79 of 2015. The Hon'ble Commission passed another order dated 6.11.2019 permitting the Discoms to levy the retail supply tariff, cross subsidy surcharge and additional surcharge as applicable on 31.3.2019 as per order dated 27.3.2018, pending disposal of I.A.No.3 of 2019 in O.P.Nos.21 &amp; 22 of 2017. These orders have given legal sanctity to the Discoms to levy and collect those charges with retrospective effect from 1.4.2019.</p>	
5	<p>The Discoms have submitted that they continue to lay utmost importance on timely completion of projects undertaken and have been following the practice of capitalizing (adding to fixed assets) only those works which have actually been completed. However, their performance during the 3<sup>rd</sup> control period, whether they completed the works in time and with the capital costs approved by the Hon'ble Commission or whether there were delays in execution of the works and additional expenditure, are not incorporated in the subject filings. The Discoms have submitted that they have adopted the total expenditure projections as submitted in the distribution plan in the resource plan filings to arrive at ARR for the MYT for 4<sup>th</sup> control period filings. In other words, without submitting their performance during the 3<sup>rd</sup> control period and without the Hon'ble Commission determining permissible expenditure for the same period (claims for true-up/true-down) and the distribution plan after holding public hearings, the Discoms have worked out their projections for the 4<sup>th</sup> control period. In other words, an element of arbitrariness is involved in the projections of the Discoms for the 4<sup>th</sup> control period. Therefore, for an objective assessment and determination of MYT and related issues for the 4<sup>th</sup> control period, the Hon'ble Commission has to assess and determine the performance of the Discoms during the 3<sup>rd</sup> control period and the distribution plan, etc., for the 4<sup>th</sup> control period as a prerequisite after holding public hearings on the same.</p>	<p>The DISCOM has considered the existing network infrastructure such as sub-division wise sub-stations, PTRs &amp; their loading pattern, connected feeders and their peak loads, DTRs &amp; their loading pattern in the Resource plan filings. The DISCOM has proposed new substations, PTRs, DTRs and connected feeders based on the sub-division wise load growth &amp; existing overloading network elements. The existing network system and proposed demand hike forms basis for the submission of Distribution plan under Resource plan filings.</p> <p>Further all cost elements of ARR such as O&amp;M costs, Depreciation, RoCE has been computed considering the audited annual accounts of the TSSPDCL for FY 2018-19. The DISCOM has also submitted the true-up claims for the 3<sup>rd</sup> and 1<sup>st</sup> &amp; 2<sup>nd</sup> control periods as a part of additional information to the MYT filings for 4<sup>th</sup> Control Period on 20.01.2020 &amp; 28.01.2020 respectively and are also placed in the TSSPDCL Website</p>

6	<p>TSSPDCL has projected a capital expenditure of Rs.11,261 crore, while TSNPDCL has projected a capital expenditure of Rs.10,393.8 crore for the 4<sup>th</sup> control period. These projections tend to be inflated, as past experience confirmed, and the proposed works and capital expenditure, item-wise, need to be assessed and determined objectively, as submitted above. The grants they get under various schemes from the Government of India and other agencies, and consumer contributions, as incorporated in the subject proposals, need to be taken into account for the purpose of determining permissible capital expenditure. Since such grants and consumer contributions carry no interest, and do not come under equity or loans of the Discoms, those amounts should not be taken into account for the purpose of working out and permitting weighted average cost of capital or return on capital employed (RoCE), as the case may be. I also request the Hon'ble Commission not to consider payment of depreciation charges on fixed assets to the extent they are created with grants and consumer contributions to ensure that the benefit of such funds accrues to the consumers at large.