

ANNEXURE

Sl. No.	Summary of Objection	Response
Sri M.Venugopala Rao, Senior Journalist & Convener, Centre for Power Studies, H.No.7-1-408 to 413, F 203, Sri Sai Darsan Residency, Balkampet Road, Ameerpet, Hyderabad-16		
1	<p>In the subject proposals, TS Transco has shown a total surplus of Rs.17.14 crore for the period 2.6.2014 to 31.3.2015 including special appropriation of Rs.0.27 crore for 1st control period and Rs.0.31 crore for the 2nd control period. It has requested the Hon'ble Commission to allow it to be adjusted @Rs.8.57 crore each from the revenue requirement for 2017-18 and 2018-19 under annual fee and operating charges for SLDC. During the said period, while O&M expenses came down by Rs.0.85 crore, administrative and general expenses by Rs.9.26 crore, repairs and maintenance expenses by Rs.2.51 crore and capital cost by Rs.5.57 crore due to lesser capitalization of fixed assets than envisaged in the tariff order issued by the Commission for that period. However, during the same period, the employee cost increased by Rs.10.34 crore than what was determined by the Commission in the tariff order. In view of higher employee cost vis a vis lesser capitalisation and lesser expenditure on other items, I request the Hon'ble Commission to direct the utility to confine employee cost as per applicable parameters.</p>	<p>a) The Hon'ble Commission may take a view as per Regulations in vogue for the amount saved under Capitalization and also saving on other heads like O&M, General Expenses and R&M.</p> <p>b)The increase of salaries is due to pay revision in 2014, is a pass-through and therefore, the Hon'ble Commission is requested to approve the Employee cost without linking to norms.</p>
2	<p>TS Transco has proposed a capital cost of Rs.6.68 crore for 2017-18 and Rs.8.60 crore for 2018-19. It has proposed an interest rate of 12% on loans to be taken for the purpose. In view of drastic reduction of interest rates by Banks and financial institutions post-demonetisation, interest rate of 12% is obviously on the higher side. I request the Hon'ble Commission to direct TS Transco to re-negotiate for reduction of interest rate and determine the same realistically.</p>	<p>As per SLDC ARR filings, interest rate @12% p.a., was adopted for arriving the capital cost. The weighted average cost of debt for FY 2016-17 (Provl.) works out to 10.60% p.a. The Hon'ble Commission may take a view.</p>

3	<p>TS Transco has proposed annual fee and operating charges for SLDC based on total generation capacity of 14526 MW for 2017-18 and 16161 MW for 2018-19, including 150 MW for each year for open access generation. In view of availability of substantial surplus power during the two years projected by the TS Discoms, generation capacity may remain idle proportionately due to backing down and their inability to compete in the market and sell surplus power. In other words, it results in under-utilisation of SLDC services but with full payment of annual fee and operating charges for the entire generation capacity, if added fully within the stipulated timelines, as has been the case with transmission and distribution charges. Therefore, in order to avoid such unwarranted payments and to ensure putting into use of generation, transmission and distribution capacities, as well as SLDC services, a realistic determination of long-term load forecast and resources and procurement plan and ensuring timely completion of projects and works relating to generation, transmission and distribution, as well as SLDC, need to be ensured.</p>	<p>The Contracted Capacities shown in the SLDC Tariff filings are the ex-bus installed capacities of all the generating stations with which the TSDiscoms are having long term PPAs. As per the present filing methodology, the installed capacity is taken as the contracted capacity. While, the open access capacity was arrived based on the actual long term open access contracts entered by Discoms/Transco with the third party developers. If the contracted capacity is reduced based on the load forecast, the rate of SLDC operating charges and annual fee will increase proportionally as the total ARR sum is constant.</p>
4	<p>TS Transco has proposed SLDC annual fee of Rs.4598.65 per MW for a generation capacity of 14256 MW for 2017-18 and of Rs.5321.45 per MW for a generation capacity of 16161 MW for 2018-19. Similarly, it has proposed operating charges of Rs.1996.42 per MW per month for 2017-18 and of Rs.1995.03 per MW per month for 2018-19. Keeping the above submissions, among others, in view and taking the proposed non-tariff income of Rs.2 crore per annum and proposed special appropriation into account, I request the Hon'ble Commission to determine annual fee and operating charges for SLDC realistically.</p>	<p>Saving and additional revenue of SLDC is exclusive income of SLDC. Hence, need not be adjusted. Hon'ble Commission is requested to allow SLDC to retain the additional income.</p>