</p>	<p>The TSSPDCL capital expenditure has been proposed based on the Distribution Plan submissions in the Resource Plan filing. The total actual Capital expenditure in the 3<sup>rd</sup> control period is Rs. 8162 crores as against the approved capital expenditure of Rs. 7763 crores, which is higher by Rs. 399 crores. The DISCOM has considered the existing schemes and proposed new schemes to meet the capital expenditure during the 5-year control period. The DISCOM has also projected the consumer contributions &amp; grants of the existing schemes which are anticipated to be received in the next 5-year period. The DISCOM has projected the means of finance of the capital investments based on the norms of the lenders duly considering the consumer contribution &amp; grants. The TSSPDCL has not claimed any interest or Return on the assets contributed by Consumers/grants. The deduction of the consumer contribution/grants received during the year while computation of the Regulated Rate Base(RRB) is clearly detailed in the Para 3.5 of the MYT Filings for 4<sup>th</sup> Control Period and RoCE has been claimed on the net RRB after deducting the consumer contribution/grants and depreciation as per the Regulation 4 of 2005.</p> <p>In accordance to Accounting standard 12, the depreciation on consumer contributed assets/grants is being amortised and withdrawn from the depreciation component every year by reflecting the same under Non-Tariff Income component.</p>
7	<p>The Discoms have projected coincident demand and total demand contribution at 33 kv, 11 kv and LT levels. The Discoms have not incorporated estimated demand growth, need for addition of generation capacity and availability of surplus power, both peak and off peak, during the 4<sup>th</sup> control period in the subject proposals. The Discoms have to submit availability of generation capacities under existing PPAs in force and capacities proposed to be added during the 4<sup>th</sup> control period and justify need for the same to meet projected demand. The Discoms have to submit details pertaining</p>	<p>The DISCOM has projected the sales forecast, Energy Requirement and peak demands (coincident &amp; Non-coincident Peaks) for the next control period in the load forecast and Resource Plan Filings; The formulation of power procurement plan for 5 years requires co-ordination with TSGENCO, Central generating sources, Non-conventional energy sources and other available generating sources which will be submitted shortly.</p>

to backing down generation capacities, especially for purchasing high-cost and must-run non-conventional energy, specifically wind and solar power, and the fixed cost paid during the 3<sup>rd</sup> control period and likely to be paid during the 4<sup>th</sup> control period. Unless these are submitted and orders thereon given by the Hon'ble Commission, as a part and parcel of long-term load forecast, etc., after holding public hearings, the projections of Discoms may go haywire for the following reasons, among others:

- a) Based on estimated demand growth and generation capacity for the 4<sup>th</sup> control period, which are not revealed, if distribution capacity is expanded, it may lead to creation of excess capacity and under-utilization of capacity. Because plant load factor or capacity utilisation factor (in the case of non-conventional energy) of respective power plants should be the basis for expansion of distribution capacities, with some reserve margin.
- b) Though TS Discoms have proposed growth in the distribution system in the State for the 4<sup>th</sup> control period, demand growth projections during the same period and the basis for the same are not made public.
- c) Generation capacities being backed down, especially for purchasing non-conventional energy, would lead to under-utilization of distribution capacities. Factual position relating to backing down and payment of fixed charges therefor during the third control period and current financial year needs to be submitted and examined. It also needs to be examined whether NCE is being purchased at higher costs, when power is available from base-load thermal power stations with whom the Discoms had PPAs.

	<p>d) Slump in demand or slower demand growth compared to load forecast also would lead to under-utilization of T&amp;D capacities. This applies to coincident peak demand in MW also. With slowdown of economy in the country and Telangana, the demand for power has come down considerably during the last five months of 2019 compared to the corresponding period of 2018, it is widely reported. With no signs of economy picking up, similar position may continue during the next financial year also.</p> <p>e) With a situation of availability of surplus power, both off peak and peak, emerging in the country, if the Discoms cannot sell surplus power in the market at remunerative prices, to that extent, distribution capacity gets under-utilized.</p> <p>f) Energy conservation measures, if implemented effectively, also would lead to under-utilization of distribution capacities.</p> <p>g) Creation of distribution capacity to distribute power from projects whose timely completion is doubtful would naturally lead to stranded assets and unwarranted financial burdens. Needless to say, addition of distribution capacity for projects concerned should be undertaken and completed in time in such a way that it can be put to use from performance acceptance tests of those projects. Preponing or postponing will have its adverse consequences.</p> <p>h) If implementation of projects and schemes for which the proposed additions of generation capacity and distribution capacity are intended is delayed and if distribution</p>	
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	<p>capacity required to supply power to them is created, it would lead to imposition of heavy and avoidable burdens on consumers of power with a considerable part of capacities created remaining stranded.</p> <p>i) We request the Hon'ble Commission not to give its consent for addition of distribution capacity and capital expenditure related thereto as proposed by TS Discoms for the generation capacities or anticipated coincident peak demand in MW, without the Disoms establishing the need for procuring power from the proposed projects, without entering into PPAs with them and submitting the same for consideration of the Commission well in time. All these proposals should be subjected to test on the anvil of realistic long-term load forecast and resource plan to be determined by the Commission after holding public hearings on the same.</p>	
8	<p>The basis for estimation of costs for various components of the proposed additions for expansion of distribution network are not submitted by the Discoms. They have simply maintained that they have considered the cost data of 2018-19 and it is being escalated by 4.68% year-on-year by considering 60% of CPI and 40% of WPI variation over past five years. The Discoms also have submitted that the unit cost escalated YoY for the next five-year control period is multiplied with the corresponding network additions to arrive at the capital investment required for the 4h MYT period. The methods adopted by the Discoms for purchasing materials and giving contracts for execution of works, actual market trends on competitive basis and whether such works are actually required for the past periods need to be examined by the Hon'ble Commission. Since no such information is submitted by the Discoms in their subject proposals, their calculations of capital costs for the 4<sup>th</sup></p>	<p>The TSSPDCL has submitted the True-up for the 3<sup>rd</sup> Control Period with all relevant details to the Honble Commission. Materials are procured by the DISCOM by calling tenders in e-procurement platform based on the system requisitions and are being done in a transparent manner.</p>

	<p>control period should not be taken at their face value. Any interest during construction for delays in respect of completion of works/schemes should not be allowed, unless the Commission's approval for extension in the completion schedule is obtained in advance There is every need to monitor the way orders or contracts are being given for execution of works/schemes and purchases of materials by TS Discoms to ensure that real and transparent competitive bidding is scrupulously followed, expenditure incurred is prudent and time schedules are adhered to. The particulars of such delays, if any, work/scheme-wise, and cost escalation, including interest during construction, during periods of such delays should be furnished and examined in order to determine permissible expenditure during the third control period. I request the Hon'ble Commission to direct the Discoms to provide the same information to us. On the other hand, if the Discoms did not incur the expenditure for the specific works allowed by the Hon'ble Commission for the 3<sup>rd</sup> control period, it would lead to true-down, with wheeling charges turning out to be inflated.</p>	
9	<p>TS Discoms have submitted that depreciation has been calculated considering the rates notified by the Ministry of Power, GoI. Permitting recovery of depreciation charges over the useful lifespan of the assets would ensure a fairer recovery of the same by the Discoms, though over a longer period of time. We request the Hon'ble Commission to allow least possible depreciation rates, or at least, the lowest depreciation rates as per the regulations and norms of CERC or Ministry of Power, GoI, whichever are lower.</p>	<p>The TSSPDCL has been following the rates as notified by the Ministry of Power, Government of India through Gazette Notification No.S.O.266 (E) dated 29<sup>th</sup>, March, 1994 since inception. In order to be in conformity with the audited annual accounts of the company, the DISCOM has projected the depreciation which is in-line with the MoP rates. Any change in the depreciation rate methodology shall be a significant policy decision and it affects the Company financial reports.</p>
10	<p>The Discoms have submitted O &amp; M expenses to the tune of Rs.14050.19 crore by NPDCL and Rs.17,356 crore by SPDCL for the 4<sup>th</sup> control period. In the proposed total O&amp;M expenses, employee cost constitutes 90.02% for NPDCL and 87.44% for SPDCL. Instead of mechanically approving the costs based on</p>	<p>Operation &amp; Maintenance (O&amp;M) costs comprise Employee cost, Administration &amp; General Expenses and Repairs &amp; Maintenance costs. The portion of A&amp;G, R&amp;M expenses will be insignificant in total O&amp;M expenses. O&amp;M cost constitutes to 70% of Distribution ARR of DISCOM</p>

	some percentage and actual impact of periodical pay revisions, there is need for determining norms in a fair way for escalation in employee cost, keeping in view how the percentage of employee cost in the total O&M expenditure has been increasing abnormally over the years. Compared to the growth rates of number of sub-stations, length of line (in km), number of DTRs and number of consumers, what have been the growth rates of O&M expenses and the percentages of employees' cost out of total O&M costs for the period from 2014-15 to 2018-19, year-wise? As a part and parcel of improving efficiency, expenses need to be regulated to prudent levels.	The Licensee adopts the methodology for norms approved by the Hon'ble Commission in the MYT order for third control period for projection of norms for O&M expenses for 4 <sup>th</sup> control period. Employee expenses (EE) and Administrative & General (A&G) expenses is linked to substations (49%), line length (21%), DTRs(10%) and Consumers (20%) considering an escalation rate of 5.42% p.a.and Repairs and Maintenance expenses (R&M) is linked to norm arrived based on the past five year's period (FY 2014-15 to FY 2018-19) Gross fixed assets (GFA).												
11	Cost of debt is projected to increase from 10.16% in 2019-20 to 10.81% in 2023-24 for NPDCL and from 10.33% to 11.26% for SPDCL for the same period. These rates are inflated and need to be pruned in tune with market trends. The Discoms also may explore the possibility of swapping loans to get benefit of relatively lower interest rates. The differences in the rates of interest on debt proposed by the Discoms for the 4 <sup>th</sup> control period show elements of subjectivity unrelated to market trends. The Discoms should explore possibilities of bargaining with funding agencies for reduction of interest rates in view of the downtrend of the same in the market.	<p>The DISCOM schemes are majorly funded by Rural Electrification Corporation Limited. The lending rates of M/s. REC Limited to the state DISCOM of the past 5 years is tabulated below</p> <table border="1"> <thead> <tr> <th>FY</th> <th>DISCOM lending rate from REC</th> </tr> </thead> <tbody> <tr> <td>2015-16</td> <td>12% -11.5%</td> </tr> <tr> <td>2016-17</td> <td>11%</td> </tr> <tr> <td>2017-18</td> <td>11% - 10.75%</td> </tr> <tr> <td>2018-19</td> <td>10.75%-11%</td> </tr> <tr> <td>2019-20</td> <td>11%</td> </tr> </tbody> </table> <p>This shows that the DISCOM lending rates are showing mixed trend over the years and on an average it stood at 11% p.a. Hence the cost of debt considered in the DISCOM is in-line with the current state of financial affairs.</p>	FY	DISCOM lending rate from REC	2015-16	12% -11.5%	2016-17	11%	2017-18	11% - 10.75%	2018-19	10.75%-11%	2019-20	11%
FY	DISCOM lending rate from REC													
2015-16	12% -11.5%													
2016-17	11%													
2017-18	11% - 10.75%													
2018-19	10.75%-11%													
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12	The Discoms have claimed 14% return on equity component in the regulated rate base. This is in addition to 2% supply margin. SPDCL has claimed income tax rate of 21.55% (MAT) for the 4 <sup>th</sup> control period. NPDCL has claimed income tax rate of 30%,	The Regulation 4 of 2005 stipulates the following clause under "Taxes on Income" :- <b>"18. Taxes on Income</b> <i>1. Taxes on Income, if any, on the income stream of the licensed</i>												

	<p>surcharge 12% and cess 3% for the 4<sup>th</sup> control period. Such divergent claims need to be examined in the light of actual income tax rate applicable. For generation tariff, income tax is allowed as pass through on return on equity only. Here, in the case of distribution business, 14% RoE is allowed by the Commission worked out on the basis of regulated rate base, irrespective of actual equity invested by TS Discoms. Therefore, we request the Hon'ble Commission not to entertain their claim for income tax on normative basis, but confine to return on equity actually provided by the Discoms. When return on equity @ 14% plus 2% supply margin is allowed, income tax on the same can be borne by the company concerned. I request the Hon'ble Commission to consider to dispense with the practice of allowing income tax to be paid by Discoms as pass through to be collected from the consumers as a part and parcel of charges.</p>	<p><i>business of the Distribution Licensee shall be treated as an expense and shall be recoverable through ARR.</i></p> <p><b>2. Taxes on Income actually payable and paid shall be included in the ARR, limited, however, to tax on Return on Equity component of the Return on Capital Employed, and excluding tax on profit, if any, in excess of such return (arising out of any reason, including efficiency of the Distribution Licensee or any explicit incentive provided in the ARR), penalties, interest on delayed payment of tax, etc. , and duly adjusted for any refunds, etc. received for the previous periods."</b></p> <p>In accordance to the regulation, the DISCOM has claimed Taxes on Income on the expected Return on equity (including supply margin) in the Proposed ARR for 4<sup>th</sup> MYT Control Period. The DISCOM has considered Minimum Alternate Tax of 18.5% and cess &amp; surcharge of 3% to arrive at 21.5% p.a. tax rate. The pass through of taxes on income is in accordance to the Regulation and the previous MYT orders of the Honble Commission.</p>
13	<p>The Discoms have claimed special appropriations for safety measures towards safety of consumers and their employees. While SPDCL has claimed special appropriations of Rs.50 crore per annum during the 4<sup>th</sup> control period, NPDCL has claimed the same ranging from Rs.56.87 crore for 2019-20 to Rs.59.97 crore during 2023-24. While NPDCL was permitted by the Hon'ble Commission to have a budget of Rs.292 crore and SPDCL for Rs.200 crore for the third control period for safety improvement plan, the Discoms have submitted that they have not completed the proposed works under the plan and proposed to complete them on "priority basis" (NPDCL) and on "priority basis preferably as a 100 days program" (SPDCL). This approach shows lack of seriousness on the part of the Discoms to implement safety measures. Moreover, to what extent safety of consumers and employees of the Discoms has been improved and rate of accidents reduced during the third control period is not explained by the Discoms. This is despite the fact that</p>	<p>The special appropriation amount of Rs. 189.29 Crores has been utilized during 3<sup>rd</sup> Control period for execution of the following works under Safety measures</p> <ul style="list-style-type: none"> <li>➤ Sagging of 11 KV &amp; LT Lines</li> <li>➤ Requirement of intermediate, 11 KV &amp; LT poles</li> <li>➤ Bent/leaned/Damaged/Rusted poles</li> <li>➤ Damaged stays and struts</li> <li>➤ Damaged or Worn-out conductor</li> <li>➤ Defective earthing rectification</li> <li>➤ Defective AB switches rectification</li> <li>➤ Defective HG Fuse sets rectification</li> <li>➤ Low level road crossings with insufficient ground clearance.</li> <li>➤ Provide new AB Switches wherever not existing</li> </ul> <p>On execution of the above mentioned works, accidents have drastically reduced as indicated below:</p>

	<p>the Hon'ble Commission had made it clear that "non-compliance of this directive (to prepare and implement safety improvement plan during the 3<sup>rd</sup> control period) may lead to claw back of the amounts provided with carrying norm apart from disallowing the compensation/ex-gratia amounts paid on account of accidents occurred due to poor network." Out of the amounts approved by the Hon'ble Commission under special appropriations for safety measures, how much was spent by the Discoms during the third control period?</p>	<table border="1" data-bbox="1545 267 2392 381"> <tr> <td></td> <td>2017-18</td> <td>2018-19</td> <td>2019-20 (Upto Dec'19)</td> </tr> <tr> <td>SPDCL</td> <td>333</td> <td>294</td> <td>169</td> </tr> </table>		2017-18	2018-19	2019-20 (Upto Dec'19)	SPDCL	333	294	169
	2017-18	2018-19	2019-20 (Upto Dec'19)							
SPDCL	333	294	169							
14	<p>TSNPDCL has submitted that it has observed that by considering agriculture sales, the loss at LT voltage level is nearer to the loss approved by the Hon'ble Commission for the last year of 3<sup>rd</sup> control period (2018-19) at 5.01% against 5% approved by the Commission. Despite the various loss reduction measures claimed to have been implemented by the Discom, the latter maintains that further reduction of losses from the present level of distribution losses of 11.23% for the year 2018-19 is very difficult. In view of the same, NPDCL has requested the Hon'ble Commission to approve the voltage wise loss trajectory for the 4<sup>th</sup> control period from 5.01% achieved during 2018-19 to 4.99% during 2023-24 (LT loss); from 3.92% achieved during 2018-19 to 3.91% during 2023-24 (11 kv loss); and from 3.58% achieved during 2018-19 to 3.57% during 2023-24 (33 kv loss). Despite huge expenditure proposed for expansion and strengthening of the distribution system, the proposed reduction of wheeling losses over a period of five years is an insignificant 0.1%. On its own admission, SPDCL fell short of achieving the targets for reduction of wheeling losses approved by the Hon'ble Commission for the year 2018-19. The Discom had admitted that the actual losses are higher than the approved loss levels set for the third control period. It has requested the Hon'ble Commission to consider the actual losses of 2018-19 to arrive at the revised loss trajectory for the 4<sup>th</sup> control period. A part of line</p>	<p>As per clause 5.3 (h)(2) of National Tariff Policy "In cases where operations have been much below the norms for many previous years the initial starting point in determining the revenue requirement and the improvement trajectories should be recognized at "relaxed" levels and not the "desired" levels." Hence TSSPDCL has considered the actual losses achieved in FY 2018-19 as basis for projection of loss trajectory for 4<sup>th</sup> MYT Period. The DISCOM could not achieve the stringent loss targets approved by the Honble Commission for 3<sup>rd</sup> MYT Period despite extensive loss reduction measures taken during the period.</p> <p>The DISCOM has projected 2% year-on-year loss reduction under LT voltage, 1% for 11 kV and 0.5% loss reduction for 33 kV voltage levels. Achieving slight reduction in losses after reaching certain bench mark levels will be quite ambitious and requires huge capital investments.</p> <p>The estimation of agricultural consumption is being done as per the ISI methodology approved by the Honble Commission.</p>								

	<p>losses is being shown under agricultural consumption, in the absence of metering, and as a result of questionable methodology being adopted for estimating agricultural consumption of power. With the claimed continuous supply of power to agriculture throughout the day and year, the scope for such a manipulation gets intensified. I request the Hon'ble Commission to fix targets of reduction of wheeling losses during the 4<sup>th</sup> control period realistically, taking all relevant factors into consideration.</p>	
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S.No.	Summary of Objections / Suggestions	Response of the Licensee
<b>3. Sri G PrabhakarRao, Plot No 241/102, Opp. Jaya Residency, Electric Tower Line road, Jayanagar, Kukatpally, Hyderabad-500 072</b>		
1	<p>ట్రాన్స్మి, డిస్కం సంస్థలు సమన్వయముతో, సమష్టిగా, హైదరాబాద్ నగరంలో BIS- ISI సాంకేతిక భద్రత ప్రమాణములు పాటించకుండా ఇష్టారాజ్యంగా LT DTR నిర్మాణములు, పూజ-బాక్లకు, కారకులు బాధ్యులు ఎవరు?</p>	<p>టీ.ఎస్.ఎస్.పి.డి.సి.ఎల్ procurement విభాగము ఒక పద్ధతి ప్రకారము e-procurement పద్ధతిన వివిధ రకాల పరికరాలను కొనుగోలు చేస్తుంది. అన్నిరకాల పరికరాలు ISI ప్రమాణాల ప్రకారము మరియు సెంట్రల్ ఎలక్ట్రిసిటీ అథారిటీ (సిఇఎ) సూచనల ప్రకారము కొనుగోలుచేయడం జరుగుతుంది. ఈ అన్ని ప్రమాణాలను టెండర్ స్పెసిఫికేషన్ లో పొందుపరచడం జరుగుతుంది. అలా ప్రొక్యూర్ చేసిన పరికరాలను, ఆర్.ఇ.సి ప్రమాణాల ప్రకారము మరియు సిఇఎ, EA- 2003 భద్రతా ప్రమాణాలు అనుసరించి బిగించడం జరుగుతుంది. ప్రస్తుతం టీ.ఎస్.ఎస్.పి.డి.సి.ఎల్ స్టార్ రేటింగ్ ఉన్న DTR లను కొనడం జరుగుతుంది.</p>

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<p align="center"><b>4. M/s. ARhyama Solar Power Pvt Ltd, #1-8-31 to 41, 11rd Floor, Kapadia Towers, Lane Opp to ICICI Bank Bapubagh Colony, Penderghast Road, Secunderabad-500003</b></p>		
<p>1</p>	<p><b>AP Solar Policy ‘2012, clause 8(a)</b> provides waiver of wheeling chares for 7 years from date of implementation of the project for both Third party &amp; Captive Open Access</p> <p>Wheeling and Transmission charges – there will be no wheeling and transmission charges for wheeling of power generated from the solar power projects to the desired locations for captive use/third party sale within the state through grid (vide amendment G.O. Ms. No. 44, dated: 16-11-2012 “through 33KV system” was substituted with “through grid”) subject to industries maintaining their demand within its contracted demand. However, wheeling and transmission charges for wheeling of power generated from the solar power projects for sale outside the state will be as per APERC regulations</p>	<p>Clause 8 of AP Solar Policy,2012,stipulates that the  “ 8. Incentive:  <i>In order to encourage the immediate production of Solar Power to reduce the present gap in demand and supply position of power and provide industries with a possibility to utilize the power produced through solar power, following incentives will be extended to those solar power developers who commission their solar plant by June 2014. <b>These incentives will be in force for a period of seven years form the date of implementation.</b></i>  a. <i>Wheeling and Transmission Charges</i>  <i>There will be no wheeling and transmission charges for wheeling of power generated from the Solar Power Projects, to the desired locations for captive use/third party sale within the state through 33KV system subject to industries maintaining their demand within its contracted demand. However, wheeling and transmission charges for wheeling of power generated from the Solar Power Projects for sale outside the state will be as per APERC regulations.“</i></p> <p>The date of implementation of the AP Solar Policy,2012 is from 26.09.2012 and incentives are in force for a period of 7 years from the date of implementation. Hence the incentives with respect to waiver of wheeling &amp; transmission charges for captive use/third party sale within the state are ceased to exist from 26.09.2019.</p> <p>Accordingly, DISCOM has not proposed any waiver of wheeling charges for captive use/third party sale within the state of Solar Power Developers who commissioned plants in accordance to the AP Solar Policy,2012.</p>
<p>2</p>	<p><b><u>TS Solar Policy’2015</u></b></p>	<p>Telangana Solar Policy,2015 provides 100% exemption of wheeling charges for 10 years from date of commissioning of the project for captive open access.</p>

<p>Clause 11(d) provides waiver of wheeling charges for 10 years from date of commissioning of the project only for Captive Open Access.</p> <p>The wheeling and transmission charges are exempted for captive use within the state. They will be charged as applicable for theird party sale. The transmission and distribution losses however is fully applicable for both third party within the state as well as captive use within the state”</p>	<p>The Honble Commission vide its amendment order dated 31.12.2016 has ordered that</p> <p><i>“The wheeling and transmission charges are exempted for captive use within the state. They will be charged as applicable for third party sale. The transmission and distribution losses however is fully applicable for both third party within the state as well as captive use within the state</i></p> <p><i>Provided further that the Govt. of Telangana shall reimburse the Discoms, the sum of money due to the exemption of the wheeling charges to the Solar Power Projects as stated in first proviso to the para 49. <b>In the event of non-reimbursement by the Govt. of Telangana of the wheeling charges so exempted, the Discoms shall continue to levy the wheeling charges as applicable before this amendment plus the sum accrued as arrears from such consumers who are exempted under this amended order”</b></i></p> <p>As there is no reimbursement of wheeling charges so exempted from the Government of Telangana to the DISCOM , DISCOM is bound to levy wheeling charges from all the open access consumers including from the solar captive use developers covered under TS Solar Policy,2015.</p> <p>In view of that, DISCOM has not proposed any exemption to solar captive use developers covered under TS Solar Policy,2015.</p>
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S.No.	Summary of Objections / Suggestions	Response of the Licensee
<p><b>5. Telangana Solar Open Access Developers Association, #8-3-224/4/A, Pt no. 11 &amp; 12, sy no. 01, room no.412 madhura Naar, Yousufguda, Hyderabad- 500038</b></p>		
<p>1</p>	<p><b>AP Solar Policy ‘2012, clause 8(a)</b> provides waiver of wheeling chares for 7 years from date of implementation of the project for both Third party &amp; Captive Open Access</p> <p>Wheeling and Transmission charges – there will be no wheeling and transmission charges for wheeling of power generated from the solar power projects to the desired locations for captive use/third party sale within the state through grid (vide amendment G.O. Ms. No. 44, dated: 16-11-2012 “through 33KV system” was substituted with “through grid”) subject to industries maintaining their demand within its contracted demand. However, wheeling and transmission charges for wheeling of power generated from the solar power projects for sale outside the state will be as per APERC regulations</p>	<p>Clause 8 of AP Solar Policy,2012,stipulates that the “ 8. Incentive:</p> <p><i>In order to encourage the immediate production of Solar Power to reduce the present gap in demand and supply position of power and provide industries with a possibility to utilize the power produced through solar power, following incentives will be extended to those solar power developers who commission their solar plant by June 2014. <b>These incentives will be in force for a period of seven years form the date of implementation.</b></i></p> <p><i>b. Wheeling and Transmission Charges</i></p> <p><i>There will be no wheeling and transmission charges for wheeling of power generated from the Solar Power Projects, to the desired locations for captive use/third party sale within the state through 33KV system subject to industries maintaining their demand within its contracted demand. However, wheeling and transmission charges for wheeling of power generated from the Solar Power Projects for sale outside the state will be as per APERC regulations.“</i></p> <p>The date of implementation of the AP Solar Policy,2012 is from 26.09.2012 and incentives are in force for a period of 7 years from the date of implementation. Hence the incentives with respect to waiver of wheeling &amp; transmission charges for captive use/third party sale within the state are ceased to exist from 26.09.2019.</p> <p>Accordingly, DISCOM has not proposed any waiver of wheeling charges for captive use/third party sale within the state of Solar Power Developers who commissioned plants in accordance to the AP Solar Policy,2012.</p>

2	<p><b><u>TS Solar Policy'2015</u></b></p> <p>Clause 11(d) provides waiver of wheeling charges for 10 years from date of commissioning of the project only for Captive Open Access.</p> <p>The wheeling and transmission charges are exempted for captive use within the state. They will be charged as applicable for theird party sale. The transmission and distribution losses however is fully applicable for both third party within the state as well as captive use within the state”</p>	<p>Telangana Solar Policy,2015 provides 100% exemption of wheeling charges for 10 years from date of commissioning of the project for captive open access. The Honble Commission vide its amendment order dated 31.12.2016 has ordered that</p> <p><i>“The wheeling and transmission charges are exempted for captive use within the state. They will be charged as applicable for third party sale. The transmission and distribution losses however is fully applicable for both third party within the state as well as captive use within the state</i></p> <p><i>Provided further that the Govt. of Telangana shall reimburse the Discoms, the sum of money due to the exemption of the wheeling charges to the Solar Power Projects as stated in first proviso to the para 49. <b>In the event of non-reimbursement by the Govt. of Telangana of the wheeling charges so exempted, the Discoms shall continue to levy the wheeling charges as applicable before this amendment plus the sum accrued as arrears from such consumers who are exempted under this amended order”</b></i></p> <p>As there is no reimbursement of wheeling charges so exempted from the Government of Telangana to the DISCOM , DISCOM is bound to levy wheeling charges from all the open access consumers including from the solar captive use developers covered under TS Solar Policy,2015.</p> <p>In view of that, DISCOM has not proposed any exemption to solar captive use developers covered under TS Solar Policy,2015.</p>
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